Partnership Versus Public Ownership of Accounting Firms: Exploring Relative Performance, Performance Measurement and Measurement Issues.

Mark E Pickering[1]

Abstract

Despite theoretical arguments that partnerships are the most efficient ownership form for professional service firms (PSFs), PSFs are increasingly moving to other ownership structures, such as publicly listed companies (PLCs). Research on the comparative performance of PSF, PLCs and partnerships is sparse with conflicting results suggesting that some segments of PSFs are moving to a less efficient form. This study explores the performance of two Australian accounting PLCs compared to a sample of similar sized mid tier accounting firms. The accounting PLCs achieved substantially higher revenue growth rates but lower productivity than the partnership sample. Measurement issues were identified in the use of closing resource numbers and different treatment of reporting merger and acquisition revenues which may partially explain the underperformance of publicly owned PSFs in prior studies. The need for research at a more detailed level exploring the market and service focus, organisational structures, resources utilised and resource costs across different PSF ownership forms is suggested.[2]

Keywords: Professional services, partnership, public ownership, accounting firms, performance, publicly quoted

JEL Codes: L22, L25, L84, M41.

---

[1] Swinburne University, Australia
Email:mpickering@pickeringbyrnes.com.au

[2] This research was carried out while the author was a doctoral student at RMIT University and while teaching at Swinburne University. The author would like to acknowledge the support of David Kimber, formerly of RMIT, and Judy Oliver of Swinburne.

Introduction

Since American Express started acquiring accounting firms in the 1990s (Shafer, Lowe & Fogarty 2002), publicly listed accounting companies have emerged as substantial organisations. Through rapid growth, accounting publicly listed companies (PLCs) have become larger than all but the 'big four' accounting firms in Australia (King 2010) and the US (Accounting Today 2011) and include the seventh largest accounting firm in the UK (Grant 2010).

More broadly, there has been a trend across a number of other professions away from the partnership form of ownership to other structures including limited liability partnerships, incorporation and PLCs (Greenwood, Deephouse & Li 2007; Greenwood & Empson 2003; Von Nordenflycht 2007). While the partnership form has been theorised to be an important attribute of the performance of professional service firms (PSFs) (Greenwood & Empson 2003), there has been limited research of the relative performance of different forms of ownership of these types of organisations (Greenwood et al. 2007; Von Nordenflyct 2007). Despite the significant size of PLCs providing accounting as their dominant service no previous studies were identified exploring the performance of these organisations.

Related studies of the relative performance of different forms of ownership of large consulting firms (Greenwood et al. 2007) and advertising firms (Von Nordenflycht 2007) conclude that for some segments the movement to publicly owned companies is to a less efficient form. Measuring the relative performance of different ownership forms is problematic due to the lack of access to financial information on private partnerships with innovative researchers using proxies of profitability sourced from published industry surveys (eg. Greenwood et al. 2007; Von Nordenflyct 2007).

There have been calls for further research to gain an insight as to why PSFs are moving to a less profitable ownership form (Greenwood et al. 2007). The limited research to date, information constraints, use of inconsistent proxy measures of performance and somewhat confusing prior findings suggest the need for exploratory analysis into performance measures themselves and the use of published industry survey data.

This paper explores the performance of two Australian publicly owned accounting companies in comparison to a sample of ten second tier accounting partnerships using publicly available proxy measures, revenue growth and revenue per person, adapted from prior studies (eg. Greenwood et al. 2007; Von Nordenflycht 2007). Performance is taken from the perspective of the residual claims of owners rather than the professionals (agents). The measures themselves and underlying data sourced from industry survey data published in Business Review Weekly, were carefully examined to identify any data or measurement issues. Finally, for the two sample publicly owned companies the proxy measures were compared to explore whether they were reflective of the relative underlying financial performance of the companies as reported in company annual reports.

While the study is exploratory it makes a number of contributions on the performance of publicly owned accounting companies in comparison to partnerships and on measurement issues of using these publicly available proxy performance measures to analyse relative performance. It is the first research to consider the performance of the newly emerged accounting PLCs. The research suggests that public ownership enables substantially faster growth than partnership by providing access to company shares as consideration for acquisitions. Rapid growth through acquisition carries risks as indicated by the failure of one of the sample companies and the high failure rate of Australian publicly owned accounting companies. The publicly owned accounting companies were less productive in terms of revenue per person than the sample partnerships. However, limited conclusions can be drawn on relative profitability across ownership forms due to measurement issues and different market focuses across samples as discussed below.

The study provides insights into potential challenges of using published industry surveys and proxy measures of performance of different ownership forms of accounting and other PSFs. Different approaches to reporting revenues related to mergers and acquisitions by partnerships and PLCs and the use of year end resource (persons/ professionals) numbers rather than annual averages understate the relative productivity of fast growing PLCs when compared to slower growth partnerships.

As theorised (eg. Greenwood & Empson 2003) the PLC sample focused on providing more commoditised services requiring low levels of tailoring of solutions to less sophisticated clients than the sample accounting partnerships. This suggests that lower revenue per person of the PLCs may not reflect lower productivity (hours charged per person) but lower hourly rates related to the types of services provided and customers served. This lower revenue per person noted in the study may therefore be offset by lower employee costs per person than partnership due to the lower specialisation required for less complex services. In this study, proxy measures adapted from prior studies of PSF performance were not found to be representative of the underlying performance of the PLC sub-sample per published financial information.

These identified measurement issues may partially explain prior findings of the underperformance of large publicly owned consulting companies compared to large consulting partnerships (Greenwood et al. 2007). For future research on the relative performance of different ownership forms of accounting and other PSFs this study suggests the need for care in the use of revenue based proxy measures of performance, the need to control for service/client focus across samples and for detailed case studies and researcher surveys to provide a greater understanding of the underlying performance of these entities.

Literature Review

This section examines the literature on partnership as an optimal form of managing professionals, the trend of accounting firms and other large PSFs to other ownership structures, prior studies of the ownership structure and performance relationship and measures used in prior studies.

Partnerships as an Optimal Form for Managing Professionals

Professional service firms, such as accounting, law, engineering and consulting firms have traditionally been structured as professional partnerships (Greenwood, Hinings & Brown 1990). In these organisations, partners act in multiple roles as owners, managers and key professionals which is different to large corporations where ownership, management and operational employment is separated (Greenwood et al. 1990). Partnerships also involve unlimited liability where partners are liable for the actions of other firm partners (Empson and Chapman 2006). The predominance of this form of ownership is due to legal constraints and professional body requirements (Empson & Chapman 2006: Von Nordenflycht 2007) and due to partnership being theorised to be the optimal structure to manage professionals and balance the conflicting needs of shareholders, professionals and clients (Empson & Chapman 2006; Greenwood & Empson 2003).

