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Harmonising intergroup relations within a professional body – the case of the ICAEW

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by

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Abstract
From about 1950 the leadership of the Institute of Chartered Accountants in England and Wales (ICAEW) began to transform its basic mission from representation of the interests of ‘public accountants’ to representation of the interests of ‘chartered accountants’. This paper uses ‘contact hypothesis’, developed in the social psychology literature, to explain why and how chartered accountants in business achieved better recognition and representation within the ICAEW. It is known that the ICAEW’s Taxation and Financial Relations (T&FR) Committee was the first committee in the history of the British accounting profession to take responsibility for drafting technical documents in general and Recommendations on Accounting Principles in particular. This paper examines the dynamics surrounding the creation of this key Institute committee on which business members were, for the first time, represented. It reveals that the T&FR Committee played a fundamental role in improving the level of integration between practising and business members by (1) providing an effective mechanism for promoting intergroup contact between practising and business members through which traditional prejudice against the latter was effectively reduced; (2) demonstrating the contribution that business accountants could make to the resolution of important technical issues of relevance to the accounting profession; and (3) creating a mechanism from which members with an enhanced perception of the role of business members could be elevated to positions on the ICAEW’s ruling body, the Council.

Keywords: contact hypothesis; intergroup contact; business accountants, practising accountants, Institute of Chartered Accountants in England and Wales (ICAEW), Taxation and Financial Relations (T&FR) Committee

1. Introduction
The ICAEW comprises two types of members: practising and non-practising. Practising members are public accountants who work as partners or employees in accountancy firms that offer services to the public. Non-practising members largely consist of those working in business (‘business members’) or who are retired. As at 1 January 2006, 67,722 (53.04%) of the total ICAEW membership worldwide (127,670) were business members, whereas 30,497 (23.89%) were practising (partners & employed) members.1 Turning to the composition of the ICAEW’s governing body, the Council (15 September 2006), we find that practising members (48 (46.9%) of the 96 Council members) exceed business members by 7.2 Clearly, business members are significantly under-represented on the Council relative to their contribution to the total membership. Reviews of the governance of the ICAEW conducted by Tricker (1983) and Gerrard (1996) criticized the significant under-representation on Council of business members (see also Willmott et al., 1993, 76), with Gerrard (1996, paras. 8.5) insisting that ‘members of the Institute working in business…have a valid claim to have on Council representatives directly elected by them’. Full voice for business members had been resisted, however, on the grounds that ‘the activities of the Institute impinge more upon those in public practice’ (Gerrard, 1996, para. 8.10).

The under-representation of business members is not only a recent issue and it is now much less than it once was. The absence of any representation whatsoever of

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1 Most (20,448) of the remainder were retired members (http://www.icaew.co.uk/index.cfm?route=134904).
2 The remaining 7 members were engaged in education (4) and in other sectors (3) (http://www.icaew.co.uk/index.cfm?route=119162).
business members on the Council surfaced at the ICAEW’s 1941 AGM. In the endeavour to address this concern, the ‘Report on the Constitution of the Council’ was prepared and presented to the 1942 AGM. The report made no provision for business members’ representation on the Council, but it did give them a voice in the ICAEW’s affairs through the establishment of the Taxation and Financial Relations (T&FR) Committee (renamed the Taxation and Research (T&R) Committee in 1949).

The new committee consisted of a combination of practising and business members, and its job was to advise the Council about ‘matters affecting taxation and the financial relationships of the business community with the Inland Revenue or other Government Departments’ (File 5-1-1). The committee was also designed to ‘establish an effective liaison between the practising and non-practising3 sides of the profession’ (File 5-1-1). The formation of the T&FR Committee, its continued technical activities until 1967 and the relationships that it helped forge between state authorities, such as the Board of Trade (BoT), and the ICAEW during the Second World War and the post war period have been examined, from a corporatist perspective, by Walker and Shackleton (1995, 478; 1998, 36; see also Shackleton and Walker, 1998, 14; 2001, 12; Maltby, 2000, 51-2). The question of how the T&FR/T&R Committee functioned as ‘an effective liaison’ between practising and business members has not previously been addressed.

It is the purpose of this study to extend the accounting history literature by exploring the role played by the T&FR/T&R Committee in improving the level of integration between practising and business members within the ICAEW at a time when divisions between the two segments were becoming increasingly evident. Our principal archival source is the extensive records of the ICAEW. Given that these records were, in the main, available for cross-checking by members on the relevant committee, we are comfortable with having to rely on their content. It has nevertheless proved possible to apply a degree of data triangulation appropriate to qualitative archival research, both within the ICAEW records themselves and by reference to views reported in the public domain. In this latter regard, a series of interviews conducted by Michael Mumford (forthcoming) between 1979 and 1984 have proved insightful.4

The remainder of this paper is structured in the following manner. In Section 2, we examine the relevant prior literature and then move on to consider how business members were treated within the ICAEW in the period from formation through to the 1930s. Section 4 presents relevant features of ‘contact hypothesis’, which is a theory developed in the literature of social psychology to help explain how prejudice in intergroup relations might be reduced. To help contextualise the formation of the T&FR Committee in 1942, the changing pattern of the ICAEW’s membership in the immediately prior period is then reviewed. Section 6 examines events leading to the creation of the T&FR Committee, while Section 7 traces changes in the subsequent treatment of business members within the ICAEW. Section 8 presents a theory-informed explanation for the improved recognition of business members through the operation of the T&FR/T&R Committee. The penultimate section of this paper

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3 The terms ‘non-practising’ or ‘industrial’ members were often used in earlier times to signify what are described today, and in this paper, as business members.

4 These interviews feature prominent chartered accountants from both the practising and business sectors of the profession who played an active part in the work of the T&FR Committee.
examines the mechanism for elevation to the Council of former T&FR/T&R Committee’s members. The final section presents our conclusions.

2. Prior Literature
Intra-organisational conflict between sections of the membership of a professional accounting body is an under-explored research area. Exceptions are the studies of attempts by the Incorporated Institute of Accountants in Victoria to acquire a Royal Charter (Chua and Poullaos, 1993, 706-11; Poullaos, 1994, 66-76; and Carnegie, Edwards and West, 2003). In the context of the present study, however, the most pertinent prior research is that reported by Zeff 1972 who informs us that a number of proposals designed ‘to broaden the membership base of the Council’ were presented at the ICAEW’s 1941 AGM (Zeff, 1972, 7-8). This triggered a Council investigation which produced the following negative conclusion: ‘having regard to the objects for which the Charter was granted, membership of the Council should as a general rule be confined to practising members’ (File 5-1-1). The President of the ICAEW, C. J. G. Palmour, insisted that business members could ‘best serve the interests of those by whom they are employed and the country generally in taking an active part in those [technical] spheres rather than in attempting to apply their minds to matters affecting the administration of the affairs of practising accountants’ (The Accountant, 30 May 1942, 303).

