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Voices within the winds of change: The demise of KMG Kendons

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Abstract

During the 1970s and 1980s, the accounting professional environment underwent major changes. This case study, largely based on oral history narratives of retired partners, focuses on KMG Kendons, a well-known and respected New Zealand national accounting firm that did not survive the 1980s. Utilising organisational change-focused theories, longitudinal archival data is used to examine how an organisation, and two competing sets of institutions within it, interact with these professional environmental changes, and then trigger significant deinstitutionalisation processes. This study also seeks to determine whether the demise of KMG Kendons might have been predicted, and thus prevented. It is argued that strong leadership, strategic direction, and a strong organisational culture and identity are critical factors in firm survival; and if these had been present at KMG Kendons, it may have survived.

Keywords

Big 8, accounting, deinstitutionalisation, KMG Kendons, professional firms

> The real breakpoint was around about 1982–83, with the international formation of KPMG. We had a connection with an international firm, which at that point was called Klynveld Main Goerdeler, which is the KMG in KPMG, and they were developing quite a strong international firm, and we were increasingly becoming part of that. We had been through a number of quality control assessments, and had got to the point where they had been happy to refer the Philips audit to us in New Zealand, and that was a major achievement in terms of our professional development, and in terms of the grooming of the relationship … However, I think we only ever had one cycle of that before the Klynveld Main Goerdeler got together with Peat Marwick to form the international firm, and it slipped through our fingers. What also slipped through our fingers at that stage was the glue that held our national association together, because we no longer had an international association. Klynveld Main Goerdeler had gone and Peat Marwick had that connection. (Partner in KMG Kendons)

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Introduction

Organisations contain a multitude of socially constructed taken-for-granted rules and shared norms or institutions (Jepperson, 1991; Scott, 2001; Kostova et al., 2008). Accounting firms, up until the mid to late twentieth century, followed a centralised style of management and had two primary taken-for-granted norms or institutions that ensured their legitimacy and survival. These were based on (1) the need to have a local focus involving close relationships with clients, and (2) an emphasis on partnership values, that is, long, established relationships between partners with equal profit distribution (Greenwood and Hinings, 1996; Greenwood et al., 2002; Greenwood and Suddaby, 2006).

However, the wider accounting professional environment that supports institutions is not stable and changes over time. During the 1970s and 1980s, this professional environment underwent major changes as a result of globalisation, including merger and acquisition activity; increasing competition; a growth in accounting and audit technology; a change in services offered by accounting firms; and other economic factors that shifted the drivers to firm growth. Additionally, there were politically and socially driven changes within the accounting profession (Baskerville and Hay, 2007, 2010).

As a response to these changes, an alternative set of socially constructed shared norms (or institutions) began to appear in accounting firms from the 1970s. The first key institution was that successful accounting partnerships needed to be big, that is, a nation-wide firm. Second, it was believed these nation-wide firms had to have international affiliations or connections. In particular, connections with the Big 8 accounting firms to attract large audits were seen as desirable, as they were perceived to be the only guarantee of large firm survival. This required a corporate style of management with a more dispersed and decentralised organisational structure and supposedly a strong organisational identity (Greenwood and Hinings, 1996; Cooper and Robson, 2009).

Nevertheless, in New Zealand one key nation-wide accounting firm with strong international connections died while other accounting firms that were similar in nature survived in this new accounting professional environment. Why? The answer could lie in how New Zealand accounting partnerships responded to the two competing institution sets; one set based on localisation and a partnership view, the other set on nationalisation and international affiliations. Therefore, it could be argued that the changes in the accounting professional environment in conjunction with the two alternative institutional sets created, in at least one accounting partnership, social, political and economic forces for deinstitutionalisation with its resulting outcome – the demise of that accounting firm.

This case study focuses on KMG Kendons, a well-known and respected national or federated accounting entity in New Zealand that did not survive the 1980s (although its competitors did). By studying one such accounting firm, we aspire to use longitudinal archival data to examine how an organisation, and the institutions within it, responded to these environmental changes and to identify the deinstitutionalisation forces present which led to the subsequent demise of the national entity. The research question is thus: how do competing institutions interact with each other and with the economic, political and social forces for deinstitutionalisation?

The demise of any large accounting partnership impacts on the people within the organisation, as well as the wider communities. When offices close down, client and employee trust is lost and the reputation of the accounting profession suffers, along with imposing a social cost to the people and communities affected by the closure. Therefore, it is important to understand how the demise of an organisation occurs. The research also facilitates the identification of the forces related to deinstitutionalisation and tensions that occur as professional partnerships fail (Oliver, 1992; Dacin and Dacin, 2008). One subsequent question of interest to practitioners (in particular) concerns whether or not the demise of KMG Kendons might have been predicted and thus prevented, which could be extended by further research into other types of entities.

In order to meet the research objective, the structure of the article is as follows. The next section outlines the accounting professional environment changes that occurred in the 1970s and 1980s. Then, the article explores the concept of institutions and deinstitutionalisation within organisations. An outline of the methods used in the study follows. The next section offers narrative evidence and tells the story of the historical formation and demise of KMG Kendons as a national entity and its remnants. Lastly, a discussion on potential counter-forces to this demise and concluding comments are presented.

Changes to the accounting professional environment in the 1970s and 1980s

There were many alterations in the accounting partnership environment during the 1970s and 1980s (Greenwood et al., 2002). These include changes to the type of services provided, with a move from predominately audit activity to the inclusion of taxation and consultancy services, and the associated growth of multi-disciplinary accounting firms (Greenwood et al., 2002; Suddaby et al., 2007; Cooper and Robson, 2009). Accounting firms also made changes to combat competition and resource pressures including increasing the size of the partnership, and the internationalisation of the professional partnership through merger activities – supposedly to increase performance due to economies of scale (Greenwood and Hinings, 1996; Cooper and Robson, 2009). Intra-organisationally, accounting partnerships also altered with new organisational structures (a managed professional business model) and changing power distributions (Greenwood and Hinings, 1996).

Such changes were reflected in New Zealand accounting partnerships. Baskerville and Hay (2006, 2010) suggest there were four key modifications in the accounting profession's competitive environment during this time. These were:

1. A change in the work undertaken by larger accounting firms, with a move from predominately audit service providers to consultancy services;
2. The New Zealand Society of Accountants making changes in policies and regulations during the early 1980s, to allow accounting firms to be known by "international" names (i.e. the Big 8);
3. Developments in auditing and accounting technologies requiring firms to make substantial investments in assets and staff training; and
4. Changing accounting partnership structures with the emergence of large multinational firms (the Big 8), through international mergers and the resulting globalisation of accounting service provision.

To respond to the movements within the accounting professional environment, partners and other actors came to believe that for their partnerships to survive during the 1970s and 1980s, they needed to have a nation-wide spread of firms with international affiliations. However, for most New Zealand partnerships, there were costs associated with these new shared norms, including the increasing complexity of partnership structures, a loss of local identifiers, and the move to a managed professional business model. The human costs were also high, with decreased staff morale and increasing internal conflict (Baskerville and Hay, 2010). As will be seen below, one of these accounting professional partnerships – KMG Kendons – paid the ultimate cost and did not survive.