Partnership has been theorised to balance the potential agency issues (Fama & Jensen 1983) and conflict between firm owners and key professionals over ownership of knowledge assets and client relationships by combining both roles and enabling key professional participation in decision making (Empson & Chapman 2006; Hart & Moore 1990). The difficulty in applying formal controls due to the complex and non-routine nature of professional activities is addressed in partnerships by the sharing of profits and the use of peer control and self-monitoring processes encouraged by unlimited liability (Empson & Chapman 2006; Greenwood & Empson 2003). The up-or-out approach to promotion is often used in professional partnerships (Galanter & Palay 1991; Gilson & Mnookin 1989; Morris & Empson 1998). The small percentage of juniors making partner and the high rewards of partnership (compensation, involvement in decision making and status (Greenwood & Empson 2003)) represents the 'tournament' system of motivation (Becker and Huselid 1992; Lambert, Larcher & Wielgelt 1993) which has been associated with greater work effort and productivity (eg. Galanter & Palay 1991; Gilson & Mnookin 1989).

Internal ownership, unlimited liability and the up-or-out promotion policy of partnerships provide reassurance to clients even with asymmetric knowledge (Empson & Chapman 2006). Personal liability and their ownership of the firm aligns partners interests with those of clients in terms of ensuring quality standards and not placing external shareholder needs above clients (Shafer et al. 2002). The tournament system provides a safeguard on the professionalism of individual partners for both partners and clients (Covaleski et al. 1998; Galanter & Palay 1991; Gilson & Mnookin 1985).

The above attributes of partnerships have been theorised to result in partnerships having lower internal agency costs than the external agency costs of PLCs that separate ownership from management and the organisation's professionals, remove personal partner liability and detract from the motivational power of the quest to achieve partner status (Greenwood & Empson 2003).

Moves to Other Forms of Ownership

Despite the theorised benefits of partnerships in managing professional service firms, there has been a trend in large professional service firms moving from traditionally being structured as professional partnerships to other forms of ownership, such as unlimited partnerships, private corporations and PLCs (Greenwood & Empson 2003; Greenwood et al. 2007; Von Nordenflycht 2007).

Even traditional professions such as accounting and law have seen some change to public ownership. Accounting firms had traditionally been constrained to partnership and sole trader forms by legislation and the regulations of accounting professional associations (Von Nordenflycht 2007). During the late 1980s and 1990s, due to large legal settlements, accounting firms and professionals lobbied to use ownership structures which limited accounting firm liability and the personal liability of firm partners (Accountancy Age 1986; Bruce 1995). During the 1990s and early 2000s legislative and regulatory changes were introduced in many countries enabling incorporation of accounting firms and the registration of firms as Limited Liability Partnerships in the United States (Hamilton 1995) and the United Kingdom (Linsell 2001).

The late 1990s saw a trend towards the public ownership of accounting firms in the US through the acquisition of thousands of firms by companies such as American Express, H&R Block and CBIZ Inc. (Shafer et al. 2002; Wootton, Wolk & Normand 2003). American Express subsequently exited the accounting business in 2005 selling the business to H&R Block subsidiary RSM McGladery (H&R Block 2005). In Australia in 1998, publicly owned WHK Group (then named Investor Group) acquired its first accounting firm going on to acquire another 150 accounting and financial planning firms over the next twelve years (Pickering 2010). Four other publicly owned companies with major accounting focus were listed in Australia between 2000 and 2003 with all except WHK Group collapsing by 2005 (Drury 2007; Fraser 2005). Survivor WHK Group was recently joined on the Australian

Securities Exchange in December 2010 by CountPlus Limited (Hatch 2011). In the UK early in the 2000s four publicly owned accounting firms were listed and grew rapidly by acquisition (Hanney 2005A; Hinks 2008) with one of these, Numerica PLC, collapsing in 2005 (Hanney 2005B) and a second, Vantis PLC, going into administration in mid-2010 (Armistead 2010). RSM Tenon and insolvency firm Begbies Traynor remain listed in the UK as of early 2011.

While the number of accounting PLCs remains low globally they now represent some of the largest accounting firms outside of the Big 4 in Australia, the US and the UK. In Australia, WHK Group Limited is the 5th largest accounting firm with revenues in 2010 of Aus$348 million (King 2010), RSM and the related McGladery and Pullen are combined the 5th largest firm in the US with revenues of US$1,379 million (Accounting Today 2011) and RSM Tenon PLC is the 7th largest firm in the UK with revenues of UK£225 million (Grant 2010).

In Australia, the first legal services PLCs (Integrated Legal Holdings and Slater and Gordon Limited) have emerged while in the UK the Legal Services Act has recently been passed allowing the ownership of law firms by non-lawyers (Faulconbridge & Muzio 2009).

Factors that may result in the move towards incorporation of PSFs include the growth in the size and complexity of firms resulting in collegiate decision making becoming more difficult and requiring the addition of further controls, the expansion in types of services offered resulting in professionals with different values joining the organization and creating difficulty obtaining agreement and the growing need for capital to fund increasing technology costs (Greenwood & Empson 2003). Environmental factors such as increasing risk of litigation (Van Lent 1999), reduced incentives for professionals to aspire to partnership due to opportunities for greater rewards outside of partnership and a preference for a balanced lifestyle reducing the relative benefits of partnership (Greenwood & Empson 2003).

This is supported by ownership structure related benefits expected by partners of accounting partnerships selling their firms to PLCs. These include: gaining access to capital to enable growth by acquisition and investment in information technology systems; addressing partnership succession issues with firms struggling to find new partners willing and able to pay up to $500,000 to buy in; and the ability to pay out retiring partners (Pickering 2010). Overcoming limitations with consensus decision making in partnerships, particularly as firms grew larger, and difficulties in introducing more corporate governance structures into partnerships were also cited as reasons for selling. Removing partners' liability did not emerge as a major reason for selling into a public company (Pickering 2010).

Relative Performance of Different Forms of Ownership of PSFs

While PSFs have been moving to alternative forms of ownership the question as to whether the form of ownership affects the performance of professional service firms has been neglected (Greenwood et al. 2007; Von Nordenflycht 2007). Greenwood et al. (2007) in the study of large consulting firms find that private companies and partnerships outperform PLCs but found no difference in the performance of partnerships and private corporations. Durand and Vargas (2003) suggest that the relative performance of different ownership forms will change with the size and complexity of organisations. Organisational complexity, as defined by the number of offices, was not found to impact the relationship between ownership form and performance in large consulting firms (Greenwood et al. 2007). However, performance was found to be negatively correlated to the number of professionals in the firm suggesting increasing costs of coordination with size (Greenwood et al. 2007) consistent with Nanda's (2004) study of the performance of US legal firms. Moving to public ownership was not found to lower performance of large advertising agencies but had a negative effect on small to medium sized agencies (Von Nordenflycht 2007). This raises the issue as to why PSFs are moving to what appears to be an inferior legal form, the PSF PLC (Greenwood et al. 2007).