Commenting on the position a quarter of a century later, Zeff (1972, 27-8) discerns a significant change of attitude:

A succession of developments in the 1960s gave credence to the belief that the Institute was gradually departing from some of its traditional patterns of behavior …while some of the policy changes seem insignificant in themselves, they combine to reflect a greater concern for more full and frequent internal communications as well as a reversal of the Institute’s reticence, if not insularity, in its relations with the outside world.5

As illustrations, Zeff (1972, 29-30) refers to new features in the composition of the Council that emerged during the period from 1950 to 1970, such as a shortened average tenure and a modest drop in the average age of its members. The third difference identified by Zeff (1972, 30) was the growing number of business members on the Council which proceeded, in stages, from two in 1950 to 17 in 1971. It is evident from Zeff’s research that the Council achieved a degree of integration between practising and business members by progressively making arrangements for the latter to be represented on Council. Zeff (1972, 32) does not fully explain why these changes occurred but he does observe that the ICAEW came to be ‘a more flexible and open-minded organization’. This paper builds on Professor Zeff’s earlier work and analyzes the role played by the T&FR/T&R Committee in causing these changes to occur.

3. Bias Against Business Members
The problematic position of business members within the ICAEW dates back to its Royal Charter (1880) which anticipated that the new body would be confined to public accountants. The Charter’s preamble announced that the merging societies ‘aim at the

5 The Accountant (30 November 1968, 731) had earlier commented that ‘There is no doubt that the gentle wind of change that commenced to blow through the Institute a few years ago has developed into a strong refreshing breeze’.
elevation of the Profession of Public Accountants as a whole’, while section 19 sub-section 4 stated that ‘No such members shall follow any business or occupation other than that of a Public Accountant or some business which in the opinion of the Council is incident thereto or consistent therewith’ (Membership list for 1921, 26). Initially, members moving from public practice into business were required to resign (Ms.28411/1, 92-3; Ms.28423, 120-1), but this rigid stance was challenged by James Martin Luttman who had accepted an appointment with the Artizans, Labourers, and General Dwellings Company Limited in 1887 (Ms.28411/2, 211-2; see also Ms.28411/3, 178-9).

Anderson, et al. (forthcoming) believe that Luttman’s case marked a ‘watershed in the stance of the Council’ towards business members. Henceforth the Council no longer attempted to exclude members who moved into business, but their position as second class citizens is implied by the statement that they were merely ‘allowed to remain’ chartered accountants (Ms.28411/4, 154) rather than welcomed as a newly emerging subset of the membership. In addition, although the Royal Charter made provision for two categories of membership – Fellows and Associates – business members were usually barred from admission to the more prestigious category which was confined to those who had continuously practised as public accountants for five years. The custom of electing Council members from the cohort of Fellows (Ms.28411/1, 110) therefore served as an effective bar to business members being elected to the ICAEW’s ruling body. There were some business members who had achieved fellowship status before leaving public practice, of course, but the doors of the Council chamber seem to have remained closed even to them. For example, F. R. M. de Paula, FCA, was crossed off a list of nominees to the Council after he moved into business in 1930 (annotated ‘NIP’, not in practice, Kitchen and Parker, 1980, 91), in spite of his name having been listed and allowed to stand several times before (Ms.28435/16). Consistent with the prejudice against business members, the year 1919 had previously witnessed Council’s flat rejection of a proposal from several London members to include at least three non-practising members on the Council (Ms.28435/16; Ms.28448).

4. Reducing Prejudice in Intergroup Relations: Intergroup Contact Theory

For the ICAEW to become ‘a more flexible and open-minded organization’ (Zeff, 1972, 32), the governing body’s deep-rooted prejudice towards business members, viewing them as having ‘left the profession’, first needed to change. This section provides a theoretical explanation of how prejudice in intergroup relations might be reduced based on research reported in the social psychology literature.

Prejudice involves perceptual or cognitive distortion of social reality (Allport, 1954, 196) and is difficult to remove because: (1) distortion is exercised unconsciously (Devine, 1989) and (2) even when instances inconsistent with the distorted perception are encountered, they are likely to be cognitively processed as exceptions (interpersonalized), with the result that the original perception is maintained (Johnston and Hewstone, 1992). According to Allport (1954, 281), ‘Prejudice…may be reduced

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6 The membership lists indicate that only a small number of business members were in fact Fellows around the date of the formation of the T&FR Committee in 1942: 34 individuals (2.1%) of the total business membership (1,612) in England and Wales in 1939 and 90 (3.6%) out of 2,493 in 1946.
by equal status contact between majority and minority groups in the pursuit of common goals’. This idea led to the formulation of ‘contact hypothesis’ which, after more than half a century, remains the most influential and authoritative study of this phenomenon (Gaertner and Dovidio, 2005, 72). Work subsequently conducted by social psychologists has been, in substance, no more than an extension or reformulation of Allport’s original ideas (Kenworthy et al., 2005, 278).

Contact hypothesis has not previously been applied to the accounting domain, which is perhaps unsurprising given, as noted above, the lack of research into intra-organisational conflict between sections of the membership of a professional accounting body. Contact hypothesis has been applied by management researchers studying conflict between different racial, social and sexual workers (Caligiuri, 2000; Hubbard, 1999; Gutek et al., 1990; Wagner et al., 1989). Gutek et al. (1990, 562) believe that the case for using contact hypothesis in appropriate circumstances ‘is compelling in that it is parsimonious, general, commonsensical, predictive, and perhaps explanatory of many extant findings in the literature’. In this paper, we test the validity of contact hypothesis as a framework for explaining the changing relationship between the practising and business members of a professional body – the ICAEW.

Allport (1954, 281) formulated the following optimal conditions for the reduction of intergroup prejudice:

1. **Equal Group Status** Both groups expect and perceive equal status in the situation studied (Pettigrew, 1998, 66).

2. **Common Goals** According to Allport (1954, 276), ‘Only the type of contact that leads people to do things together is likely to result in changed attitudes.’ He illustrates this principle citing ‘the multi-ethnic athletic team’ where ‘the goal is all-important; the ethnic composition of the team is irrelevant. It is the cooperative striving for the goal that engenders solidarity.’

3. **Institutional Support** In circumstances where contact between two groups is explicitly sanctioned by the institution to which they belong, their meeting together is legitimatized and more likely to be repeated, which in turn helps to reinforce the process of mutual, positive recognition. Furthermore, institutionalized contact founded on the expectation or norm of mutual recognition positively affects the behaviour of members of each group (Aronson and Patnoe, 1997).

4. **Perception of Common Interests** It is desirable for contact to be of ‘a sort that leads to the perception of common interests and common humanity between members of the two groups’ (Allport, 1954, 281). Under such a condition,

   Almost any topic will bring out the universal (or closely similar) values of all the…groups.