Institutions and deinstitutionalisation in organisations

The environments that organisations exist in are socially constructed, interconnected and shared by actors within the organisational-field as well as those within the organisation (Jepperson, 1991; Scott, 2001; Lounsbury, 2008). Organisational success depends on more than firm effectiveness and efficiency; it is also related to other factors within these socially constructed environments (Kostova et al., 2008). These factors, including socially constructed taken-for-granted rules and shared norms, are referred to as institutions (Jepperson, 1991; Scott, 2001; Greenwood and Suddaby, 2006; Kostova et al., 2008). An institution is:

> More-or-less, taken-for-granted repetitive behaviour that is underpinned by normative systems and cognitive understandings that give meaning to social exchange and thus enable self-reproducing social order. (Greenwood et al., 2008: 4–5)

Over time, rules and norms are institutionalised. Institutionalisation is the "process by which social processes, obligations or actualities come to take on rule like status in thought and action" (Meyer and Rowan, 1983: 72). It is how "what organisations do" happens, and is socially negotiated (Scott, 2001; Greenwood et al., 2002).

Changes within the organisation's environments will result in the alteration of some institutions or taken-for-granted rules and shared norms (Jepperson, 1991; Scott, 2001; Lounsbury, 2008). These changes can be driven, either by an organisation developing contradictions within their internal environment, or by external shocks or jolts (Jepperson, 1991; Greenwood et al., 2002). Types of environmental change shown to alter institutions include regulatory change, outsourcing, competitive action, social upheaval, technology changes, management restructuring and performance issues (Greenwood et al., 2002; Martin et al., 2009).

From an institutional perspective, the changes that occur within accounting partnerships are enabled by actors within the organisation and from the organisational-field, including changing demands from clients (Greenwood and Suddaby, 2006). The growth in partnership professionalism could therefore be viewed as:

> Translating a scarce set of cultural and technical resources into a secure and institutionalized system of social and financial rewards … Whilst it is undoubted that growth in the size of firms and their globalization bring new challenges, these are resolved in ways that are sensitive to professional values and interests. (Faulconbridge, 2008: 7)

When faced with changing environmental demands, organisations can adopt or adapt a range of institutions to ensure survival (Jepperson, 1991; Oliver, 1992; Scott, 2001; Dacin et al., 2002; Kostova et al., 2008). This generally involves the weakening or disappearance of some taken-for-granted rules and norms or institutions and the emergence or strengthening of other taken-for-granted rules and norms. These institutions compete with each other and the "winners and losers" emerge over time (Scott, 2001: 189). However, this process "generates tensions and conflicts that can undermine the legitimacy" of an organisation (Henisz et al., 2005: 17).

For some organisations, this change will result in the deinstitutionalisation of certain existing taken-for-granted rules and norms (Scott, 2001) and ultimately, in some cases, a loss of legitimacy and organisational demise. Deinstitutionalisation occurs when "legitimacy and taken-for-grantedness are called into question" (Maguire and Hardy, 2009: 150). In this study, deinstitutionalisation is defined as occurring when the legitimacy of an organisation's taken-for-granted rules and shared norms erode or discontinue, due to changes or challenges in its environments (Jepperson, 1991; Scott, 2001; Dacin and Dacin, 2008). Nonetheless, deinstitutionalisation, although representing an exit from institutionalisation (Jepperson, 1991), does not necessarily mean that the institution is completely extinguished. Sometimes it remains in the background as an institutional remnant (Seal, 2003; Dacin and Dacin, 2008). Other times, these institutions – or in this case, taken-for-granted rules and shared norms – are recreated or reinstitutionalised. Reinstitutionalisation is the exit from the institutionalisation of one set of institutions into the institutionalisation of another set organised around different taken-for-granted rules and shared norms (Jepperson, 1991).

It is possible to recognise a number of distinctive factors that contribute to deinstitutionalisation in organisations that are the result of three pressures or forces: political, functional (economic), and social (Oliver, 1992; Seal, 2003). These factors, contained within a framework of deinstitutionalisation, are particularly useful even though are they structural, as they allow the "initial unpacking of the forces which lie behind deinstitutionalization" (Van Peursem and Balme, 2010: 305).

Political forces can be internal factors "that erode political agreement on the value or validity" of organisational processes or are external in nature and "cause organizations to question the necessity or appropriateness" of current processes in response to changes in its environment (Oliver, 1992: 568). Political pressures include changes in leadership, political disruptions, changing intra-organisational and organisational-field conditions and dependencies, competitive and innovative pressures and performance problems (Oliver, 1992; Seal, 2003). In contrast, functional (economic) forces "arise from perceived problems in performance levels" (Scott, 2001: 182). That is, the way organisations do things are no longer perceived to be efficient or effective (Oliver, 1992). Functional pressures include competition for resources, decreasing profitability, conflict with other organisational practices or data and increasing technical specialisation (Oliver, 1992; Seal, 2003).

Social forces result from the "loss of culture, consensus or agreement among organisational members on the meaning and interpretations they attach to ongoing organisational tasks and activities" (Oliver, 1992: 575). In other words, organisational members recognise that it is no longer acceptable to behave as they have previously. Social pressures can result from organisational restructuring, merger and acquisition activity, the introduction of new staff, changes in the executive management team, new laws and regulations, and organisational-field change, as well as more general change in social values and expectations (Oliver, 1992; Seal, 2003). Based on the literature above, the relationship between the three types of deinstitutionalisation forces (that are applicable to this research), the taken-for-granted rules and norms, and organisational survivability or demise can be depicted as illustrated in Figure 1.

Research into deinstitutionalisation is rarer than studies that examine institutionalisation (Scott, 2001; Zilber, 2002; Maguire and Hardy, 2009). However, studies on deinstitutionalisation include those examining social issues, such as the abandonment of the use of poisonous chemicals (Maguire and Hardy, 2009); organisational behaviour such as multi-national corporations (Kostova et al., 2008); control systems (Martin et al., 2009); the abandonment of organisational practices such as non-track tenure (Tolbert and Sine, 1999); and the giving of new meanings to past organisational practices (Zilber, 2002). Other research that uses Oliver's three factors focuses on the public sector (e.g. Joseph and Kearns, 1996; Seal, 2003; Henisz et al., 2005), and within a New Zealand context, Van Peursem and Balme (2010) employ Oliver's factors to analyse government plans to dissolve the Serious Fraud Office, and how this deinstitutionalised threat was communicated in news media. However, none of these deinstitutionalisation studies considers its potential role in the break-up of a national professional partnership; the focus of this research.