Performance Measures used in Prior Studies of the Ownership Structure/Performance Relationship

Comparative analysis of the profitability of private and public forms of ownership of PSFs is problematic as private firms, including partnerships, do not usually release financial information (Greenwood et al. 2007; Von Nordenflycht 2007). Innovative researchers, such as Greenwood et al. (2007) and Von Nordenflycht (2007), have utilised proxies of performance sourced from industry publications' ranking reports to perform this analysis.

Greenwood et al. (2007) in their study of large consulting firms utilise revenue per professional (a productivity measure), commonly used in prior PSF studies (for example, Nanda 2004) and by industry analysts (Maister 1993), as a proxy for profitability. Strong relationships have been found between revenue per professional and profit per partner in large US law partnerships (Nanda 2004) and between revenue per professional and profit per professional in large consulting PLCs (Greenwood et al. 2007). Von Nordenflycht (2007), by contrast, did not find a relationship between revenue per employee and profit margin for their sub sample of US advertising PLCs. However, a high correlation was identified between growth rate (annual compounded revenue growth rate over three years) and profit margin in the PLC sub-sample leading the researcher to use growth rate as a proxy for performance in the study.

Prior studies are innovative and insightful in an area that has previously been ignored by researchers (eg Greenwood et al. 2007; Von Nordenflycht 2007). However, the findings may be affected by limitations in the measures used. Both studies assume that the relationship identified in the public company sub sample between the publicly available proxy measure (growth rate or revenue per professional) and underlying profitability is consistent with the unknown relationship between these variables in the sub sample of partnerships. It is possible that these assumptions do not hold. For example, perhaps the same level of revenue per professional in a partnership corresponds with a higher or lower level of profit per professional than in a publicly owned company. It has been theorised that PSF PLCs may have higher bureaucracy and external agency costs than partnerships in order to protect the interests of external shareholders (Greenwood & Empson 2003; Greenwood et al. 2007). This may result in additional layers of management in PLCs and associated costs that would not be included in revenue per professional nor revenue growth measures.

The use of the ratio of inputs to outputs to measure the performance of different ownership forms has been used more broadly in many industry and geographic settings. As well as consulting (Greenwood et al. 2007) these include manufacturing (Durand & Vargas 2003), hotels (Vroom & Gimeno 2007) and in emerging economies (Estrin & Rosevear 1999; Megginson & Netter 2001). Supporting the use by Von Nordenflycht (2007) of revenue growth rates in evaluating the performance of advertising firms, this measure has been used in ownership and performance studies of family businesses (Shulze et al. 2001). Care has been suggested in using profitability based measures due to concerns of manipulation for tax purposes (Durand & Vargas 2003; Shulze et al. 2001) and where accounting standards are poorly enforced (Estrin & Rosevear 1999).

This paper seeks to explore the relative performance of the partnership and public corporation forms of ownership for accounting firms. It seeks to contribute to the knowledge of performance measures and data sources used in comparing the performance of different legal forms of PSFs.

Approach

Table 1
Summary of Research Steps

Question Explored	Research Method
Comparable performance across ownership form How do publicly listed accounting firms perform compared to partnerships?	1. Compared revenue growth (1999 to 2005) and revenue per person (2000 to 2005) measures for a sample of two Australian Publicly Listed Accounting Companies and 10 mid-tier partnerships. A shorter period was used for one of the PLCs (Stockford) that collapsed during the period studied.
Exploring the validity of proxy measures Do proxy measures of performance reflect the underlying performance of accounting firms?	2. Compared the underlying financial performance of the two sample publicly listed accounting firms to the performance as measured by publicly available proxy measures (revenues growth rate and revenue per person) for the year ended 30 June 2002. Proxy measures were not found to be reflective of the disparate underlying financial performance of the companies (see findings). 3. Reviewed reported revenue per person per BRW surveys for outlier firms with extremely high or low revenue per person and investigated reasons by reviewing published media reports in the Factiva electronic database of newspaper and magazine articles (see findings). 4. As productivity measures reported in BRW utilises end of year staffing, numbers may understate the productivity of high growth PLCs. Revenue per person was recalculated using average staff numbers for the year and compared to measures using year end staff numbers. Using year end personnel numbers was found to understate PLC productivity compared to partnerships (see findings). 5. Utilised management theory to explore potential alternative causes of lower revenue per person found for PLCs than partnerships and whether this lower calculated productivity necessarily reflects lower profitability.
Exploring the quality of published industry survey data Do budgeted revenue numbers reported in the published industry surveys reflect actual revenues achieved?	6. For the publicly listed company sample compared published BRW survey data to that published in the annual reports (1999 to 2005 for WHK and 2001 and 2002 for Stockford). Significant differences were identified (see findings). 7. Compared budgeted revenue numbers for each of the 10 partnership sample firms in the BRW survey to the prior year actual revenues reported in the following year's BRW survey (for the period 1999 to 2005) to explore the implications of using reported budgeted revenues. Nine observations were identified where actual partnership revenues for the prior year differed by + or – 10% from budgeted revenues reported in the prior year BRW survey. Reviewed articles in Factiva for the exception firms and years to identify potential reasons for discrepancies. Differences were found to be due to the treatment of revenues from mergers and demergers (see findings).
Were consistent measures and calculations of measures used across the period of BRW Top 100 surveys?	8. Examined survey headings in the BRW accounting survey from 1999 to 2005. Some inconsistencies were noted (see findings). 9. Recalculated BRW reported revenues per professional and per person based on survey reported revenues and resource numbers. Some erroneous calculations were identified (see findings).

Publicly owned accounting companies only started to emerge globally from the mid-1990s with the combined total of this type of entity across Australia, the UK and the US still in single figures. As a consequence of this early stage of evolution and small numbers preventing statistical samples an exploratory approach was used for this research. While limiting the conclusions that can be drawn, benefits can be gained from insights of studying these organisations as they emerge.

The approach used reflects the dual objectives of the research of exploring the relative performance of accounting PLCs and partnerships and examining the validity of, and potential issues with, proxy measures and published industry surveys as a data source for this analysis. The approach used is summarised in Table 1. Data sources, samples and measures used are discussed below.

Data Sources

Data used for this study was extracted from three sources. The first source was the Business Review Weekly (Australia) annual Top 100 Accounting Firm Surveys from 1999 (the first year the survey was published) to 2005 that were used as the primary source of accounting partnership revenues and personnel numbers. The second source was annual financial reports for the two accounting PLCs. Financial data and personnel numbers from the annual reports were used to test the accuracy of the BRW survey data and to examine the degree to which proxy measures of performance used reflected underlying financial performance of the PLCs. Due to issues identified with the PLC revenues and personnel numbers reported in BRW, numbers from the audited annual reports were utilised for the PLC sample. The final source of data was the Factiva electronic data base of newspaper and magazine articles which was used to explore the potential reasons for the particularly low reported revenue per person of H&R Block (Australia) and for significant differences between budgeted revenues and subsequently reported actual revenues by firms in the BRW survey.