   With the ground for acquaintance thus laid, an agenda for the improvement of…relationships can gradually be evolved, and common projects and cooperative endeavour will then fortify and implement what might otherwise be abortive goodwill. (Allport, 1954, 279) (emphasis added)

Empirical and theoretical studies of contact hypothesis conducted subsequent to Allport (1954) elaborated the concept along two main lines: how the change of attitude occurs through contact with specific group members (mechanism); and how the change that occurs through contact with specific group members extends to the entire group (generalization). Of the numerous theoretical approaches developed with the intention

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7 This condition is alternatively referred to as ‘Intergroup Cooperation’ or ‘No Competition between the Groups’ (Pettigrew and Tropp, 2005, 265).
of improving the explanatory potential of Allport’s ideas, two are used to inform this study. They focus, respectively, on interpersonal and intergroup contact. Starting from the relatively unproblematic notion that new learning or information through contact that disconfirms a distorted perception can reduce prejudice (Stephen and Stephen, 1984, 238), the issue becomes one of the precise circumstances in which this is likely to happen.

First the interpersonal approach. ‘[U]nder conditions of minimised salience of group membership and group boundaries’ (Kenworthy et al., 2005, 280), the greater the potential for individual members of the outgroup (in this study business members) to display distinctive features that can be interpreted as disconfirming information which, in theory, results in ‘decategorization’ (Brewer and Miller, 1984). However, the model has been criticized on the grounds that ‘by focusing solely on individuating [i.e. person specific] information, the outgroup member would not be seen as an outgroup member at all’ (Kenworthy et al., 2005, 280). Thus the theory fails to produce the conclusion that positive results of personal interaction will generalise to other members of the group.

An alternative model, ‘salient categorization’, emphasises the need for the contact effect to generalize to the intergroup level, with this considered more likely to occur when ‘category salience remains relatively high during the interaction’ (Kenworthy et al., 2005, 281). In these circumstances, the individual members of the outgroup will be perceived as possessing the same features and thus representing the outgroup as a whole (Hewstone and Brown, 1986). However, as Kenworthy et al. (2005, 281) suggest, ‘Making category salient risks exacerbating and reinforcing perceptions of group difference’ and, paradoxically, strengthening original prejudice.

To capture the combined explanatory potential of decategorization and salient categorization, recent studies propose an approach emphasizing a sequential placing of interpersonal and intergroup contacts (Kenworthy et al., 2005, 282). According to Pettigrew (1998, 75), ‘Diminished saliency of group categories can be important when intergroup contact is initiated. Once established, salient group categorization is required for the effects to generalize to the intergroup level’. In addition to the four conditions for optimal contact suggested by Allport (1954), Pettigrew (1998, 77) therefore proposes a developmental model of intergroup contact theory incorporating a time dimension: initial contact (decategorization through interpersonal contact) developing into established contact (salient categorization or generalization through intergroup contact). In effect, the combined approach regards intergroup contacts as a dynamic sequence of events starting as interpersonal contacts and graduating through intergroup contacts before the contact effects can be expected to result in a general diminution of prejudice against each other. Before leaving this section, it is also worth noting that recent research has revealed that intergroup friendships are a particularly effective form of intergroup contact (Pettigrew, 1997).

5. Changing Membership Patterns

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8 That is, a situation where members of the group are not seen as homogeneous.

9 The salient categorization model, in contrast, proposes ‘keeping group boundaries intact and salient during intergroup encounters’ (Kenworthy et al., 2005, 280).
In this section, we will see that the changing composition of the ICAEW’s membership problematised the leadership’s initial role as representatives of only the practising component of the accounting profession.

Despite the Luttman case, for many years the ICAEW’s membership consisted mainly of individuals who either owned or worked for accounting practices. Table I reveals that fully 40 years after the ICAEW was formed, just 5% (191÷3,797) of the traceable membership worked in business. The position then began to change dramatically. The number of business members trebled in both the 1920s and 1930s and rose by a further 50% during the Second World War. The growth-rate accelerated in the post-war period with business members comprising 32% (4,337÷13,498) of the traceable membership in 1956. In contrast, the numbers of practitioners and practice-employee members (i.e. qualified accountants working for practitioners) rose at a gentler rate in the 1920s and either stagnated or decreased during the Second World War.

Table I. Categorized membership of the ICAEW in England and Wales in selected years

<table>
<thead>
<tr>
<th>Members</th>
<th>31/08/1920</th>
<th>01/09/1929</th>
<th>31/10/1939</th>
<th>09/11/1946</th>
<th>01/12/1956</th>
</tr>
</thead>
<tbody>
<tr>
<td>Practitioner</td>
<td>2,886</td>
<td>3,944</td>
<td>5,210</td>
<td>5,379</td>
<td>7,059</td>
</tr>
<tr>
<td>Practice-employee</td>
<td>720</td>
<td>1,811</td>
<td>2,527</td>
<td>1,461</td>
<td>2,102</td>
</tr>
<tr>
<td>Business</td>
<td>191</td>
<td>518</td>
<td>1,612</td>
<td>2,493</td>
<td>4,337</td>
</tr>
<tr>
<td>Traceable</td>
<td>3,797</td>
<td>6,273</td>
<td>9,349</td>
<td>9,333</td>
<td>13,498</td>
</tr>
<tr>
<td>No Trace&lt;sup&gt;10&lt;/sup&gt;</td>
<td>995</td>
<td>1,444</td>
<td>2,838</td>
<td>2,854</td>
<td>3,409</td>
</tr>
<tr>
<td>Retired</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>415</td>
</tr>
<tr>
<td>Total</td>
<td>4,792</td>
<td>7,717</td>
<td>12,187</td>
<td>12,187</td>
<td>17,322</td>
</tr>
</tbody>
</table>

Source: Membership Lists for 1921; 1930; 1940; 1947; 1957.

To better understand the significance of these figures, we examined the composition of the business membership, as far as this was identifiable, contained in the listings for 1929 and 1939. This revealed that the principal explanation for the increase was the move into business of recently qualified and thus relatively younger members. Out of the 1,279 members who transferred from public practice to business during that period, 840 (65.7%) qualified between 1930 and 1939.

One implication of these statistics is that the market for practising members became saturated in the 1930s and that the option of moving into business provided an important safety valve. A. E. Cutforth’s presidential address to the 54<sup>th</sup> AGM supports this interpretation:

Most of us will feel…that it is better to allow the ordinary laws of supply and demand to effect – as in due course they doubtless will – any necessary adjustment. We have to remember that to an increasing degree Chartered Accountants are being absorbed into finance and industry; and that this constitutes a most useful safety valve (*The Accountant*, 4 May 1935, 647).

