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Book Reviews

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Book Reviews

The Development of the American Public Accountancy Profession: Scottish Chartered Accountants and the Development of the Early American Public Accountancy Profession. T. A. Lee. Routledge, 2006. xiv and 176pp. £70.

The Scots have contributed disproportionately to the creation of today's world. Even if Arthur Herman's 2004 book *How the Scots Invented the Modern World* is something of an overclaim, it contains more than a grain of truth. In particular, migrant Scots have made an outstanding contribution to the development of the US. A few examples spring immediately to mind. John Witherspoon, Paisley divine, went on to become a signatory to the US constitution and an early president of Princeton University. Andrew Carnegie's steel empire and his philanthropic work are so well known as to need no further comment. And so on...

A little-understood aspect of the Scottish diaspora is the contribution of Scottish accountants to US business life, a subject addressed in Tom Lee's new book. It consists of an analysis of the biographies of 177 Scottish accountants who left Scotland for the US between 1875 and 1914, highlighting the disproportionate influence they went on to exert on US public accountancy.

As readers might expect from Tom Lee, the book is a model of clarity both in structure and expression. It represents many years of the kind of painstaking work that could only be a labour of love. Anyone who has attempted to construct a family tree will know how long it takes to research the information. Lee has done this, and more, for 177 accountants, on a bilateral basis, with some help in the early stages of the project from his Edinburgh and Alabama students, which is duly acknowledged.

Chapter 1 briefly documents the career of Eric Mackay Noble, the first of the 177 migrants. At the age of 28, in 1875, he left Greenock for New York, a CA who had qualified as a member of the Society of Accountants in Edinburgh. Typically, he had a middle-class background, going on to carve out a career as a resident accountant undertaking court work.

In Chapter 2, Lee points out that the migratory accountants were typical 'mobile Scots', prepared to go anywhere in the country or in the world to better themselves. He informs us that some

800,000 Scots left for the US in the century to 1914, with 600,000 heading for Canada at the same time – colossal figures for a small nation.

Some leading schools appear almost to have had an *ethos* of preparing pupils for careers beyond Scotland, and in Chapter 3, we learn that Edinburgh Academy saw 55% of its well-heeled students leaving their country between 1875 and 1914, including nine of the CAs in the study.

Chapter 4 consists of informative potted economic histories of the main cities from which the emigrants left, Aberdeen, Edinburgh and Glasgow, as well as of the main cities to which they went, Chicago, Minneapolis and New York.

The development of the indigenous US profession comes next, in Chapter 5, and here Lee traces the succession of local professional bodies which went on to form the American Institute of Certified Public Accountants. He notes that none of the Scots accountants studied was involved in obtaining the first CPA legislation, passed in New York in 1896, but that within a decade or so, Scottish accounting immigrants were involved in 'most of the major boards and societies created at this time'.

The opening of permanent offices in the US by British accountancy practices was a significant development relative to the study. Jones, Caesar and Company, an agency of Price Waterhouse, had an English and a Scottish partner, the latter being William Caesar (an Edinburgh CA), one of the immigrants examined. This firm gradually built up a portfolio of indigenous US audits, including railway companies, JP Morgan and Rothschild's, although initially set up to audit US operations of UK-owned companies.

Arthur Young was one of a small minority of the migrating accountants who was unqualified in accountancy on leaving Scotland. He set up his practice in Chicago from 1894, laying the foundations of a firm which became a predecessor to one of the four largest multinational accountancy practices in the world today. Young returned to Scotland in the early 1900s to recruit staff, whose biographies are provided in the book.

Of great significance also was the firm of Marwick, Mitchell and Company, formed in 1897 by James Marwick, a Glasgow CA, and Simpson Rodger Mitchell, unqualified in accountancy at the time of emigration. This firm, too, in due course metamorphosed into one of today's 'Big Four'

multinational accounting practices. The firm advertised for accounting staff in the 'Thursday edition of the *Glasgow Herald* newspaper', and those who responded have been given biographies in the book, as have the founders of their firms.

In Chapter 6, preceding the biographies, Lee analyses his data. Of the 177 who arrived in the US, 33 left again. About one-third of immigrants were of working-class origin, two-thirds middle class and above. Most had limited post-qualifying experience, a function of their age. Some two-thirds ended up working for six large and extremely important public accountancy firms with strong Scots or UK connections, the majority of the remainder being employed by small local firms, with the balance in industry.

This study is a splendid example of what a prosopographic (i.e. biographically-based) historical study can achieve. As one reads the individual biographies, though, one is also struck by the pathos of many of the lives described. Some died tragically young or were cut off in the Great War. Arthur Young himself disclosed that a number of the immigrant accountants had alcohol problems, hence their departure from Scotland. He, himself, had to overcome deafness. As we discover the diverse social and occupational backgrounds of those studied, we learn more about old Scotland and new America, but are also reminded of the seeming randomness of life.

The success of this fine study owes much to its author's personal and emotional attachments. As well as having conducted his career as an academic accountant in both countries, among his many distinctions he values the award in 1963 of the Albert J Watson Prize: endowed in 1961 by a Glasgow CA (1908) who, the book informs us, had a colourful and highly distinguished public accountancy career in the US.