Using different sources of data for the performance measures for the two sub samples (partnerships: BRW surveys and PLCs: annual reports) is not ideal. Unfortunately, the BRW survey data was not reflective of the audited data in the PLC annual reports and audited financial data was not available for the partnership sub-sample. The magnitude of the difference across sub-samples suggests that these data issues do not affect conclusions on the revenue growth rates of the two sub samples. While the partnership revenue per person appears reasonable over time and across firms for the partnership sample, potential measurement issues including the quality of the BRW data suggest care in conclusions of the study on the relative productivity of partnerships and PLCs as discussed in the findings. Identifying this type of issue to inform future research was an objective of this study.

Sample Used

Two similarly sized publicly owned accounting companies, the two largest to operate in Australia were selected. WHK Group (named Investor Group at the time of the study) and Stockford Limited were of a similar size by revenues (2002 Stockford: $110 million, WHK $101 million), geographic reach (Australia and New Zealand), number of offices (June 2002 Stockford 53, WHK 60) and the source of the bulk of their income from accounting services (2002 Stockford 70%, WHK 74%) and financial services (2002 Stockford 20%, WHK 24%). Both companies grew rapidly through over 50 acquisitions. This strategy of rapid growth through acquisition of small to medium firms using company shares and capital as consideration appears consistent with most publicly owned accounting firms and a characteristic of the ownership form.

Rapid growth through acquisition can be a risky strategy and is reflected in the high failure rate of publicly owned accounting firms in Australia (80% from 2000 to 2005). To avoid potential survivor bias of only including the sole surviving PLC (WHK Group), Stockford, which went through an IPO and collapsed in the period of this study, was included in the PLC sample. As the collapse (as opposed to mergers) of accounting partnerships appears very rare it was not considered necessary to seek out a failed partnership for the sample. Including Stockford also enabled exploration of whether the publicly available proxy measures of performance for the two companies reflect the divergent actual financial performance of the two companies as reported in annual accounts.

Ten Australian second tier accounting partnerships – ranked between the top 4 and top 20 were selected as comparators. Second tier accounting partnerships were considered the closest size match to the publicly owned companies with size important to performance (Greenwood et al. 2007; Nanda 2004). However, due to the rapid growth of the accounting PLCs, a size difference existed between the samples over time. For example, in 1999 publicly owned WHK was approximately one sixth of the size of the average partnership in the sample but by 2002 had grown to almost twice the size of the average partnership analysed. No accounting partnerships could be identified which match the size, national reach and the market focus of the accounting PLCs on individual and small to medium enterprises. The inability to control for these factors limits conclusions that can be made on performance but highlights measurement issues for this type of study.

Measures Used

Due to the lack of availability of financial information for accounting partnerships, this study followed prior studies of PSF performance and used publicly available proxy measures of performance sourced from published industry survey data (eg Greenwood et al. 2007; Von Nordenflycht 2007). This was augmented by additional financial data related to the publicly owned accounting companies.

Two proxy measures of performance were utilised for this study, revenue growth (following Von Nordenflycht 2007) and a productivity related measure. Revenue per person – including partners and all staff (adapted from revenue per professional as used by Greenwood et al. 2007) was used as a productivity measure. Revenue per person (including partners) as opposed to per professional was used as it was considered more likely to capture the potential impacts of potentially higher costs of bureaucracy for PLCs. The move to public ownership has been theorised to replace or augment the peer control of partnerships with more costly formal controls (Greenwood et al. 2007) potentially adding significant non-professional staff such as executives and managers to protect external shareholder interests and address potentially reduced professional motivation. Revenue per professional measures would not effectively capture the performance implications of any added non-professional executives and managers in measuring relative performance.

Revenue per person measures were calculated by dividing annual revenues by reported year end personnel numbers (including partners for partnerships) following the method of calculating in the BRW surveys. Measures were recalculated by the researcher to address calculation issues identified in the published surveys. Prior studies, such as Greenwood et al. (2007) are silent on the method of calculation of productivity measures. As further discussed in the findings, sample partnerships were found to report revenues including full year revenues related to mergers regardless of when in the financial year the merger took place while the PLCs report revenues from acquisitions from the date of the acquisition to the end of the financial year. To examine the implications of this difference, revenue per person for PLC WHK Group was recalculated for 2003 to 2005 (the years that data was available) including annualised revenues for acquired firms. The difference in reporting was found to understate the productivity of PLCs in comparison to partnerships by 6.0% in 2005 to as high as 10.8% in 2003. As discussed in the findings this difference may partially explain lower productivity of large consulting PLCs than large partnerships (see findings for further discussion).

To further understand the potential implications of using end of year personnel numbers to measure the performance of the high growth PLCs, revenue per person was recalculated using simple average personnel numbers for the year. WHK Group productivity was between 5% and 33% higher over the years using average rather than closing personnel numbers (see findings). The treatment of revenues from mergers by the partnerships in the sample prevented the recalculation of revenue per person using average personnel numbers for this sub sample.

Financial measures were utilised to explore whether the proxy measures performance measures were consistent with the relative underlying performance of the two sample publicly owned companies for the year ended 30 June 2002. 2002 was used as it was the only full financial year for which the failed Stockford reported results. Profit margin included EBITA margin (earnings before interest, tax and amortisation as a percentage of client service revenues) and net profit margin (net profit after tax as a percentage of client service revenues). Turnover measures included return on assets and return on equity. Financial measures were also calculated excluding amortisation of goodwill established on acquisition of firms. Measures were calculated using data sourced from the companies' annual reports. As indicated in the findings the comparative financial performance of the two companies was not reflected in the proxy measures used suggesting limitations with the publicly available measures.

Findings

This section first summarises issues identified in the proxy measures and source survey data used. It then discusses findings in terms of publicly available proxy measures of performance used for the two forms of ownership and compares the underlying financial performance of the two PLCs to proxy performance measures used.

Survey Data Issues Identified

The review of the BRW Top 100 Accounting Firm Survey data identified a number of issues with consistency across years, consistency with annual report information, how revenues per resource category were calculated and differences in how partnerships and publicly listed companies reported revenues. The issues identified in Table 2 suggest care is required in using published industry survey data including examining the quality of data reported (eg Greenwood et al. 2007) but also the consistency and methods used for reporting. Industry surveys, such as those in BRW (Australia), may not report research methods, including actions taken to ensure the reasonableness of survey results, as would be expected of academic research.