The 1939 columns of *The Accountant* contain a number of references to the market for practising members having become ‘overcrowded’ (*The Accountant*, 22 April 1939, 528; 29 April 1939, 565; see also File 2-27-1). In April 1944, C. J. G. Palmour’s response to an inquiry from the Ministry of Labour and National Service on post-war requirements for accountants included the following words: ‘the practising accountancy

<sup>10</sup> Members for whom the listings contain, at best, private addresses are included in ‘No Trace’ category. The numbers of ‘Retired’ members are not separately identified between 1920 and 1946 and, accordingly, also included in ‘No Trace’ category. The proportion of ‘No Trace’, when compared with the other categories, is stable at around 21.7%. Thus, the trend revealed by the statistics is considered to be a reasonably reliable indication of the rate of increase in the number of business members.
profession had reached saturation point before the war; during the war most offices had found that they had previously been over-staffed’ (Ms.28435/34). An accountancy-career guidance leaflet prepared in February 1946 by the Ministry of Labour and National Service acknowledged the fact that, for newly-qualifieds, obtaining a full-time post in business was ‘an important alternative to setting up in private practice on their own account or in partnership as a junior partner in an established accountancy firm’ (Ms.28435/34).

We therefore conclude that the market condition for practising members, in the 1930s, was incapable of absorbing the rising number of qualified chartered accountants. The consequential major increase in business members brought to the surface the issue of the absence of their representation on the ICAEW Council.

6. Formation of the T&FR Committee
Proposals for improving the representative character of the Council were made to the 1941 AGM by public practitioners. C. J. G. Hughes argued that ‘the Council would benefit by the representation of Associates who are in commerce, for accountants in commerce are becoming more and more important and their outlook on life is often entirely different from that of the professional accountant’ (The Accountant, 17 May 1941, 378). The specific challenge to the ICAEW’s 60-year tradition of a Council run entirely by practising Fellows was launched by E. M. Taylor when proposing that ‘the Council shall include not less than five Associates, whether practising members or not’ (Ms.28432/19). The Council refused to put a resolution ‘of such a revolutionary character’ to the vote, pleading the attendance of ‘relatively few members’ (The Accountant, 17 May 1941, 377). The meeting therefore approved a resolution that ‘the members of the Council be invited to lay proposals before the next Annual General Meeting of the Institute’ (The Accountant, 17 May 1941, 378).

The General Purposes (GP) Committee of the Council appointed a special sub-committee to examine the matter and to collect opinions from members of the Council, the committees of the provincial societies and the London Members’ Committee. The responses from the provincial societies were fairly evenly divided, with a bare majority supporting the representation on Council of Associates whether practising or not (Ms.28432/19). In contrast, the great majority of the 24 members of the Council who submitted opinions to the special sub-committee were opposed to business members’ representation on the Council. The traditionalists insisted that they should be regarded as having ‘left the profession’ (The Accountant, 12 August 1944, 85). For example, according to W. T. Bell of Manchester:

> The election of [Associates not in practice] I should strongly deprecate, indeed I am not sure that those engaged in commerce are strictly speaking entitled to be members of the Institute. The latter was formed in the interests of public accountants and no other should in my view be allowed to direct its affairs (Ms.28432/19; see also K. A. Layton-Bennett, London, C. W. Boyce, Bradford, T. B. Robson, London).

The voices calling for reform were not silenced, however, with the practitioner, H. G. Evans, addressing the 1942 AGM in the following robust terms:

> With the greatest respect, I do not agree that those in industry and commerce should not concern themselves with the affairs of the Institute. I think there is enormous support and assistance which they can give and I hope they will give it. I feel we want above all things to get away from this feeling of frustration in the Institute; we want greater unity and I believe we shall get it if we try to reconstitute the Council in that way – on the basis of mutuality of interest (The
A possible resolution of the problem had earlier been put forward (September 1941) by the Birmingham and District Society, located in a city with the third largest number of business members in 1939. Perhaps mindful of the difficulty of achieving radical reform of the Council, the Birmingham Society offered an alternative conciliatory mechanism through the establishment of a Standing Committee of the Council, that included business members, ‘charged with the consideration of the wider range of problems’:

Feeling thus through its members the pulse of industrial opinion the Institute would be in a unique position to advise and discuss with the Government many of the matters of principle, particularly in the drafting of Finance Acts, now the subject of representation by numerous trade organisations (Ms.28432/19).

Drawing on these ideas, the Council submitted the Report on the Constitution of the Council to the 1942 AGM. Whilst restating the object of the ICAEW as ‘the elevation of the profession of public accountants as a whole and the promotion of their efficiency and usefulness’, the Report suggested the provision of a machinery ‘to establish an active and effective liaison between the practising and non-practising sides of the profession’ (Ms.28432/19). The T&FR Committee, consisting of 16 practitioner, three practice-employee and eight business members, first met on 22 July 1942 when H. M. Barton (a practitioner) was elected Chairman and F. R. M. de Paula (Vice-chairman and Joint Managing Director, Harding, Tilton & Hartley Ltd) Vice-Chairman.

Some business members remained deeply dissatisfied with the lack of fundamental change. Basil Smallpeice (Managing Director, Doulton & Co. Ltd), for example, complained that ‘the Committee pretends to be no more than a drafting and an advisory body; it was never intended to have anything to do with the management of the Institute’. He continued: ‘nothing will be adequate, short of industrial [business] members being brought on to the Council itself’ (Smallpeice, 1944, 46). In the next section, we will see how this kind of concern was addressed over the next 20 years.

7. Transformation of Internal Relationships, 1943-65

Up until 1943 business members remained unrepresented on the Council. In contrast, ‘by 1971, 17 of the 65 Council members were not in practice’ (Zeff, 1972, footnote 10). Below, we examine the key events that represented the ‘New Climate’ (Zeff, 1972, 27-32) that emerged within the ICAEW in the twenty or so years between the formation of the T&FR Committee and the revision of the constitution of the Council in 1965.

Business Members’ Representation on the Council: 1943-50

The London & District Society made three successful nominations of business members for positions on the Council between 1943-48. The election of F. R. M. de Paula in 1943 and P. M. Rees (Chief Accountant, Lever Bros. & Unilever Ltd) in 1944 began to address business members’ feeling of discontent (Smallpeice, 1944, 46). In 1948, B. Smallpeice himself was elected to the Council, and in the same year the Manchester Society followed London’s lead with their successful nomination of J. S. Mackenzie (Director, Fine Spinners & Doublers Ltd). The procedure followed for the purpose of filling a London vacancy went a long way toward ensuring that nominations would be acceptable to London’s leading practitioners. Whereas district societies in the provinces
were authorized to make two nominations between which the Council would then choose (File 1487), the London District Society could make nominations only after consultation with the London members of the Council. Indeed, it was the London members of the Council who took the initiative in proposing de Paula and Rees for consideration by the committee of the London & District Society (London Members’ Committee Minutes Book B, 113, 142), and we surmise that it was the nominees’ public practice background (both were also Fellows) that explains the Council members’ initial choice.

We therefore conclude that, well into the 1940s, the Council still attached importance to members’ careers in practice and regarded the election of business members to the Council as exceptional. However, given that Smallpeice and Mackenzie were each Associates and had never been in practice, their election to the Council in 1948 represents an epoch-making event (Howitt, 1966, 48).