Research method

The objective of this research is to use longitudinal archival data to examine how an organisation and the institutions within it responded to changes in the accounting professional environment, and

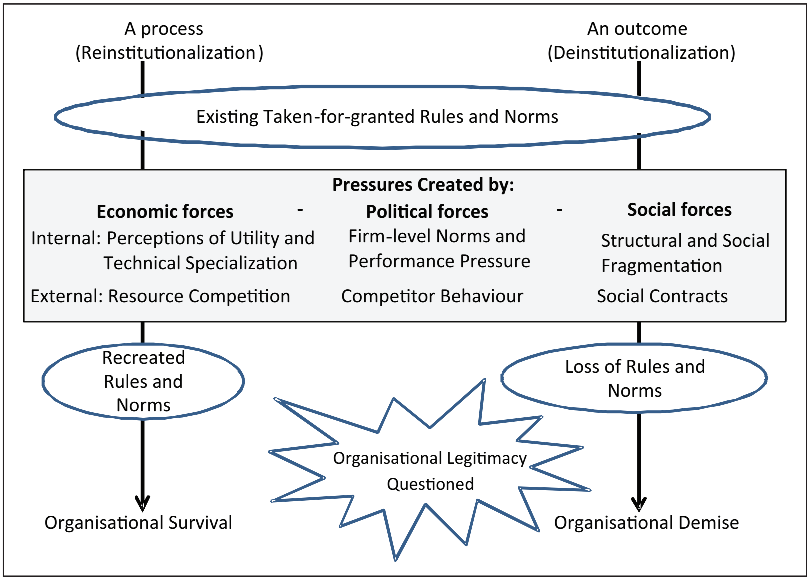

Figure 1. The relationship between deinstitutionalisation factors, rules and norms.

to identify the deinstitutionalisation forces present which led to the subsequent demise of a national entity, KMG Kendons. By utilising the three forces identified in Oliver's (1992) study, coupled with a case study approach, the focus in this article is towards understanding how competing institutions interact with each other and with the economic, political and social forces for deinstitutionalisation. This research is particularly valuable as there are few studies offering the application of such factors to close-knit entities such as professional partnerships.

The organisation studied for this single historical case is the accounting professional firm partnership that, by 1982, was known as KMG Kendons. The analysis of KMG Kendons and its predecessor firms offers a multi-level organisational analysis (Scott, 2001; Dacin et al., 2002; Dillard et al., 2004), concentrating on one organisation over an extended period of time (1969–1988). A multi-level organisational analysis considers the "interweaving of top-down and bottom up processes as they combine to influence institutional phenomena" (Scott, 2001: 196).

To achieve the objective, research began with an oral history approach, which provided oral history narratives of retired partners from the various KMG Kendons predecessor firms. The foundation study by Bui (2007), based on these narratives, also used other data sources relating to accounting firms and the New Zealand accounting profession, including published firm histories, the New Zealand Society of Accountants' Yearbooks (1976–1994), the *Accountants' Journal* for the 1970s and 1980s, New Zealand newspapers and magazines, Kendon Cox and Co and predecessor firms' newsletters, as well as more general reference sources.[1]

Interviews had been sought in 2002 with (mostly) retired partners. The names of partners in each firm was obtained from the Yearbook of the New Zealand Society of Accountants for each year from 1976 until this information ceased to be published annually from the end of 1994. Further data were derived from the construction of all the accounting firm genealogies. The interviews were all undertaken by one of the authors, seeking the subjects' observations on merger events, client movements and leverage within partnerships. Retired partners and former partners were selected because it was believed they would be able to talk more freely about their experiences. All of New Zealand's large firms were represented, as well as both urban and rural practices scattered throughout the country and a large number of the interviews were conducted from July to December 2002. Although this was some time after the events described, this was a necessary outcome of selecting former partners who would be able to discuss these matters more freely. The experiences analysed were related by multiple members of the same firm. There were seven interviewees from the merging firms (Cox Arcus and Co. or Kendons) and four from the big international accounting firms that picked up the KMG Kendons remnants (either Coopers and Lybrand or Peat Marwick Mitchell). The interviews were conducted under the aegis of the protocols for oral history. They were unstructured interviews, usually one to two hours long. All tapes are lodged in the New Zealand National Oral History Archives. The interviewees read and made corrections as required to the transcripts. Each quote given below, in italics, is attributed to a partner in the following manner:

1. *Cox Arcus*: A partner originally from Cox Arcus and Co.
2. *Kendons:* A partner originally from Kendons.
3. *External:* A partner from either Coopers and Lybrand or Peat Marwick.

There are some limitations with studies of this nature; the main one being the different memories people have of the same events (Baskerville, 2006). Effort was made by the authors to focus on the commonalities of the oral narratives, thereby increasing the reliability of the oral evidence. Documentary sources and oral narratives can be interpreted by different people in multifarious ways suggesting researchers can reach alternative interpretations, each of them equally defensible (Tosh, 1991). Two of the authors of this article read all the transcripts relating to the firms under study and identified the key themes present, using the three forces indicated by Oliver (1992) and subsequent studies as a guide. The extracts represented in this article were considered by both authors to be typical of the sentiments expressed. This selection was validated by the third author. None of the authors identified any response which could be considered an "outlier" to that offered in this study as representative of the experiences of partners in particular firms. Further, the evidence selected and examined may be influenced by the researchers' background, personal characteristics and interests (Fleischman et al., 1996). By having three researchers involved, interpretation and selection bias is minimised, although the focus on a single historical case means generalisability is limited (Yin, 1994). Nonetheless, the use of forces of deinstitutionalisation allows some analytical, albeit tentative, generalisations with respect to the patterns and relationships observed. If future research into deinstitutionalisation in professional partnerships utilises the same theoretical support then their findings may improve external validity (Tosh, 1991; Yin, 1994).

The formation of a new national entity – KMG Kendons (1969–1984)

KMG Kendons was the result of mergers of many accounting partnerships over a number of years. As briefly discussed above, the majority of these happened after 1969 in response to the changing accounting professional environment, that included a change in the work undertaken by large accounting firms, increases in the size of partnerships and the internationalisation of the professional partnership through merger activities.

The origins of KMG Kendons (1969–1981)

The accounting partnership that formed the national firm Kendon Cox (that became KMG Kendons in 1982)[2] offered historical visibility to two well-known and respected New Zealand firms, Cox

Arcus & Co. and Kendons. Mr JL Arcus set up a family accounting business in Wellington in 1908. There, three generations worked together to build up the firm from the original partnership of Gold & Arcus. The other partner firm within Cox Arcus & Co., Carlaw Greville & Twomey was formed in Auckland in 1927. This firm merged with another local firm of Cox Elliffe Highet & Co. in 1967 to become Cox Elliffe Twomey. Until the late 1960s Cox Elliffe Twomey was affiliated with J L Arcus & Co. and acted as their agent for Auckland clients. In 1969, JL Arcus & Co. approached Cox Elliffe Twomey together with SP Godfrey in Christchurch regarding a possible merger. The merger was agreed to and, in 1970, the name of the new firm became Cox Arcus & Godfrey. However, soon after the merger, Godfrey decided to leave for Wilkinson and Wilberfoss. Other accounting firms to join the Cox Arcus and Co.'s national network over the next four or so years were Gillick Hercus & Co., a well-reputed Invercargill firm, Cox Innes Jones in Levin, Burn and Worsley in New Plymouth and Baron & Pnrs in Hamilton. By 1977, this national entity was known as Cox Arcus and Co.

The original firm of Kendon Mills Muldoon & Browne was Kendon Mills, which was established by William Kendon in 1907. One of the later partners, Robert Muldoon, became Prime Minister of New Zealand in 1975. With eight partners in the 1970s, the firm had representation in tax, auditing and business services. With Robert Muldoon's name and their range of services, Kendon Mills Muldoon & Browne established themselves as a reputable practice in the Auckland region, and started talks with associates in other cities (Grant Kiddle in Lower Hutt and Wilkinson and Wilkinson in Christchurch). Muldoon was the catalyst for these merger talks (Baskerville and Keeper, 2007). As a result, a national entity known as Kendons was formed in 1980, with offices in Auckland, Lower Hutt and Christchurch. The appendix presents a diagram of the mergers that took place between KMG Kendons' various predecessor firms.