Table 2
Summary of Data Issues: BRW Top 100 Accounting Firm Surveys:1999-2005

Survey Data Issues	**Examples**
Inconsistency in survey reporting over time.	Survey reports number of professionals and revenue per professional 1999 to 2004 but number of accountants and revenue per accountant in 2005. 2004 survey calculations exclude partners in total professionals to calculate revenue per professional while other years include partners.
Discrepancies between the revenue numbers reported in the survey and to annual reports of PLCs.	Stockford revenues reported: Survey \$m / Annual Report \$m 2001: 80.58 / 67.8 2002: 81.04 / 110.8 2002 survey Stockford reported revenues excludes financial services. However, 2001 Stockford accounting services revenues per the annual report were \$49.4m and not consistent with \$80.58m survey revenues. This indicates inconsistencies in survey reported revenues across years and across PLCs with WHK survey revenues including financial services.
Discrepancies between number of staff reported by PLCs in surveys and annual reports .	WHK (Investor Group) staff numbers reported: Survey / Annual Report 2001: 550 / 1080 2002: 993 / 1220
Inconsistencies in partner and professional numbers reported across years.	WHK numbers of professionals reported in the survey: Professionals 2000: 145 2001: Not reported 2002: 678 2003: 144 2004: 725 2005: 804 (accountants) Gap in data in 2001 and inconsistent number for 2003.
Use of staff numbers rather than full time equivalents.	H&R Block reports revenues per person less than half of virtually all of the firms in the Top 100. However, H&R Block in Australia generates 90% of its revenues in 4 months (Lindhe, 2010) using substantial casual labour. This suggests that use of absolute staff numbers rather than full time equivalents may understate the performance of firms with significant part time or casual staff.
Use of year end partner/ professional/ staff numbers to calculate revenue per resource.	Due to WHKs very high growth rates using year end personnel numbers results in revenue per person calculated at between 5% and 33% lower than that using average personnel numbers (using annual report data) for the period 2001 to 2005. This understates the productivity of firms with significant growth, in the cases this was PLCs.
Different reporting of revenues from mergers with partnerships backdating the transaction to the start of the period (or even the period before) and PLCs recording revenues from the date of the transaction.	Pitcher Partners reporting full year revenues for mergers occurring in year ended 30 June 2004 being reported in the survey as having occurred at the beginning of the financial year. This understates the relative productivity of publicly listed companies versus partnerships.

Revenue Growth

As indicated in Table 3, both WHK Group and Stockford Limited significantly exceeded the revenue growth of the sample second tier accounting firms. For the period 1999 to 2005, WHK Group grew total revenues 3,150%, 30 times more than the total partnership sample and 18 times greater than the highest growth partnership in the sample. Stockford grew revenues from the fees of approximately $8m reported by the two founding firms in 2000 (approximate annualised company revenues on listing) to the $110m reported in 2002, a growth of 1,285% in two years with most of this growth occurring in one year.

Table 3
Revenue Growth – Partnerships versus Public Companies (Australian financial year end 30 June)

	1999	2000	2001	2002	2003	2004	2005	Growth 1999 – 2005
Partnerships (source: BRW budgeted fees)	**$ m**	**$ m**	**$ m**	**$ m**	**$ m**	**$ m**	**$ m**	
BDO Services	48.00	63.70	74.00	81.40	86.00	94.00	102.00	113%
PKF Australia	41.39	47.37	56.90	65.20	74.60	95.10	108.00	161%
Moore Stephens Australia	44.85	50.60	62.11	64.40	68.53	80.62	92.55	106%
Grant Thornton Australia	45.00	48.00	60.00	60.00	67.00	69.00	76.00	69%
William Buck	25.80	37.00	50.00	44.00	59.00	69.00	70.50	173%
Ferrier Hodgson	40.00	43.00	45.00	54.80	55.30	55.30	55.30	38%
Pitcher Partners	28.40	33.00	38.11	42.40	54.00	74.50	77.70	174%
Bentleys MRI	34.00	38.00	48.00	46.00	51.00	52.00	70.00	106%
Hall Chadwick	31.00	34.22	38.75	46.20	51.00	28.00	29.00	-6%
RSM Bird Cameron	34.00	38.20	46.22	48.50	50.54	66.00	72.60	114%
Average Budgeted Revenues	*37.24*	*43.31*	*51.91*	*55.29*	*61.70*	*68.35*	*75.37*	*102%*
Public Companies (Annual Reports)								
WHK Fee and Commission Revenues	6.20	28.55	64.03	100.52	130.60	156.9	201.50	3150%
Stockford Fee and Commission Revenues		8.00	67.83	110.81				

A search of Factiva for events related to the partnerships where significant differences between budgeted and subsequently reported prior year revenues variances were identified suggested that this was predominantly due to how revenues from mergers and de-mergers were reported by these firms. In Australia during this period most of the second tier accounting firms were in reality national affiliations of local partnerships. During the period there was substantial merger activity and changes in local firm affiliations. It appears that when the national affiliations gained or lost firms that revenues for the period in which the change occurred were backdated to reflect the merger occurring at the start of the period and the prior period actual revenues adjusted to reflect the change.

For example, Hall Chadwick lost two Queensland practices, which joined William Buck, in October 2003. Budgeted fees reported in BRW in July 2004 for Hall Chadwick for the period ended 30 June 2004 appear to treat the transaction as if it occurred on 1 July 2003. Prior year reported numbers appear to backdate the transaction further to 1 July 2002, removing revenues from the lost practices for the prior year even though the departing practices were affiliated for the whole year. Likewise, Melbourne based Pitcher Partners added firms in Sydney, Brisbane and Perth during the year ended 30 June 2004 with the prior year revenues reported reflecting these changes as if they occurred at 1 July 2002.

This treatment of mergers and exits from partnership affiliations has some potentially significant implications for the study of these firms and the comparison of partnerships and other ownership forms as follows:

- Accounting PLCs report in their financial accounts the revenues from acquisitions from the date of the acquisition. Where the revenues reported in these surveys are consistent with the annual statutory accounts (as were WHK Group revenues) then publicly listed companies will report relatively lower revenues and revenue per professional and per person than partnerships that backdate transactions to the start of the period. This may partially explain the poorer performance of large publicly owned consulting companies versus large consulting partnerships reported by Greenwood et al. (2007).
- Using revenue growth rates as reported in the BRW Top 100 survey for a given year as an indicator of performance is potentially problematic. For example, as mentioned earlier Hall Chadwick suffered a reduction in budgeted revenues from $51m in 2003 to $28m in 2004 with the loss of Queensland offices. However, by revising prior year actual revenues an increase in revenues of 7% for Hall Chadwick was reported in BRW for 2004 and discussed in the publication text.

Revenue per Person

As indicated in Table 4, accounting PLCs earned lower revenue per person than the average for the sample of ten accounting partnerships and, in most cases, lower than each of the firms in the sample for the period studied. This may reflect publicly owned PSFs being less profitable than the sample partnership firms due to a greater number of staff required for formal controls (as theorised for example by Empson & Chapman 2006; Greenwood & Empson 2003), due to lower professional motivation (Greenwood et al. 2007) or alternatively due to measurement or other reasons as discussed below.

MEASUREMENT ISSUES

The differential treatment of revenues gained from mergers/ acquisitions across the organisational ownership forms indicated earlier negatively impacted on the reported revenue per person reported by the public companies.