The original stance of the Council was therefore changing, and this transformation gained further momentum. A meeting of the GP Committee held on 28 June 1949 discussed the Planning Committee’s recommendation that ‘consideration be given to the question of the representation on the Council of members employed in industry or commerce’ (Ms.28416/9, 169-70). A sub-committee appointed to consider this matter recommended ‘that five seats on the Council be made available exclusively to members of the Institute who are not in practice’, Russell Kettle, President 1949-50, announced the creation of a pool of a maximum of five Council seats for business members to the 1950 AGM (The Accountant, 13 May 1950, 541).

There is evidence to suggest that informal interaction between practising and business members helped to change Council policy. B. Smallpeice later recalled that he ‘used to talk to him [H. M. Barton, President 1943-45,] and he was very sympathetic…I eventually persuaded them that they’d got to let some industrial chartered accountants in [to the Council]. All right, they’d got to be Fellows’ (Mumford, forthcoming). Personal acquaintance was certainly an important factor in Smallpeice’s own elevation to the Council, with Sir Harold Howitt, President 1945-46, playing the key role. Smallpeice later recalled that Howitt had become ‘a great friend’ (Mumford, forthcoming) when the former was on the board and the latter the chief accountant at British Overseas Airways Corporation (BOAC). In general, however, change was hard-fought. J. Calyton (Director, Broadcast Relay Service Ltd) summarised the situation some years later as follows (Mumford, forthcoming): ‘We fought the Institute; we fought the Council for membership…in the late ‘40s and early 1950s. And the final decision was five (members) - and five only. They accepted me because they thought I was safer in than out!’

A Greater Voice for Business Members

On 30 October 1951, the GP Committee considered a suggestion from Smallpeice to set up a committee to consider matters relating to the interests of business members (GP Committee Minutes Book J, 180). The formation of such a committee was welcomed partly because it would help to keep business members ‘within the fold of the Institute and so avoid any possibility of a separate body being set up’ (GP Committee Minutes Book J, 188-9). In December 1951, Council approved the formation of the GP Sub-Committee (Non-Practising Members) consisting of ‘all non-practising members of the Council, the Chairman and Vice-Chairman of the
General Purposes Committee and one other member of the Council in practice’ (GP Committee Minutes Book J, 189). Its role as a liaison between business members and the ICAEW’s leadership, and how it might be expected to function, were explained as follows.

the General Purposes Committee could refer matters relating to members engaged in industry and commerce to this sub-committee for detailed examination and advice; equally non-practising members of the Council could raise through this sub-committee any matters which they considered should receive attention from the Council through the General Purposes Committee (GP Committee Minutes Book J, 188-9).

A further advancement of the interest representation of business members was advocated by W. S. Hayes (Financial Director, J. & E. Hall Ltd) at a meeting of the GP Committee held on 26 March 1957 (GP Committee Minutes Book M, 175; File 7-22-1). The issue was examined by the GP Sub-Committee (Non-Practising Members) which concluded that ‘the views of non-practising members generally could not be sufficiently represented on the Council by the existing five non-practising members of the Council’ (GP Committee Minutes Book M, 175). The sub-committee recommended the appointment of a committee reporting directly to the Council ‘its opinions on any matters affecting members in industry and commerce on which the Council might usefully take action’. It further proposed that the committee should consist of ‘(i) the President and Vice-President, (ii) the five non-practising members of the Council and (iii) eight [two nominated by the T&R Committee and six co-opted by the Committee itself] other members of the Institute who have achieved eminence in industrial or commercial affairs’ (GP Committee Minutes Book M, 175).

The Council approved the formation of the Non-Practising Members Consultative Committee on 6 November 1957 (NPMCC) (Council Minutes Book R, 165). The new committee had the following advantages compared with the GP Sub-Committee (Non-Practising Members): it had a stronger voice, since the President and Vice-President were included in the membership and it presented its views directly to the Council; and it was more broadly based, as it included eminent business members unconfined to those elected to the Council. The NPMCC was renamed the Consultative Committee of Members in Commerce and Industry (CCMCI) in 1960.

Revising the Composition of the Council: 1960-65
At a meeting of the CCMCI held on 22 November 1960, J. Clayton argued that the ‘proper integration of the two sides of the profession’ could be achieved only ‘by opening the Council to more non-practising members’ (File 5-8-14). The CCMCI agreed that their ‘Committee was symptomatic of a transitional period in the growth of the Council’ (File 5-8-14) and accordingly resolved to ‘produce a report on the constitution of the Council designed to hasten the process of assimilation’ at all levels of the ICAEW’s committee structure (CCMCI Minutes Book A, 21). On 10 October 1962, the CCMCI, in response to an invitation from the GP Committee (CCMCI Minutes Book A, 73-4), presented the following observations:

1. members in commerce and industry should be able to be of assistance to all standing committees.
2. there are at present insufficient such Council members for this purpose and…this situation is on the one hand unfair to the committees as they do not thereby get an adequate expression of the views of members in industry and commerce and on the other hand it imposes an unduly heavy burden on the limited number of non-practising members who are at present available.
The CCMCI further argued that ‘the present position also merits reconsideration having regard to the amount of income of the Institute which is received by way of subscription from such members’ (File 5-8-14).

These arguments found favour with the GP Committee and the Council whose proposal for an increase in its membership from 45 to 60, with 10 of the extra seats allocated to business members (giving them 15 seats\(^ {11} \) in all), was approved at a special general meeting of members held in the autumn of 1965.

**Public Acknowledgement of a New Philosophy**

Transformation of the ICAEW leadership’s attitude concerning the appropriate position for business members within the ICAEW’s government structure is evident from a comparison of public statements made by successive ICAEW Presidents between 1941-65.

C. J. G. Palmour, addressing the 1941 AGM:

It cannot be denied that Members engaged in Finance, Commerce and Industry, as distinct from the practice of Accountancy, have more intimate knowledge of their particular class of business, but they cannot have a wholly independent and unprejudiced mind and that being so will not their experience be much more useful and sought after by the various Associations which are formed to safeguard and protect those interests which they represent (Ms. 28432/19).

Russell Kettle, addressing the 1950 AGM:

the two main functions of the Council are in relation to the conditions of training and examination for admission to membership and the conduct of persons admitted to membership. These are the two main functions which underlie the Royal Charter of 1880. Bearing this in mind it would not be either appropriate or practicable for the Council to carry out its duties if the membership of the Council did not consist substantially of practising members (*The Accountant*, 13 May 1950, 541-2).

W.L. Barrows, addressing the 1959 AGM:

We have fought, and we shall continue to fight in every possible way against sectionalizing the profession. We want to incorporate industrial accountants many of whom…are very distinguished people and such a great advertisement for our profession, and in that way we want to keep them with us (*The Accountant*, 15 August 1959, 67).