Institutions or taken-for-granted rules and shared norms existed within the predecessor firms of Kendon Cox & Co. (hereafter KMG Kendons) for approximately eighty years, from the 1900s to the early 1980s. The two predominant old institutions were, first, a local focus which emphasised a close relationship with clients and, second, partnership norms of a long, established relationship between partners and equal profit distribution.

Nonetheless, during the 1970s the norms relating to localisation began to change with both Cox Arcus & Co. and Kendons actively forming national networks. In addition, one of the Cox Arcus predecessor firms had previously placed some emphasis on international affiliations. Through various ways, by the late 1960s, JL Arcus & Co. had a connection with Thomson McLintock in Britain, Main Lafrentz in the US and Hungerford Hancock and Offner in Australia (Winsbury, 1977). However, by the 1970s, these international connections were becoming shaky. The connection to the international firm of Hungerford, Hancock and Offner, seen as critical for growth in audit referrals, had been shattered due to the merger between Hungerford, Hancock and Offner with an Australian firm whose affiliate in New Zealand was Morris Pattrick (to later rebrand as "Peats"). During the International Congresses of Accountants (Munich 1977), the partners of Cox Arcus & Co. tried to establish an affiliation with Turquands Barton Mayhew, one of the biggest UK-based firms, and part of the European consortium Klynveld Turquands DTG. However, in 1979 Whinney Murray, Ernst & Ernst, and Turquands Barton Mayhew joined together as Ernst & Whinney (Jones, 1981). This merger put an end to any possible affiliation between Cox Arcus & Co. and Turquands Barton Mayhew, and Cox Arcus & Co. was left without an international connection. Kendons did not have any major international connections. When McLintock Main Lafrentz allied with Klynveld, DTG and other European firms to form Klynveld Main Goerdeler (KMG) it was with the same purpose as the previous consortium; to compete with the American-based large firms. Cox Arcus & Co. saw this as an opportunity to try to gain a new international affiliation.

In order to win the KMG connection, Cox Arcus & Co. merged with Kendons in mid-1981 to create what was in 1982 to become KMG Kendons.

> And remember they had had Muldoon there too … he was never a sharing financial partner of [the merged] Kendons. He was a partner from the international name point-of-view. To give us strength, and that was really one of the attractions of Kendons to get us KMG; because they had Muldoon. (Cox Arcus partner)

Therefore, the key drivers to the formation of national accounting firms in New Zealand during the mid-late 1970s and early 1980s (including KMG Kendons) were two new, but related institutions. The first was the need to become larger to gain referrals and new clients including big audits through a national presence gained through mergers, and the second was actively seeking an affiliation with international accounting firms to enable this to happen.

> You had to have a name that everybody recognised to be credible. … It didn't make any difference. But the razzle-dazzle of the Big 8, just mesmerised people. (Cox Arcus partner)

A new national entity – KMG Kendons (1981–1984)

As it turned out, the merger between Cox Arcus & Co. and Kendons in New Zealand was "strategically right" but "operationally difficult" (Kendons partner). The main barriers to benefiting from post-merger synergies were an inherent difference in the existing firm cultures and structures. Cox Arcus & Co. had a hierarchical and centrally-controlled organisational structure, with a more conservative approach to its practices. In contrast, with younger partners, Kendons had enjoyed an organisational structure that was flatter and more dispersed, enabling a culture of innovation and adaptation. The cultural differences were repeatedly highlighted by the partners:

> The Cox Arcus philosophy and approach was a bit different from ours. There were faults and good things on both sides. … We were a similar size, getting big, expanding; but I don't think the cultures and the philosophies were similar. (Kendons partner)

> The younger partners in Kendons were more of a small, close team, possibly because of their age – than the rest of us who had been a result of a merger anyhow. Some [Cox Arcus partners] found it hard to mix in. They were more of the ilk of Doug Elliffe and Don Cox and Maurice Twomey; more of their values [the differences in cultures] were very much so between the generations. (Cox Arcus partner)

Despite the perceived "relaxed and friendly" atmosphere (Cox Arcus partner) after the merger, there is no evidence that KMG Kendons (as a national entity) had attempted, or managed to, develop a unified culture and/or identity as a national firm. It appears the national firm was set up merely as an umbrella with a name change, while the local offices maintained their operational independence, especially in terms of client base and income distribution (although there were some referrals between offices).

> The referred work nationally came and went over the years, but in the period when Kendon Cox & Co. was at its best … there was a fair amount of national work, as opposed to international work, that was referred up and down the country. (Cox Arcus partner)

The new institutions that had driven the merger – defined by a focus on international affiliation and associated big audits and a national presence – required a corporate style of management with a more dispersed and decentralised organisational structure, and supposedly a strong organisational identity. However, while seeking to adopt these new institutions, the social and structural arrangements relating to the old institutions within KMG Kendons remained; that is, a local focus with regards to its client basis and relationships, and different sub-cultures among different offices or even within each office which originated from different merging practices. In other words, the new external environmentally-generated institutions were not supported by matching internal structural and social adjustments. Thus, a compromise was reached with a loosely-coupled national structure being established, so as to allow for the co-existence of both the new institutions (through the national presence and therefore the ability to get referrals and big audits from its international affiliation), and the old institutions (partnership values and a local focus).

Due to this compromise, the merger was successful in respect of the desired growth and obtaining an international affiliation. The newly-named national firm, Kendon Cox & Co., won the coveted KMG affiliation and became KMG Kendons in 1982. The gaining of this affiliation was primarily the result of business connections built by senior staff at the international congresses. Further, by 1984, the partnership had 12 offices with 60 partners and was a respected nation-wide New Zealand firm (Bui, 2007). Nonetheless, while the loosely-coupled national structure was operationally convenient and initially successful, the lack of cultural and structural integration would become an issue. Furthermore, the lack of deeply-rooted cultural and social unity meant the national firm could not remain intact and unaffected when confronted by a powerful external environmentally-driven event.

Demise of KMG Kendons as a national entity (1985–1987)

In 1985, KMG Kendons suffered an external shock or jolt: the loss of the KMG affiliation. This was due to the merger between Peat Marwick Mitchell (hereafter Peats) and KMG on a world-wide basis to become KPMG.

When confronted with this external environmentally-driven change, the earlier compromise reached between the two competing sets of institutions became problematic and led to the emergence of explicit tensions. While the new institutions remained important, their key enabling mechanism was removed (the loss of the KMG international affiliation). Consequently, the reasons for being a national firm decreased. This triggered internal resistance and division regarding the legitimacy of the new institutions. Simultaneously, it allowed the old institutions, which had been overridden or overpowered somewhat by the new institutions since the formation of the national firm, to regain social acceptance. As a consequence of these events, multiple competing political, economic (functional) and social deinstitutionalisation forces took shape and impacted to various degrees on the different local offices that made up the national entity.

Political forces

Political forces represent a response to a change in power distribution. Internally, this can be expressed as concern with not getting new clients due to perceived partnership performance issues and related impacts on profitability. Initially, improving performance was one of the motivations for the formation of KMG Kendons,

> [Kendons'] frustration was that they could not get the new clients. They were trying to grow the practice and were clinging against the wall unsuccessfully because they didn't have the connections, they weren't perceived to be a major firm; and major firms were seen as being able to deliver value over a wide range of areas. (External partner)

During the period KMG Kendons existed there was growth, but the profitability that resulted was not spread evenly:

> Some offices are significantly more profitable than others. It normally goes on a north to south pattern. Although that said, occasionally there's an office in the South Island that's very profitable. But I think basically profitability, and of course management does come into it, but I think basically profitability is a function of the local economy, and the offices in the areas that have had prosperous and growing economies have always been more profitable than the rest. (Cox Arcus partner)

Thus the KMG affiliation loss, that had been gained to enable the attraction of a wider client base and increased profitability, created political forces. These gave other entities the opportunity to "slice off" the better performing parts of KMG Kendons, depleting the nation-wide entity.