This issue is magnified by the seasonality of accounting revenue during the year. In Australia the taxation year end is the 30th of June with many companies using the same reporting date to reduce the need for duplicated reporting. Consequently, revenue for accounting firms is weighted towards the first six months of the financial year (1 July to 31 December. For example, WHK Group firms earned approximately 55% of annual revenue in that period and 45% in the second half of the financial year (1 January to 30 June) (Investor Group 2000). Acquisitions after the start of the year will not only earn the PLCs revenues for new employees for a shorter period in the year but also a lesser proportion of revenues from the peak accounting/ taxation season. Partnerships back dating of revenues from mergers results in peak period revenues being included in revenues per personnel. Recalculating WHKs revenue per person for 2003 to 2005 on a similar basis, the difference indicates that for those years the differential reporting across forms understated the productivity of PLCs between 6% and 10.8% and when calculated on an equivalent basis PLC WHK Group's productivity was higher than a small number of sample partnerships.

Table 4
Revenue per Person for Sample (Australian Financial Year Ended 30 June)

	1999	2000	2001	2002	2003	2004	2005	Growth 2001 to 2005
Partnerships (source BRW)	**$**	**$**	**$**	**$**	**$**	**$**	**$**	
BDO Services	101,695	88,842	99,462	111,813	113,158	113,253	117,241	18%
PKF Australia	83,112	99,722	101,246	112,027	125,589	123,346	122,034	21%
Moore Stephens Australia	120,241	98,635	107,086	90,577	92,085	104,295	112,182	5%
Grant Thornton Australia	109,489	99,585	122,951	111,317	125,704	135,294	150,198	22%
William Buck	103,200	115,625	106,383	117,115	123,950	129,213	131,530	24%
Ferrier Hodgson	151,515	151,943	156,974	172,327	179,545	211,877	208,679	33%
Pitcher Partners	110,078	114,583	117,274	125,444	125,000	123,960	130,588	11%
Bentleys MRI	88,312	115,501	94,118	95,436	100,791	100,386	127,737	36%
Hall Chadwick	96,350	98,893	105,022	113,793	152,239	146,597	161,111	53%
RSM Bird Cameron	103,976	94,789	108,491	110,984	113,065	126,437	125,606	16%
Partnership Averages	*106,797*	*107,812*	*111,901*	*116,083*	*125,113*	*131,466*	*138,691*	*24%*
Public Companies (Annual Reports) **WHK Group**								
- calculated on year end personnel		51,909	59,287	82,393	93,687	102,750	105,895	79%
- calculated per reported partnership revenue#.					105,032	114,905	112,699	
Stockford								
- calculated on year end personnel			52,154^	92,333				

^Most acquired firms were only with Stockford for 6 to 7 months.

 # Includes annualised revenues for acquisitions and year end personnel numbers.

Use of year end professional and personnel numbers becomes problematic in calculating and comparing revenue per professional and per person across ownership forms when revenue growth rates vary across ownership forms. These productivity numbers should represent as accurately as possible the resources utilised during the period. At WHK Group high growth rates result in author recalculated revenues per average number of personnel being between 5% and 33% higher than revenues per person using the end year personnel numbers. The use of year end personnel numbers is likely to have a greater impact on reported revenue per person for PLCs than for partnerships due to the PLCs higher growth rate. While these measurement issues understated the productivity of the PLCs, performances using adjusted measures were still on the low end of partnership sample productivity.

POTENTIAL ALTERNATIVE CAUSES OF LOWER PLC PRODUCTIVITY MEASURES

The PLCs and partnerships targeted different market segments with some potential implications for charge-out rates and the costs of professionals employed. WHK and Stockfords specifically targeted the individual and small to medium enterprise market. The second tier firms included in the sample also focussed on medium to larger corporate clients. This different market focus may result in the PLCs not being able to charge as high a rate per hour but also requiring less specialised and therefore less costly staff offsetting lower revenues per person. In the cases lower productivity of the public companies may not translate to lower profitability than the sample partnerships. Public ownership may be more suitable for more commoditised services (Greenwood & Empson, 2003) therefore PLCs may provide different services and target different market segments than partnerships. The high use of casual staff by H&R Block, which provides relatively commoditised taxation services, suggests that PLC productivity may be understated where the service lends itself to the use of part time or casual staff.

Based on year end personnel numbers, WHK Group revenues per person increased 79% (or 49% using average personnel numbers for the year) between 2001 and 2005 compared to 24% for the sample accounting partnerships suggesting improved relative profitability of PLC WHK relative to the sample partnerships. Analysis of WHK Group's profit margins over the period indicate that the increased revenue per person was not reflected in increased profit margins as a percentage of revenues. This suggests that either the partnerships suffered a substantial drop in profitability over the period or that revenue per person does not reflect the relative profitability across the ownership forms.

Comparing the Performance of the Two PLCs

This section compares the performance of WHK and Stockford Group along multiple financial measures for 2002 (the only year for which a full year of Stockford data is available) and compares these financial measures to publicly available proxy measures of performance growth rate and revenue per employee to explore whether the proxy measures reflect the divergent financial performance of the companies.

As can be seen in Table 4, WHK outperformed Stockford on financial measures used. This relative performance is not reflected in the proxy measures used. While being less profitable, Stockford reported a higher growth rate due to the bulk of acquisitions occurring in the first 6 months of the prior year and the year end 30 June 2002 revenues including twelve months revenue from these acquisitions. WHK's revenue growth rate for 2002 of 57% is lower than the 75% cumulative annual growth rate that the company achieved from 1998 to 2005 but overall more representative than Stockford's 63.4% growth for the year. Stockford was unable to sustain this growth rate, collapsing shortly after.

Revenue per person was also not representative of the relative profitability performance of the two companies. As indicated earlier, the BRW survey numbers were found to be erroneous. Table 5 shows that recalculating revenue per person using annual report data and using average personnel numbers for the year (beginning of year plus end of year divided by 2) shows Stockford as being marginally more productive rather than less productive than WHK. Stockford's higher productivity measure would be more pronounced if reliable professional numbers were available with Stockford having a higher number of 'non professionals' in a substantially larger head office than WHK's.

Reviewing 2002 financial data for both companies indicates that WHK's employee related costs were 64.7% ($56,579 per person based on average employee numbers for the year) of revenues compared to 78.5% for Stockford ($69,900 per person). This reflects a much larger head office at Stockford with high cost specialists (up to 150 staff compared to less than 20 at WHK Group). Stockford had much higher head office costs, $12.15 million, than $2.38 million for WHK Group. Stockford practices were also less profitable with EBITDA (earnings before interest, tax, depreciation and amortisation) margin adjusted for head office costs and write-offs of 14% compared to 19% achieved by WHK Group. Stockford collapsed in early 2003 while WHK continued to grow acquiring a further 80 firms in the five years from 2005 to 2010. This indicates the limitations of performance measures, such as revenue per person or revenue growth rates, that do not consider additional resources nor differential costs of resources.