Robert McNeil, addressing the 1965 AGM:

The largest increase [in the Council’s membership] is for members not in practice and, in view of the growing numbers, it seems right that an increase of this size should be accorded to this section of our membership (*The Accountant*, 2 October 1965, 425).

Up to the early 1940s, the Council continued to regard business members as having left the profession. As late as 1946, Howitt described business members as ‘non-professional members’ (Ms.28435/2; File 0436) and, even in 1950, Kettle characterized the ICAEW’s fundamental purpose as being to provide a service for practising members. The evidence presented in this section, however, reveals that, from about 1950, the Council progressively modified its long-held conviction that the ICAEW was a society for public accountants alone.

8. The T&FR/T&R Committee and Growing Recognition of Business Members

\(^ {11} \) The difference between the 15 members out of 60 members in 1965 and the 17 members out of 65 members in 1971 referred to by Zeff (1972, footnote 14) is due to the fact that five of the ten extra seats, created for members from the Society of Incorporated Accountants and Auditors on merger in 1957, still remain on the Council in 1971 and two of the five were business members.
In this section we draw on intergroup contact theory to explain why the Council, from about 1950, began to revise its traditional stance towards business members and increasingly allow them to play a role in the governance structure of the ICAEW. We have seen that the number of ICAEW members working in business increased rapidly from the 1930s onwards, but also significant was the rising number of influential members working in that sector. Some of these had been appointed to senior positions directly from public practice; others ‘worked their way up’ having left public practice soon after qualification (Matthews et al., 1998, 210-25). Indeed, about 20% of the total business membership changed jobs between 1946 and 1956, and this contributed to a dramatic increase, from 928 to 1,633, in the number of members who were directors or secretaries of commercial companies (Membership Lists for 1947 and 1957). As a result, business members gradually came to be viewed as ‘performing recognized functions of the profession in the industrial and commercial sphere’ (Accountancy, May 1959, 288; see also Hopwood et al., 1990, 59-60), while those involved in Institute activities were judged to be making ‘valuable contributions to the work of the Council’ (GP Committee Minutes Book R, 135-6). Also, during the post Second World War period, practising accountants broadened the range of management consultancy services offered to clients (Matthews et al., 1998, 196) and, as practising accountants became more closely involved in a wider range of business issues, one might imagine that the cultural gap between the two main groups within the ICAEW diminished. An arena within the ICAEW, where business members came into contact and worked in partnership with practising members for the first time concerned, as noted above, the affairs of the T&FR Committee formed in 1942.

Membership of the T&FR/T&R Committee

Representation of practising and business members on the T&FR/T&R Committee, for each of the years 1942 to 1965, is given in Table II. Overall, 61.4% of the membership was from public practice and 37.5% from business. The higher number of practitioners throughout this period is due to the following factors. First, the difficulty experienced by some district societies in finding business members who were both willing and able to serve, given their physical distance from London where meetings were held (T&R Committee Minutes Book B, 3). Second, the fact that corporate employers were often unwilling to release employees to undertake Institute work. Table II. Practising and business membership of the T&FR/T&R Committee 1942 to 1965

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12 In implementing the policy to extend fellowship to business members in 1959, it was stated that Council had in mind the great number of members who were in industry and commerce, the eminent positions which many of them had attained and the great contribution which members not in practice had made and were making to the interests of the profession generally and of the Institute in particular (GP Committee Minutes Book L, 173).
The relatively lower representation of business members should not therefore be interpreted as an indication of a lack of importance attached to their contribution to the work of the T&FR/T&R Committee. On the contrary, there is ample archival evidence of the Committee’s determination to ensure that its membership comprised, as far as possible, a balanced representation in terms of job interests and geographical spread (T&R Committee Minutes Book B, 91; GP Committee Minutes Book L, 23-4; File 12-1-2). For instance, a plan to increase the membership of the T&R Committee from 44 to 48 in 1950, designed at first to increase the representation of practising members and thereby expedite the Committee’s work (GP Committee Minutes Book J, 27-31), was instead used to co-opt four further business members. Such action was taken to ensure that the Committee’s membership was sufficiently well-balanced to fulfil its responsibility for undertaking a broad range of specialized technical work impinging upon various aspects of Britain’s economic policies (e.g. in relation to company law reform). The importance placed by the ICAEW’s leadership on ensuring adequate representation of business members was emphasised by W. L. Barrows, President 1958-59, when addressing members of the T&FR/T&R Committee:

> Out of a total of fifty-two members only some nineteen or twenty are in industry or commerce, and I do hope that you will look closely at this aspect of your affairs and see whether it is possible for a greater proportion of your membership to be drawn from industry and commerce. I know this is difficult but the nearer you can get to equal proportions as between practising and industrial members the better it will be for the conduct of the Committee’s work. (Accountancy, November 1958, 619)

A concern to ensure that each group was well represented on the T&FR implies recognition of one of the optimal conditions for effective contact – equal group status (Allport, 1954). Further evidence of the institutional desire to accord equal status to practising and business members was embodied in the arrangement to rotate the

<table>
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<tr>
<th>Year</th>
<th>Practising members</th>
<th>Business Members</th>
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<th>Year</th>
<th>Practising members</th>
<th>Business Members</th>
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<td>8 (29.6%)</td>
<td>27 (100.0%)</td>
<td>1954</td>
<td>28 (58.3%)</td>
<td>20 (41.7%)</td>
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<td>27 (100.0%)</td>
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<td>44 (100.0%)</td>
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<td>1965</td>
<td>37 (66.1%)</td>
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<td>56 (100.0%)</td>
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Source: Ms.28423; T&R Committee Minutes Books B-D.

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13 Includes three practice-employees for each of the years 1942-44 and one for each year between 1945-48.

14 Membership increases were: seventeen in 1944, due to the incorporation of ‘alternative members’ within the regular membership; four in 1950, as a result of an increase in the number of co-opted members from eight to twelve (T&R Committee Minutes Book B, 3); four in 1958, following the absorption in 1957 of the Society of Incorporated Accountants and Auditors’ members in England and Wales (T&R Committee Minutes Book C, 245); and four in 1965, resulting from the creation of two new district societies (Council Minutes Book X, 190).
chairmanship and vice-chairmanship of the T&FR/T&R Committee between the two
groups.

We review below the technical activities undertaken by the T&FR/T&R Committee
to understand why these might have impacted upon practising members’ perception of
business members and, specifically, reduce the degree of prejudice exercised by the
former towards the latter.

**Structure of the T&FR/T&R Committee**

*The Accountant* (30 May 1942, 298, *emphasis added*) commented as follows at the time
of the formation of the T&FR Committee:

> If that committee can be made into a link at once between the profession and public and *between fellow members of the Institute* having different opportunities of common services, a very valuable opportunity for progress will have been created.