From an external political perspective, competitor behaviour can be a force for deinstitutionalisation: where in this case, competitor transatlantic mergers were taking place at that same time as accounting firm expansion. Competitive political forces were observed in the mergers of Arthur Young with Ernst and Whinney, and Deloitte Haskin Sells with Touche Ross. The transatlantic merger between Peats and KMG precipitated changes in KMG Kendons' external dependencies and shifted power from KMG to Peats. Furthermore, it was due to the KPMG merger that KMG Kendons lost most of the overseas referral work, but gaining that affiliation had been the driver for them to form the national firm in the first place. Therefore, as a result of a change in competitor behaviour the reasons for being a national firm decreased significantly, leading in part to the disintegration of the national entity.

Economic forces

Functional or economic forces arise when the way an organisation does things is no longer perceived to be economically efficient, nor effective. When Peats and KMG merged at a international level, the power within New Zealand shifted to Peats. This enabled Peats to conduct evaluations of individual KMG Kendons' offices, which led to Peats cherry-picking those that could contribute the most economically (such as Invercargill), thereby threatening KMG Kendons' survival further.

> [Peats said] We are dominant and we're going to control this merger, and where we haven't got offices and we want offices, then we welcome the Kendons offices; where we have got offices we don't want to take over existing offices and leave them to run, we'll take the one or two or maybe three partners that we want out of those offices, and we won't merge with the rest, we'll just take the eyes out of them. (Cox Arcus partner)

Their ability to "cherry-pick" in this manner was enabled by the fast-developing fragmentation of Kendons; Peats appeared to move strategically on a local office-by-office basis to make any such accommodation, often under the cover of confidentiality. Additionally, such behaviour by Peats was partly possible due to the increasing technical specialisation within KMG Kendons.

> The culture within Kendon Cox & Co. did not change much since the late sixties to [the] eighties, because the same group of people were moving together. It evolved, however, with technological advances. It developed as a multi-disciplinary firm, with different people specialising in different areas. (Cox Arcus partner)

As it became multi-disciplinary and expanded its service offerings beyond the core audit work, some of its specialised teams (e.g. the Auckland insolvency team) became more attractive and thus were acquired by other big international accounting firms.

> When the firm split up, the part that went to Coopers & Lybrand was the part that had formerly been Cox Elliffe Twomey & Highet … But when I think [about it] the group which revolved around the insolvency team, formed an alliance and decided to go to Price Waterhouse. (Cox Arcus partner)

Competition for resources or the "big audits" within the New Zealand environment was another economic force that came into play with the affiliation loss.

> Why do they have to form these affiliations in the first place? One of the perceptions was that you're not going to get any audit work if you don't. (Cox Arcus partner)

This suggests that one driver for the merger of the KMG Kendons predecessor firms was to service big audits:

> [The Cox Arcus merger] was driven by the same criteria as the later merger with Kendons, which was the need to service a growing audit base, and to get the referrals that they all perceived were necessary in an audit situation. (Cox Arcus partner)

> [Audit] was definitely the anchor, and has always been the anchor. Because they're fed monthly and it pays regularly … the aim with the bigger audits, was to have a regular cash flow. (Cox Arcus partner)

Nonetheless, shortly after the KMG Kendons merger, the big audits were no longer there:

> We had been through a number of quality control assessments, and had got to the point where they had been happy to refer the Philips audit to us in New Zealand, and that was a major achievement in terms of our professional development, and in terms of the grooming of the relationship. However, I think we only ever had one cycle of that before the Klynveld Main Goerdeler got together with Peat Marwicks to form the international firm, and it slipped through our fingers. (Cox Arcus partner)

This again suggests that with the loss of the KMG affiliation there was no need for a national firm.

Social forces

Social forces arise because actors within the entity recognise that it is no longer acceptable to behave as they have previously and they make choices regarding what is now acceptable to them individually or as a group. As mentioned, when Peats merged with KMG on a world-wide basis, Peats was in a position to control the outcome of the merger in New Zealand. Peats could have absorbed all KMG Kendons' firms into its organisation as was done in other countries. However, with its existing extensive coverage in all cities, Peats employed an aggressive and discriminating approach in talks with KMG Kendons. They did not want all the KMG Kendons' offices, as they regarded KMG Kendons as "not up to their standard" (External partner).

> Q: Peats could have picked up all of Kendons?

> A: They could have merged the whole lot. But what they didn't want was the separate offices, and they didn't want all the partners. They would have quite liked all the work, but they didn't want all the partners, and there was a somewhat different philosophy. (Cox Arcus partner)

Even before these negotiations began, most KMG Kendons' offices had decided they would not agree to the directives of Peats. However, later on several of the smaller offices (Hamilton, Invercargill, Gore, Queenstown and Dunedin) did merge with them.

The difficulties in negotiations between KMG Kendons in Auckland and Peats were noticed by Price Waterhouse in Australia. A merger, proposed by Price Waterhouse to KMG Kendons in Auckland in early 1986, was initially viewed favourably by all partners. Price Waterhouse's terms included an apprenticeship requirement for the senior partners, triggering internal conflict among the KMG Kendons partners, which led to growing dissatisfaction among the senior partners and a split vote (9 to 10). Nonetheless, the six ex-Kendons partners in Auckland were keen to join Price Waterhouse and did so in early 1986.

The internal conflict within the merged offices did not appear to be an issue before the KPMG merger, but surfaced strongly during the Auckland partners' merger talks with Price Waterhouse.

> First of all the whole Auckland office was going to go, and that was turned round. At the last minute. I suppose some of us were also, I was going to say cunning, that's not fair, but some of us were astute. We wrote letters of condolences … and that I would not be the only one who'd still be keen to keep talking … I had a lot of meetings in bloody cars outside the railway station or whatever, because it had to be done, it had to be done. (Kendons partner)

The movement of the better-performing offices to Peat Marwick initiated structured disaggregation that was in turn followed by the break-up of the Auckland office with the movement of partners to Price Waterhouse.

Furthermore, the unexpected split vote in the Auckland office reflected the cultural division that existed between the group of mostly younger Kendons partners who had always preferred autonomy and innovation and had a more open culture; and a group of senior partners who were seen as typifying the conservative and risk-adverse Cox Arcus traditional hierarchical culture, that some saw as "stagnant".

> The younger partners in Kendons were more of a small, close team, possibly because of their age – than the rest of us [in Cox Arcus] who had been a result of a merger anyhow. (Cox Arcus partner)

Due to the tensions created by the affiliation loss, this cultural tension now resulted in social fragmentation.