Table 5
Relative Performance of Two Publicly Owned Accounting Firms - 2002

	WHK	Stockford
	$000s	**$000s**
Revenues		
Client revenues (fees & commissions)	100,520	110,813
Margins		
EBITA	16,210	-10,216
% Revenue	16.1%	-9.2%
Net Profit	6,300	-123,871
% Revenue	6.3%	-111.8%
Returns		
Return on Assets	6.2%	-95.6%
Return on Assets (Before goodwill amortisation)	9.8%	-7.9%
Return on Equity	8.5%	-125.7%
Return on Equity (Before goodwill amortisation)	13.3%	-10.4%
Revenue Growth for Year	57.0%	63.4%
Revenues per Professional/ Staff		
Revenues per Professional (per BRW Top 100)	141.59	164.04
Revenue per person (per BRW Top 100)	96.68	70.10
Revenue per person calculated based on average personnel numbers (inputs from annual reports)	87.41	88.64

Conclusions

The publicly available proxy measures utilised in this study provide a conflicting picture of the performance of the two sample publicly listed accounting companies in comparison to the sample of partnerships. The publicly owned companies achieved substantially higher growth but a lower level of productivity (revenue per person) than the partnerships. This supports the call for the use of multiple measures in examining complex constructs (Cording, Christmann & Weigelt 2010).

The higher growth rate of publicly owned PSFs is consistent with Von Nordenflycht (2007) findings that larger publicly owned advertising corporations achieve higher growth rates than comparative partnerships. The high short term growth and subsequent failure of Stockford also supports Von Nordenflycht (2007) in the use of longer period growth rates and in the assertion that growth rate is not always representative of profitability.

Potential ways that public ownership enabled greater growth than the sample partnership firms included access to capital and the use of the companies' shares as currency for acquisitions with both companies rapidly acquiring in excess of 50 firms. The change of structure may also have enabled faster acquisition processes and decision making. The governance of partnerships with partners voting on decisions such as mergers and acquisition (Empson & Chapman 2006; Greenwood et al. 1990,1994) can slow decision making when partnerships become larger (Greenwood & Empson 2003; Pickering 2010) and more diverse (Greenwood & Empson 2003). Perhaps, the corporate governance of public ownership enabled faster decision making on acquisitions by removing this vote and placing acquisition decisions in the hands of a limited number of executives.

The publicly owned accounting companies achieved lower levels of reported productivity (revenue per person) than the average for the sample of accounting partnerships. This is consistent with Greenwood et al.'s (2007) findings of lower productivity (based on revenue per professional) of large publicly owned consulting companies in comparison to large partnerships. However, a number of measurement related factors were found in the current study that under estimated the productivity of publicly owned companies in comparison to partnerships. If these issues are also applicable to published global consulting surveys this may partially explain the underperformance of large publicly owned consulting companies as identified by Greenwood et al. (2007).

Differences in the cost of resources across ownership forms may be important in comparing the profitability of different forms of ownership of PSFs. Different career opportunities, with removal of the lure of partnership in PLCs, and even differences in risks for senior professionals across partnerships (with unlimited liability) and PLC PSFs may lead to different cost structures for professionals. The specialist skills required may differ in each type of ownership structure depending on services provided and clients targeted further differentiating cost structures with the degree of commoditisation of services theorised to affect the the suitability of public ownership (Greenwood & Empson 2003). Even within ownership structures, the Stockford and WHK cases suggest that the cost of personnel can differ substantially. Revenue based measures do not capture cost structure differences across ownership structures.

The significant difference in the financial performance between the two PLCs of a similar size, operating in the same industries and same geographic markets at the same time supports the call by Greenwood et al. (2007) for research that examines organisational strategies, structures, governance and processes and their impacts on professional behaviour and company performance.

For practitioners considering selling their firms to PLCs this research indicates that public ownership can enable rapid growth of their firms, an objective of selling firm partners identified in prior research (Pickering 2010), but that this growth has risks. Practitioners need to consider their tolerance for risk and the plans and track records of PLCs in order to decide whether to sell to a PLC, which PLC to sell to and whether to accept PLC shares as consideration. For regulators it suggests the need for care in determining performance measures and data to use and the comparability of samples when evaluating the performance of different ownership forms of accounting and other PSFs.

Limitations of the Research

This study was exploratory in nature limiting the conclusions that can be drawn and the ability to generalise the findings. The sample size of two Australian accounting PLCs and 10 accounting partnerships is too small to perform statistical analysis. However, it should be reiterated that while some substantial publicly owned accounting companies have emerged in Australia, the UK and the US, the total population of this recently emerged form of ownership of accounting firms remains small. Conclusions were limited by the lack of accounting partnerships in Australia of a similar size, geographic reach and market focus as the sample accounting PLCs. This does, however, highlight potential issues of prior studies which have not controlled for all of these factors (eg Greenwood et al 2007). Like previous studies this research was limited by the lack of publicly available financial information for private partnerships.

Issues were identified in the BRW Australia accounting survey data including different reporting of merger revenues and the use of year end resource numbers to calculate productivity which understated publicly owned accounting company productivity. These issues may not be replicated in published survey data for accounting firms in other countries or for other professions.

Further Research

Our understanding of the relative performance of publicly owned PSFs in comparison to partnerships is in its infancy. Research remains constrained by the lack of publicly available financial performance information of partnerships. Innovative research (Greenwood et al. 2007; Von Nordenflycht 2007) has commenced but has been limited by data availability and has resulted in some confounding findings. Greater understanding is required on measurement of performance and under what circumstances public ownership outperforms or underperforms partnerships.

Further large scale studies such as those performed by Greenwood et al (2007) and Von Nordenflycht (2007) are required. However care is required on measures used. Findings here suggest that where productivity measures are utilised, multiple resources are considered. High level revenue based measures or those based on a single resource, such as number of professionals, may fail to capture the very differences that researchers are seeking to identify across organisational forms such as increased external agency costs in publicly owned PSFs. The study also suggests that published industry surveys are carefully analysed or verified for reasonableness before the data is used. This includes ensuring consistent recording of merger revenues by different forms of ownership and using resource numbers that are representative of average resources utilised during the period. It would appear beneficial to follow the example of Greenwood et al. (2007) who tested the survey data by contacting a sample of firms.

There is also a need for detailed researcher survey work and case studies to support large scale studies. This includes gaining a greater understanding of the underlying actual financial performance of the different forms and the relationship to measures used. This requires clear definitions of performance and reconciling different accounting methods across organisational forms. Also important is a greater understanding of the causes of differences in performance between different forms of ownership of PSF including research on organisational strategies, services, structures, governance, processes and the impacts on professional behaviour, service quality, costs of resources and their linkages to organisational performance (Greenwood et al. 2007).

References

Accountancy Age 1986, 'Jim Butler of Peat Marwick has commented on indemnity, incorporation and the eighth directive', *Accountancy Age*, September, pp36.