The prime objective of the T&FR Committee was ‘to consider matters affecting
taxation and the financial relationships of the business community with the Inland
Revenue or other Government Departments’ (Ms.28432/19). This objective therefore
served as the common goal (Allport, 1954, 26) for both practising and business
members represented upon the committee. In this sense, the T&FR/T&R Committee
was not simply a forum for interchange of ideas between practising and business
members, but a task-oriented body designed to help the governing body resolve
pressing technical issues.

The T&FR Committee, which held its first meeting on 22 July 1942, had established
four standing sub-committees by February 1943, of which two are of particular
relevance for our purposes (see below): the General Advisory Sub-Committee (GASC)
and the Cost Accounting Sub-Committee (CASC) (renamed as the Management
Accounting Sub-Committee in 1952). The GASC was particularly important, because it
was specifically established to provide the active liaison between practising and
business members required of the T&FR/T&R Committee under its terms of reference
(Ms.28423, 11). Amongst Allport’s (1954) four conditions for the reduction of
intergroup prejudice, we find here evidence of the legitimisation of contact between
practising and business members through *institutional* expectation of acceptance of each
other. In addition, a regional standing sub-committee was formed by each district
society to circulate draft memoranda, collect regional information, and comment and
revise the memoranda in light of comments received. As the volume of technical work
undertaken by the T&FR/T&R Committee increased, it also became the practice to set
up ad hoc sub-committees to investigate specific issues.\(^{15}\)

The T&FR/T&R Committee had been described ‘a hard-working body’
(*Accountancy*, November 1958, 619), with the creation, circulation and publication of a
voluminous range of technical documents arising from the work of the T&FR/T&R
Committee recognized as a key landmark in British accounting history (*The Accountant*,
30 October 1943, 205). Meetings of the committee itself numbered a hundred and those
of all the sub-committees (including the GASC, CASC and ad hoc sub-committees)
well exceeded one thousand during 16 years from its inception to 1958 (*Accountancy*,
January 1959, 48). During this time, close and repeated contact between practising and
business members was established.

\(^{15}\) The work of certain ad hoc sub-committees is highlighted below.
General Advisory Sub-Committee
The work of the GASC was of principal importance in raising the profile of business members within the ICAEW. First because it was given responsibility for drafting the Recommendations on Accounting Principles (RoAPs). Second, because it was established to consider ‘general questions of accounting principles and procedure and any other matters of mutual interest to practising and non-practising members’ (Ms.28423, 11, emphasis added). Contact through membership of the GASC was a critical element in the recognition of common interests between practising and business members.

Preparation of the series of RoAPs by the GASC signalled a significant departure from the ICAEW’s past tradition. The ICAEW had previously paid little attention to members’ technical requirements – indeed, it provided no systematic technical guidance whatsoever prior 1942 – and had instead concentrated on its roles as an examining and disciplinary body. Based on the technical work of the GASC, the ICAEW undoubtedly achieved enhanced standing with government authorities such as the BoT (P&L Committee Minutes Book Q, 495; Council Minutes Book Z, 138). The importance of the series of RoAPs, for example, was trumpeted by the BoT-appointed Committees on Company Law Amendment that reported in 1945 and 1962:

The recent tendency has been to give more information [in published accounts] and this tendency has been fortified by the valuable recommendations published from time to time by the responsible accounting bodies. (Cmd. 6659, 1945, 54)
The Recommendations on Accounting Principles periodically issued by the Institute of Chartered Accountants in England and Wales to their members have already done much to ensure that the standards of accounting are reasonably uniform and constantly rising. These recommendations are based on close and constant study of the relevant problems, which are ever changing, and it is primarily to the initiative of the professional associations that we must look if the general principles of the Act are to be effectively applied in practice. (Cmnd. 1749, 1962, 131)

The Secretary of the ICAEW 1950-62, Alan Squarey MacIver, acknowledged the fact that the GASC was able to draw on business members’ cooperation and utilize their specialist knowledge to judge whether a new proposal represented an acceptable and practicable scheme for adoption by industrial and commercial companies (MacIver, 1954, 657). The drafting of RoAPs required an extensive consultation process with Institute members to collect information and to judge whether a specific recommendation in a particular RoAP was likely to prove acceptable in practice. This was necessary to ‘avoid issuing a recommendation which would not be generally acceptable’ (Various Sub-Committee Minute Book B, 16).16 The ICAEW’s leaders were clearly aware of the fact that the failure of RoAPs to impact upon business practice would (i) undermine the ICAEW’s status within the business community as suppliers of authoritative guidelines on financial reporting, and (ii) damage the corporatist relationships forged between the ICAEW and government departments (Noguchi and Edwards, 2004b; Noguchi, 2005).

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16 The value of the extensive consultation process was clearly acknowledged in a number of presidential addresses in the 1950s and 1960s. For example, C. W. Boyce, President 1951-52 (T&R Committee Minutes Book B, 39) and W.G. Densem, President 1964-65 (Accountancy, November 1964, 1064).
Intergroup contact as a dynamic process - decategorization

The events described above reveal why the T&FR/T&R Committee was in an ideal position to promote intergroup contact between practising and business members. The four conditions judged by Allport (1954) to be pre-requisites for optimal contact, capable of reducing prejudice, were each satisfied. We now demonstrate the developmental process from initial contact (decategorization) to established contact (salient categorization) between both segments of the membership through the operation of the T&FR/T&R Committee.

As Bircher (1991, 239) rightly concludes, two prominent business members, F.R.M. de Paula and P.M. Rees, played key roles in the promulgation of RoAPs. For the first two RoAPs (issued 12/12/1942), Rees framed the basic scheme and prepared the first drafts (GASC Minutes Book A, 2).\(^{17}\) de Paula and Rees, together with K.A. Layton-Bennett, formed the sub-committee to prepare the initial drafts of RoAPs 3-5 (13/03/1943) for consideration by the GASC (GASC Minutes Book A, 4), while de Paula,\(^ {18}\) Rees and H. J. Page drafted RoAP 6 (23/10/1943, GASC Minutes Book A, 9). These two business members also undertook to produce initial drafts of RoAPs 7 (12/02/1944) and 8 (15/07/1944) (GASC Minutes Book A, 11-2), while Rees alone prepared preliminary and revised drafts of RoAPs 9 (12/01/1945) and 10 (15/06/1945) (GASC Minutes Book A, 21-2; 25-6). At the Parliamentary and Law (P&L) Committee meeting held on 28 May 1945, a ‘vote of thanks was passed to Mr. P.M. Rees for his work in connection with the whole series of recommendations’ (Ms.28420/3, 247).