> Operationally there were some difficulties. Because the Cox Arcus philosophy and approach was a bit different from ours. There were faults and good things on both sides … It was too early after the merger, to say. I mean, a lot of things take ten or twelve years to change a culture, or what becomes your own culture after a merger, where there was two sort of equal sides. (Kendons partner)

The remaining KMG Kendons (Auckland) partners sought to rebuild the firm by creating new senior positions and promotions from both internal and external sources. However, it soon became clear that such plans were unattainable. The loss of KMG affiliation as well as the departure of the six partners to Price Waterhouse meant recruitment became extremely difficult. The remaining partners in KMG Kendons (Auckland and Takapuna) were identified by Coopers & Lybrand as possible target candidates for a merger, a move approved by the remaining Auckland partners in late 1986. The merger was "totally harmonious" (Cox Arcus partner).

Meanwhile, the structural fragmentation of KMG Kendons continued when the Wellington office merged with Kirk Barclay, representing the UK-based Spicer and Pegler accounting firm. This was described as a merger of equals: both firms had six partners in Wellington and both "had something to gain and also something to offer" (Cox Arcus partner). After the move to the premises of Kirk Barclay, the firm became Spicer & Oppenheim in 1988, when Spicer & Pegler merged with the US-based Oppenheim, Appel, Dixon & Co.

The external societal expectations were also changing about what was required in terms of professional objectivity and independence. Investing in a client, as an example, used to be seen as acceptable:

> Independence wasn't an issue 20 years ago, 25 years ago. I mean it wasn't such an issue as it is now, I don't think. If you think back, I'm sure if you talk to the accountants who are in the seventies-plus age group, even a bit younger than that maybe, I would suspect you would find that it was accepted practice to invest in clients, as an accountant, in some respects. (Cox Arcus partner)

Nonetheless, it appears not to have been a significant concern within KMG Kendons.

> The rule as I remember it was that you could not own shares in any [audit] client of the national firm … But it didn't seem to upset anybody much, because there were no very large widely held companies. It didn't put a strain on anything. (Cox Arcus partner)

In contrast, the issue of closeness in the relationship with clients was seen as a key issue that did affect practice within the accounting partnership and in some cases caused complications in its auditing work:

> The issue is professional objectivity and closeness to the client. … that certainly was an issue that was very much on my mind with the way our audit practice worked right back into the seventies and eighties. That you tended to have longstanding relationships with people who may have been clients of the firm for a long time, and there was a tendency for the auditor, as a result of that, to sometimes find themselves on the wrong side of the line. (Cox Arcus partner)

> Probably around maybe in the early eighties, where I was working with our principal audit partner on a subsidiary of what was then our largest client. … I decided that the accounts were wrong. … I refused to take the audit any further, and said that I thought that they needed to recount the stock. The chief executive of the holding company put pressure on the engagement partner, and tried to get him to overrule me. Which he, in the end, wanted to do but didn't think that he could or should. … that caused an enormous amount of difficulty on the job and subsequently I wasn't involved in that group any more. … I always put that down to the relationship between the chief financial officer and the auditor being far too close. (Cox Arcus partner)

The offering of both auditing and business services (contributing to a lack of independence), was a factor during the merger negotiations with other accounting firms in the mid-1980s.

> They [Coopers and PriceWaterhouse] were at that stage, and we're going back to 1985, 1986, whenever it was, they too were looking to boost their business services practice; and to get away from just being a pure audit practice to having a business services base, which they seemed to deem very important. … I understood that was the reason that they spoke to us in the first place. (Cox Arcus partner)

Thus, after the loss of the KMG affiliation the competing tensions with respect to the institutions in conjunction with the economic, political and social deinstitutionalisation forces tore the loosely-coupled national entity apart. This led to the demise of KMG Kendons, as a national entity.

The institutional remnants (1988 onwards)

There were two main outcomes as a result of the demise of the national entity, KMG Kendons. The first was the re-establishment of some of the locally-focused firms; the second was negotiated integration into other national entities with international affiliations.

Some local tribes re-established

Many KMG Kendons partners realised that local clients remained core to their fee base, and that audit was no longer the main source of income. Partnership-focused cultural values (the old institutions) were still important and maintained in various local offices. These offices/partners thus left the national firm and set up their sole practices and reverted back to being a local firm.

> When I pulled out … I was able to retain a smaller version of the computer that Kendons used and put everything on tape and transfer it miles away. One or two staff came with me; employed some more and we were away. (Cox Arcus partner)

Some others with this view merged with other New Zealand-based firms, but did not seek firms with international affiliation.

The departure of the Wellington office of KMG Kendons to Kirk Barclay had come as a surprise to the Lower Hutt, Otaki and Levin offices. The Lower Hutt office took over the Philips Electrical audit for another three years; the audit then passed to KPMG. While the Philips audit was very important to the firm, its loss was inevitable due to the loss of the KMG affiliation:

> The interesting part of the whole story, however, is that because Philips' head office in New Zealand was here and we were doing the Philips audit for KMG, and they'd only just secured the Philips work, we finished up retaining the KMG name when the whole merger took place. … and continued to do the Philips audit for the next three years. That was because KMG, as part of the whole deal, didn't want another change of personnel and staff 12 months after they'd made the changes … (Cox Arcus partner)

For other KMG Kendons offices, subsequent to the loss of KMG affiliation, there were similar feelings that they were "left on their own". The Lower Hutt office (KMG Kendons) and the Christchurch office (Kendons Canterbury) retained the name in their title but reverted to being local practices.

> Basically, all the practices retained the clients that they were working on, or had the partner relationship with. We were left in '87 here in Lower Hutt with [our] existing client base, weathering the Crash. (Cox Arcus partner)

In 1988, Otaki joined the Levin office, and the practice continued under the name of Otaki Kendons. The remaining partners of the national firm either retired or started sole practices. Therefore, from a national firm with 60 partners and 12 branches in 1985, three years later in 1988, Kendons was reduced to three small local practices with approximately 11 partners (Bui, 2007). A national firm no longer existed. This outcome confirms the Dacin and Dacin (2008) suggestion that an old institution can be reinvented or reconstructed as one outcome of deinstitutionalisation forces. Therefore, arguably, an earlier failure of a new institution to completely override or remove an old and competing institution may be due to the forces of deinstitutionalisation revitalising the old institution. Another outcome is that the new institution survives in other institutional remnants.

Negotiated integration into other national entities

Those offices/partners that strongly identified themselves with the new institutions (national presence, international affiliation) joined or merged with the big international firms. In addition to the Wellington office of KMG Kendons moving to Kirk Barclay, the New Plymouth office joined the New Plymouth Price Waterhouse office, and six partners from KMG Kendons joined Price Waterhouse in Auckland. The Invercargill office, one of the strongest offices of KMG Kendons, was taken into Peats along with other lower South Island offices and the one in Hamilton. The remaining partners in KMG Kendons (Auckland) were identified by Coopers & Lybrand as possible target candidates for a merger, a move approved by the remaining Auckland partners in late 1986. Furthermore, the description of the demise of the national entity with the key departures of the Auckland and Wellington branches appears to reflect the findings of other studies, such as in Greve, Baum, Mitsuhashi and Rowley (2010), with extensive evidence that the withdrawal of one party (in the shipping industry) had both social and economic related causes.

Counter-forces to the organisational demise of a national entity

What are the strategies/mechanisms that could have existed, or been implemented, to help KMG Kendons and similar partnerships survive deinstitutionalisation forces precipitated by external events? It will be argued that with strong leadership and a clear strategic direction, the firm might have been able to survive without the international brand and with the large company audits that had been associated with the national entity.