Accounting Today 2011, 'The 2011 Accounting Today Top 100 firms', *Accounting Today*, March Supplement, pp15-18.

Armistead, L 2010, 'Vantis goes into Administration', *The Daily Telegraph*, 29 June, Business p2.

Becker, BE, & Huselid, MA 1992, 'The incentive effects of tournament compensation systems', *Administrative Science Quarterly*, vol.37, no.2, pp336-350.

Bruce, R 1995, 'Mission to incorporate', *Accountancy*. vol. 115, iss.1218, pp36.

Cording, M, Christmann, P & Weigelt, C 2010, 'Measuring theoretically complex constructs: the case of acquisition performance', *Strategic Organization*, vol.8, no.1, pp11-41.

Covaleski, M, Dirsmith, M, Heian, J & Sajay, S 1998, 'The calculated and the avowed: Techniques of discipline and struggles over identity in Big Six public accounting firms', A*dministrative Science Quarterly*, vol.43, pp293-327.

Durand, R & Vargas, V 2003, 'Ownership, organization, and private firms' efficient use of resources', Strategic Management Journal, vol.24, pp667-675.

Drury, B, 2007, 'Accounting groups go shopping', *Charter*, April, pp41-43.

Empson, L & Chapman, C 2006, 'Partnership versus corporation: Implications of alternative forms of governance for managerial authority and organizational priorities in Professional Service Firms', in R. Greenwood, R. Suddaby & M.McDougald (eds), *Research in the Sociology of Organizations*, vol. 26, JAI Press, Greenwich, CT.

Estrin, S & Rosevear, A 1999, 'Enterprise performance and ownership: The case of the Ukraine', *European Economic Review*, vol.43, pp1125-1136.

Fama, EF & Jensen, MC 1983, 'Separation of ownership and control', *Journal of Law and Economics*, vol.26, pp301-325.

Faulconbridge, JR, Muzio D 2009 'The financialization of large law firms: situated discourses and practices of reorganization', *Journal of Economic Geography*, vol.9, pp641-661.

Fraser, A 2005, 'Knights errant: Liquidator under water', *The Australian*, 3 September, Finance p40.

Galanter, M & Palay, T 1991, *Tournament of Lawyers*, University of Chicago Press, Chicago, IL

Gilson, RT & Mnookin, RH 1985, 'Sharing among the human capitalists: An economic enquiry into the corporate law firm and how partners split profits'. *Stanford Law Review*, vol.37,pp 313-392.

Gilson, RT & Mnookin, RH 1989, 'Coming of age in the corporate law firm: The economics of associate career patterns', *Stanford Law Review*, vol.41, p567.

Grant, P 2010, 'Top of the Pile', *Accountancy Age*, 17 June, pp13-16.

Greenwood, R, Deephouse, DL & Li, SX 2007, 'Ownership and performance of Professional Service Firms', *Organization Studies*, vol.28, no.2, pp219-238.

Greenwood, R & Empson, L 2003, 'The professional partnership: Relic or exemplary form of governance?', *Organization Studies* vol.24, no.6, pp909-933.

Greenwood, R, Hinings, CR & Brown, J 1990, '"P2-Form" strategic management: Corporate practices in professional partnerships', *Academy of Management Journal* vol.33, no.4, pp725-755.

Greenwood, R, Hinings, CR & Brown, JL 1994, 'Merging professional service firms', *Organisational Science*, vol.5, no.2, pp239-257.

Hamilton, RW 1995, 'Registered limited liability partnerships: present at the birth, (nearly)', *University of Colorado Law Review, Iss. 66, pp1065-1074.*.

Hanney, B 2005A, 'Begbies Traynor make £1.85m acquisition', *Accountancy*, ,vol. 135, Iss.1342, pp55.

Hanney, B 2005B, 'Numerica carved up', *Accountancy Magazine*, June, vol. 135, Iss. 1342, pp56–58.

Hart, O & Moore, J 1990, 'Property rights and the nature of the firm', *Journal of Political Economy*, vol.98, pp1119-1158.

Hatch, B 2011, '2010 a good year for ASX listings', *Australian Financial Review*, 8 January, p47

Hinks, G 2008, 'The Top 50 - Ten years on', *Accountancy Age*, 12 June . www.accountancyage.com/aa/analysis/1779189/the-top-ten/

H&R Block 2005, 'H&R Block to acquire American Express' Tax and Business Services Division and combine with RSM McGladery', Company Announcement, 1 August.

Investor Group 2000, Annual Report 2000, Investor Group, Australia.

King, A 2010, 'Flight to value', *Business Review Weekly (Australia)*, 14-20 October, pp38-41.

Lambert, RA, Larcher, DF & Wielgelt, K 1993, 'The structure of organizational incentives', *Administrative Science Quarterly*, vol.38, no.3, pp438-461.

Lindhe, J 2010, 'Tax to the rafters', *Business Review Weekly (Australia)*, 15-21 July, p52.

Linsell, R 2001, 'Law limited liability partnerships – Down to detail', *Accountancy Magazine*, February, pp120-121.

Maister, D 1993, *Managing the Professional Service Firm*, The Free Press, New York.

Megginson, WL & Netter, JM 2001, 'From State to Market: A survey of empirical studies on privatization', *Journal of Economic Literature*, June, pp321-389.

Morris, T & Empson, L 1998, 'Organization and expertise: An exploration of knowledge bases and the management of accounting and consulting firms', *Accounting, Organizations and Society* vol.23, no.5, pp609-624.

Nanda, A 2004, '*Profitability drivers in professional service firms'*, Research note 9-904-064, Harvard Business School.

Pickering, M 2010, 'Benefits expected by accounting firm partners selling their firms to publicly listed companies', *Australian Accounting Review*, vol. 20, no.4, pp358-371.

Shafer, WE, Lowe, JD & Fogarty, TJ 2002, 'The effects of corporate ownership on public accountants' professionalism and ethics', *Accounting Horizons* vol.16, no.2, pp109-124.

Shulze, WS, Lubatkin, MH, Dino, RN & Buchholtz, AK 2001, 'Agency relationships in family firms: Theory and evidence', *Organization Science*, March – April, pp99-116.

Van Lent, L 1999, 'The economics of an audit firm: The benefits of partnership governance', *British Accounting Review* vol.31, no.2, pp225-254.

Von Nordenflycht, A 2007, 'Is public ownership bad for professional service firms? Ad agency ownership, performance, and creativity', *Academy of Management Journal*, vol.50, no.2, pp429-445.

Vroom, G & Gimeno, J 2007, 'Ownership form and managerial incentives, and the intensity of rivalry', *Academy of Management Journal*, vol.50, no4, pp901-922.

Wootton, CW, Wolk, CM & Normand, C 2003, 'An historical perspective of mergers and acquisitions by major US accounting firms', *Accounting History* vol.8, no.1, pp25-60.