THE INTERNATIONALIZATION OF U. S. PUBLIC ACCOUNTING FIRMS

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This article reports the results of a study of the overseas expansion of U. S. accounting firms. The magnitude of this expansion is indicated by 1975 data showing that those firms with foreign operations had over twice as many offices abroad (1,946) as domestic offices (895). The authors surveyed 20 leading U. S. accounting firms and received questionnaire responses from 39 of the overseas representatives of these firms.

The study sought to identify the factors leading to overseas activity. "The desire to serve existing clients and prevent erosion of the client/firm relationship were the most important motivational factors ranked by the respondents. Image appears to be important also since the wish to be known as an international firm was highly rated. ..... A profit factor such as 'return on investment' was ranked in the tenth position and 'improvement and financial betterments' was ranked eleventh. This might be interpreted to mean that certified public accounting firms are entering international markets with an eye to client considerations rather than short-run profit objectives." When factor analysis was applied to the motivational aspects three groupings appeared. Strongest were three factors labeled "client service" including desire to serve clients, prevention of erosion of client relations and requests from clients. Also strong were four factors labeled "defensive management strategy" which included two of the client service factors along with rapid expansion of other firms abroad and the desire for an international image. Distinctly lower was a cluster of four factors composing "offensive management strategy" including market opportunities abroad and proposals by executives and prospective foreign partners.

As to strategies for entering foreign business, the survey showed that eight of the 20 firms had started with agency or correspondent relationships with foreign associates. In another three cases a licensing arrangement had been made with a foreign firm involving use of the U. S. firm's name and technical advice. Direct involvement in management of foreign units from the outset either by starting a new office (two cases) or various forms of collaboration with foreign units (five cases) was less common. The authors observe that, subsequent to establishment, firms moved quite steadily toward taking over direct management abroad, but they present no factual data as to the nature of this process.

In the survey the parent firm executives and foreign associates were both asked to identify the main problems of international operations. "For economically developed areas such as Europe and Oceania, the major problems pertain to the difference in accounting standards and monetary fluctuations. In economically developing areas such as the Far East, the Middle East and Latin America, the problems of culture including language and ethics as well as governmental interference become of greater importance ..... The problem of governmental interference appears to be of a universal nature since it was ranked among the top three problem areas by all respondents with the exception of foreign partners in the Middle East." Correlation analysis showed that "domestic and foreign partners agree in a fairly consistent way concerning the rankings of these problems. The Latin American respondents recorded the lowest agreement of all groups. The disparity can be traced to the fact that the domestic partners ranked emerging nationalistic tendencies (government interference) as a greater problem area than did the foreign branch partners who viewed the fluctuation in monetary matters of more concern."