It was recognised in partner narratives that there was strong leadership in other large firms at the time of the Transatlantic mergers. One person took charge. Some did not like it at all, and all did not like it in part; the person was more often than not seen as too harsh, undermining existing partnership rules and norms. However, those who survived the cuts in partner numbers generally perceived strong leadership as essential to the firm's continued existence. With strong leadership, KMG Kendons might have been able to find an acceptable nation-wide solution to cope with the intervention of Peats, rather than separate offices struggling to determine the most viable strategic option; resulting in their integration with other firms with international affiliations, or re-establishing themselves as part of a local tribe.

KMG Kendons could have utilised its resources better so as to develop further internal capabilities and strengths, that is, gaining a sustained competitive advantage. For example, KMG Kendons could have made more use of the KMG affiliation for staff training and development, or technology transfer, so as to increase the quality of human resources and audit/services practices; the international opportunities for training were much more widely used in other partnerships. With an agreed competitive strategy underlined by sustained and sufficient internal resources and capabilities, the firm would have been able to reverse some of the forces of deinstitutionalisation and subsequent failure as a national firm. Furthermore, with a strong strategic direction, the firm's management could have implemented measures to enhance quality assurance and performance standards across different offices. These would enable KMG Kendons to be perceived as a "major player" and compete effectively to gain and retain larger audits. Being a major firm and being able to gain audits based on their own internal capabilities, the firm would have relied less on an international affiliation for overseas referral work and thus been better able to meet performance targets. Canadian firms had shown a persistent pattern of some national firms retaining a large share of the audit market in the face of the "invasion" of the Big 4 names (Richardson, 2001). Strong leadership and a clear strategic direction might have also permitted the national firm to gain an affiliation with other firms, such as Andersens, when their connection with KMG was terminated.

During the period when any professional partnership is under threat, the role of custodians is of particular importance as part of functioning counter-forces. Custodians should be able to balance the political, social and economic forces and sustain internal taken-for-granted rules and shared norms, thus holding the organisation together and resisting the potential for entropy (Dacin and Dacin, 2008). In the case of KMG Kendons, the interview data indicates there was strong internal resistance against the greed and cherry-picking of Peats, and reluctance to break up the firm. However, there seemed to be a lack of coherent communication and effort to stand up against Peats at a nation-wide level. Instead, discussion and negotiations were conducted by individual offices, which resulted in different measures being undertaken in response to Peat's intervention. For example, in the Auckland office, after the departure of the younger partners to Price Waterhouse, a decision was made to recruit additional partners and staff to make up for the shortage and thus continue business-as-usual. However, the recruitment turned out to be extremely difficult.

Even if this measure had been successful, it is difficult to imagine how it could have prevented the break-up at the national level. Furthermore, even if there were partners within KMG Kendons who would have liked to protect the "wholeness" of the organisation, the new institutions of a national presence and international affiliation which underpinned the formation of the national firm, were of little value in tying the firm together. For those who aligned themselves with these new institutions, the rational step for them was to join another "Big" accounting firm that already had such foundations, rather than trying to rebuild one with its international affiliation removed. Again, the problem lies in the new institutions being externally derived from the accounting professional environment rather than being internally originated traditions which might survive the onslaught of environmental contingencies.

Furthermore, structural fragmentation could have been prevented had the national firm been socially and structurally integrated. When KMG Kendons was pressured by external events – the loss of the KMG affiliation in 1985 – stronger socialisation and networking mechanisms could have been implemented to reinforce loyalty to the national firm. Additionally, as a national firm, there had been many opportunities to develop common values and beliefs across offices, to mitigate any "cultural" differences between partners from Kendons and those from Cox Arcus. In contrast, underlying cultural differences that were present implicitly within the national firm in the earlier period were allowed to continue unchallenged. Due to the external jolt of losing the international affiliation, they became more tacit and promoted tension or conflict between the different groups within KMG Kendons. Diminished coherent values and decreasing loyalty between national partners (other than from the local office), as well as the loose structure of the national firm, and the relative operational independence at the local level, permitted geographically distant offices and partners to attend to their self-interests and go different ways. If the firm had been held together by at least some shared vision or culture, arguably the offices and their partners would have felt committed or attached to the national firm, and thus felt a greater reluctance to break it up.

Similarly, had there been some central management hierarchy in alignment with the national firm formation, it would have been more difficult for local offices to enter individual negotiations and depart according to their own wishes. Yet, one could argue that KMG Kendons did not have sufficient time to build a national identity and culture. It was only four years after the formation of the national firm that it was confronted by powerful external forces, resulting in entropy or inertia. Further, the loosely-coupled national structure might have been a barrier to the development of any national loyalty or culture.

None of the above potential counter-forces was present, before or after the loss of the KMG affiliation. This explains why deinstitutionalisation forces, initiated with the major external jolt of the KMG affiliation loss, were so powerful in effecting Kendons' demise. This suggests that the strength of deinstitutionalisation forces and their impact on a professional firm's dissipation depend on whether counter-forces are present to slow down, or even prevent, the demise of such a nation-wide entity.

Towards the demise of a national professional partnership: concluding comments

The objective of this study was to use longitudinal archival data to examine how an accounting firm and the institutions within it responded to accounting professional environmental changes and to identify the deinstitutionalisation forces present which led to the subsequent demise of a national entity – KMG Kendons. The major question of this study relates to what happens in professional partnerships when confronting competing institutions, and investigating how they interact with each other and with the economic, political and social forces for deinstitutionalisation.

The research contributes to our knowledge of the processes of an accounting firm's demise. The demise of a firm has implications for its clients, the community and the accounting profession. This study also provides an understanding of how institutions interact with each other, and the role of deinstitutionalisation forces. There are also more general lessons about small accounting firm growth through amalgamation. Other growth in this manner has been documented by Baskerville and Hay (2006, 2010), where it is clear that strong leadership committed to successful integration of partners was achieved after merger events at other loci. Lastly, and most importantly, given the economic and social costs of organisation demise, such research can suggest how this could have been avoided.

Notwithstanding the limitations of the case approach, the above analysis (as depicted in Figure 2) indicates that within KMG Kendons the presence of competing institutions generates social fragmentation and internal conflict; and thus weakens an organisation's ability to protect or sustain the newer institutions against strong external forces in particular. In addition, the case suggests that the existence of competing institutions can be attributed to the earlier failure of a new institution to completely override or remove the previous and competing institutions. Further, the occurrence of an external environmental event makes the tensions between competing institutions both explicit and unstable, threatening organisational survival in the face of the political, economic and social deinstitutionalisation forces. It was the interactive and combined impact of multiple forces initialised through an external jolt that resulted in the demise of this national entity.

The key political forces were those related to performance and profitability, providing other entities with a capacity to split parts of KMG Kendons away from the national entity, and competitor behaviour relating to the Transatlantic mergers that were taking place at that time between the big international accounting firms. Key economic forces mainly resulted from the Transatlantic mergers: these gave Peats the power to conduct evaluations of individual KMG Kendons' offices, and led them to take those which could contribute the most economically. This behaviour was partly possible due to the increasing technical specialisation in accounting firms. Competition for resources, and the power of the "big audits" drawcard, were other economic forces that came into play with the KMG affiliation loss.