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Sam McKinstry

Ethics and the Individual Professional Accountant: A Literature Review. Ken McPhail. Institute of Chartered Accountants of Scotland, 2006. ix + 117pp. £15. ISBN 1 904574 10 6

The medium of a research monograph is an excellent opportunity for exploring professional ethics; it provides the scope to recognise more of the fullness of the range of complexities that come with messy reality than conventional journal papers allow, yet it benefits from critical peer review. A monograph can be relatively succinct but avoid over-simplification, coupling both discipline-specific and cross-disciplinary insights. Ken McPhail has used well his opportunity to offer depth and breadth, including topics such as the:

- ethical predisposition of accountants, in particular the nature of the ethical individual;

- structure of ethical issues that individuals face;
- characteristics of professions and professionalism;
- changes in the perceptions and experience of professionalism in diverse activities and from different countries; and
- means to start engaging with changing conceptualisations and expectations.

Even so, this monograph does not have to attempt a comprehensive coverage. It is one of a series following the seminal 'Taking Ethics to Heart' (Helliar and Bebbington, 2004) that was prepared for the 150th Anniversary of the Institute of Chartered Accountants of Scotland (ICAS), deliberately to synthesise high-quality research with pragmatic guidance for future decades. Such positioning and pedigree enables McPhail to draw together selected strands to emphasise the seriousness of his core argument, that accountants must recognise a major crisis of credibility. Post-Enron, with the dramatic demise of Andersen, the profession's members have to ask of themselves and colleagues, not merely how to cope with an embarrassingly large number of proverbial 'bad apples' (assumed in a barrel of otherwise wholesome fruit) but more basic questions.

Reflecting on the combination of problems revealed, the reader is left pondering fundamentals such as: "what is the authority of the accountancy profession?". Accountancy has traditionally been essential to the functioning of the capital market system. Its legitimacy comes from providing confidence and assurances to the socio-political and economic order that is widely prevalent and dominant. But multiple malfunctions (such as led the market to destroy Andersen) cause lingering questions, as: "how can, or should, society still place credence on any accountant's work?"

For McPhail, the increasing loss of confidence should trouble not only accountants but also represents a post-modern scepticism within society for the role of all professions and business. The resultant challenge for accountancy practitioners wishing to continue to apply their skills for reward in local or multinational firms goes beyond just tightening existing procedures. Rather, they need to explore shifting expectations of a doubting public and to probe what are, and should be, their own underlying civic responsibilities.

However, this depiction and analysis may itself embody a prevalent problem. Despite the monograph's eloquence, it may appear remote, or at best too disconcerting, for many a busy accountant. She/he is not opposed to ethics; she/he has trained for several years then worked hard to remain up-to-date; she/he will try hard to operate with competence and diligence; and with objectivity and integrity. But clients' or bosses' opinions cannot be ignored. All has to be consistent with the recurring

need to generate fee-income or earn a salary. Without the privilege of academic tenure and guaranteed (if lower) salaries, the summit of ethical aspirations may be to balance daily the varied conflicts of interests encountered (of several other parties and not just of self) without too many hostages to fortune (or litigation). This requires a combination of technical expertise, empathy and probity not independent-thought alone. It represents the apparent pragmatic necessity of getting on with a job within a flawed, but still working, system. The temptation to consign the Enron/Andersen debacle to a 'one-off' (caused by excessive greed and rule-based thinking by distant individuals) is not necessarily wilful complacency. Simply, searching for a vision of a different utopia may appear a luxury for which the resources of time, space or energy seem unaffordable.

Lacking overt sympathy for this situation, the monograph may be less persuasive to that broader readership. Nevertheless, it provides an important service in probing the comfort zone of the accountancy profession. Questioning and visionary advice from a knowledgeable and perceptive observer has an essential role, deserving of respect.

It seems greatly to ICAS's credit that it should fund and facilitate these studies. Its collective willingness to do so represents a risky 'taking-to-heart'. For such explorations may, as logical ends, prompt from readers still more difficult questions that professional Institutes might well recoil from answering: "*should an institute (or academics, or ethical commentators, for that matter!) consciously set out to promote higher standards of ethical expectation and to provide moral leadership to the society in which its members live? Or, is it acceptable only to adopt and adapt to norms of 'best practice', while being under no obligation to try to*

transcend or enhance this?'"

The monograph does not specifically raise these linked questions, perhaps justifiably. Only practitioners, of and for themselves, can decide on their willingness to undertake such a role. Regulators and society might nudge; overtly encourage or else pour scorn on bids to shape a wider ethical culture. To attempt a leadership role might appear a hubristic arrogance for a profession with only a symbiotic (some might say parasitic!) relationship with the business community, society's primary economic generator. To succeed in leadership would require widespread consensus, after proper debate among all members who would bear the significant and direct personal costs of participation.

Although the monograph can only prompt such thoughts, not deliver answers, its value comes in establishing and informing the debate in a scholarly and not-too-inaccessible way, for those who make the time to read it. For them, it gives an insightful literature review, with, notably, many prescient references from the 1980s and 1990s. However, it can, and does, also make recommendations, primarily for education and as part of ongoing 'work-in-progress' rather than as definitive solutions. Again, this is justifiable because to determine what are the roles and routine functions of accounting within society, and thence what ethical attributes are necessarily inspirational to accountants, is a profound, enduring and changing challenge that each generation needs regularly, perhaps even continuously, to keep addressing for itself.

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Reference

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