However, in the case of KMG Kendons, the dominant deinstitutionalisation force appears to be a social one, relating to internal social and structural fragmentation. With Peats not wanting all the KMG Kendons' offices, their aggressive approach split the entity structurally, allowing individual offices or groups to merge with them or other firms. Further, the implicit internal cultural tensions present in the earlier years of KMG Kendons, surfaced strongly during the Auckland partners' merger talks creating social fragmentation. External societal expectations were also changing regarding what was required in terms of professional objectivity and independence. Future research

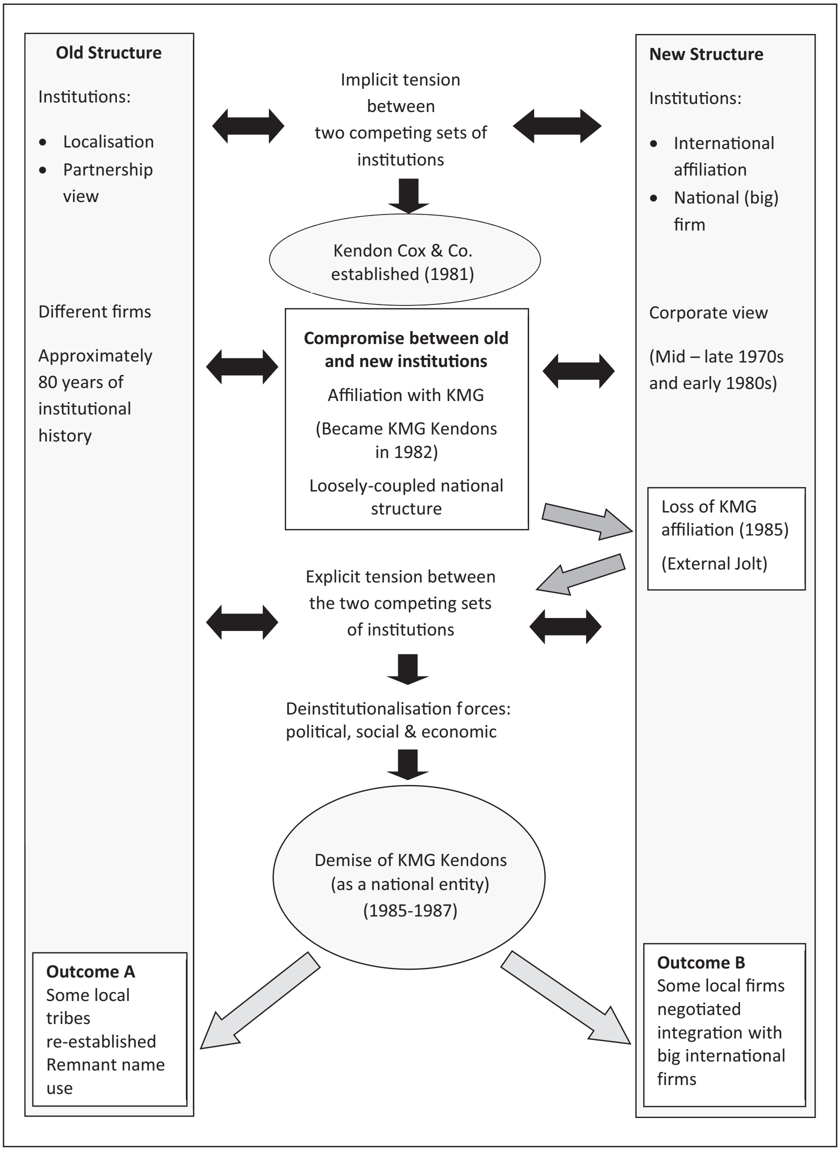

Figure 2. The demise of a national entity – KMG Kendons.

could include comparing the results of this KMG Kendons case with other accounting firms that survive this period of change here in New Zealand or overseas. It could also examine the results in context of other professions such as Law or Engineering.

An underlying question of this study is what could be done to counteract such deinstitutionalisation forces and thus ensure organisational survival? At a critical time for KMG Kendons, there was an absence of leadership and strategic direction, which compounded the impact of an externally precipitated jolt on internal stability. This study argues that strong leadership, strategic direction, and a strong organisational culture and identity (a coherent set of organisational values/institutions and identity) are critical factors in organisational development and survival, at least for firms exposed to such intense external pressures. Structural integration and the presence of custodians could have also provided counter-forces to the impact of deinstitutionalisation forces and may have saved KMG Kendons.

Finally, the case highlights the potential outcomes of deinstitutionalisation. Dacin and Dacin (2008) suggest that deinstitutionalisation can lead to the erosion or extinction of the whole institution, or institutional remnants. This study does not find the disappearance of the prevailing institutions within KMG Kendons, but instead different versions of institutional remnants. While the national entity fell apart, both the old and the new institutions were reinvented or survived in new or other organisations.

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Notes

1. The study by Bui (2007) details more of the history of Kendons outside of the focus on deinstitutionalisation that is used in this study.
2. In October 1982 when the use of an international name was allowed by the New Zealand Society of Accountants, Kendon Cox rebranded as KMG Kendons, dropping the “Cox” name.

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Appendix

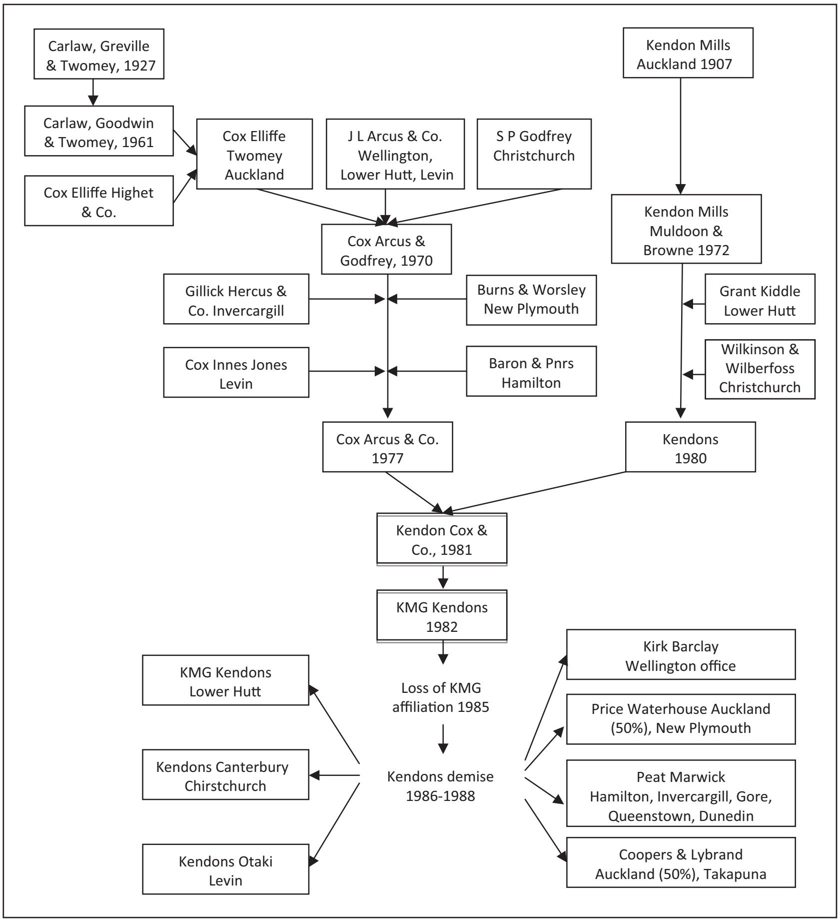

Figure A.1. The formation and demise of KMG Kendons (adapted from Bui, 2007).