From 1946 to 1948 de Paula and Rees were also involved with the preparation of the ‘note’ on consolidated accounts, entitled Group Accounts in the Form of Consolidated Accounts (1949), which was originally intended to be issued as ‘a series of separate recommendations, each dealing with a particular aspect of consolidated accounts’ (Ms.28423, 105). Down-grading the issue from a RoAP to a note occurred after Rees expressed ‘doubts as to the possibility of publication in the form of recommendations on accounting principles, in view of the fact that consolidated accounts under the new Companies Bill could not, at this early stage, be regarded as subject to “best practice”’ (Ms.28423, 109). The force of this proposition, given Rees’ extensive industrial experience, was acknowledged at a meeting of joint representatives of the T&FR and the P&L Committees held on 14 February 1949 (Ms.28423, 159; Ms.28420/4, 97).

de Paula and Rees were appointed by the Council to fill two of the positions available to business members on the T&FR Committee (Ms.28423, 2). They immediately assumed senior roles; de Paula as Vice-Chairman (later Chairman) of the T&FR Committee and Rees as Vice-Chairman (later Chairman) of the GASC. de Paula and Rees were not of course typical business members; they both moved between business and practice and held fellowship status. Nevertheless, they filled these roles

\(^{17}\) RoAPs 2 and 3 dealt with War Damage Contributions and taxation and, according to Camfferman and Zeff (2003, 201), Rees had ‘brought about these items for discussion [at Unilever] in March 1941, more than a year prior to the formation of the Taxation and Financial Relations Committee’.

\(^{18}\) Kitchen and Parker (1980, 111) point to the fact that ‘the subjects of the Recommendations (nos. VI to X) published between October 1943 and June 1945 followed exactly the list of subjects identified by de Paula in his 1933 Preface to Principles of Auditing’.

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based on their status as business members (Ms.28423, 3) and their major contributions to Institute affairs was fully recognised by at least some practitioners. This undoubtedly helped disconfirm the traditional perception of business members as ‘those who had left the profession’ (decategoriaion) and provided the impetus for other business members to be brought into the work of the T&FR/T&R Committee. Smallpeice’s recollection of these events confirms this point. According to him (Mumford, forthcoming), ‘by then I suppose they [Council]’d come to see that people like de Paula and Rees were not all that bad, and they thought: “well, we’d better let the [other] ACAs in”. This was quite a revolution in the Institute’ (Mumford, forthcoming).

From decategorization to salient categorization
The transition from decategorization to salient categorization occurred in that area of the T&FR/T&R Committee’s work (cost and management accounting) where business members were able to demonstrate, unequivocally, the value to the ICAEW’s leadership of their specialist expertise.

Cost Accounting Sub-Committee
The sub-committee to which the largest number of business members was appointed, and thus their group’s saliency prominently reflected, was the CASC.19 Between 1943 and 1960 business membership of the committee averaged 64% (Ms.28423; T&R Committee Minutes Books B-D; CASC Minutes Book A). The business membership shows an upward trend during that time period and was 85% in 1960. According to F.R.M. de Paula, this occurred because the CASC ‘co-opted a strongly representative expert element’ for the purpose of carrying out its tasks (Ms28432/20, emphasis added). Business members serving on the CASC for long periods of time included prominent individuals such as de Paula, Smallpeice, Clayton, S. Dixon (Director and Secretary, The Midland Tar Distillers Ltd),20 J. Latham (Director-General of Finance, National Coal Board), J. Cartner (Director and Secretary, The Metal Box Co. Ltd) and D.E.T. Tanfield (Joint Managing Director, J. Hickman & Son (Brierley Hill) Ltd).

The following were the outputs of the CASC (CASC Minutes Book A):
Developments in Cost Accounting (1947); Notes on the Allocation of Expenses (1951); Management Accounting (1954); Standard Costing (1956); Accounting by Electronic Methods (1958); Business Efficiency (1958). These handbooks were utilized on the ICAEW’s ‘summer schools’ which started as refresher courses for accountants returning to Britain after the Second World War and grew into annual events held mainly at Christ Church College, Oxford (Howitt, 1966, 193-4). These summer courses were a further forum for business members and practitioners to discuss technical matters of relevance to the future of the profession. In Dixon’s view, business members such as Lancaster, Clayton and Fea, who presented papers to participants ‘did an immense amount of good in widening the view of the more conservative members of the Institute, and making people in industry feel that they did belong’ (Mumford, forthcoming). The handbooks were also circulated to other accountancy bodies, both in

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19 Its terms of reference were ‘to consider from the accounting point of view the question of cost accounting generally including the introduction of greater uniformity in costing methods and to report’ (Ms.28425, 1).

20 Dixon was elected President of the ICAEW in 1968.
Britain and abroad, as well as to educational institutions such as the London School of Economics, Birmingham University, the University of Glasgow, Aberdeen University, Natal University College, Cape Town University and McGill University (File 12-4-2; File 12-4-3). They were considered somewhat elementary by several regional committees (File 12-4-3; CASC Minutes Book A, 154; 158), but, as the Council probably quite rightly pointed out, ‘many of the methods and procedures [explained in these notes] are by no means widely adopted in many businesses where they could be of immediate help towards better information and control for management purposes’ (File 12-4-3; CASC Minutes Book A, 24). Indeed, in his foreword to *Developments in Cost Accounting*, G.F. Shepherd, President 1947-48, stated that:

There are probably few branches of accounting where genuine differences of opinion, often strongly held, give rise to so much controversy as cost accounting, and I consider it is an achievement of no small merit that the Taxation and Financial Relations Committee has been able to present to the Council a unanimous report from the Cost Accounting Sub-Committee…The report is largely intended to provoke further thought and development in a subject which has perhaps received too little attention from the profession in the past and yet is of rapidly growing importance to the whole country. (File 12-4-2)

The ICAEW, which had previously stood aloof from business matters, ‘was now clearly taking some interest in management accounting’ (Mumford, 1991, 134). For the purpose of this new initiative, input from prominent business members was clearly considered to be crucially important. The way in which business accountants used the CASC to achieve recognition within the ICAEW, the resistance they faced and the fact that such resistance was gradually overcome has been described by Stanley Dixon, director at The Midland Tar Distillers Ltd: ‘[the work of the CASC] was to bring in the people in industry…the people in industry were fighting a battle all the time. It was they who were up against a fairly solid stone wall. And the defences crumbled one by one…And that was sort of a measure of how slowly views and interests of people in industry were accepted as important’ (Mumford, forthcoming).

**Ad Hoc Sub-Committees** The salient group characteristics of business members was also reflected in the work of drafting RoAPs conducted by ad hoc sub-committees, through which the contact effects between practising and business members was generalized to the intergroup level. From within those forums, business members made other members of the T&FR/T&R Committee aware of new financial reporting issues facing industry and commerce and of the practices being formulated to cope with such developments. E.H. Davison (Chief Accountant, Courtaulds Ltd) presented a paper to a meeting of the London regional T&FR Committee held on 15 December 1947 drawing attention to the impact of inflation on accounts and making the following observation:

The implications of a suitable announcement by the Institute on the whole question would be very great, notably in the direction of converting the Revenue Authorities to the correct view that Profits Tax and Income Tax are being levied to an increasing extent on capital. (File 12-32-1)

Davison’s proposal for the introduction of replacement cost accounting caused the T&FR Committee to launch a study of ‘Depreciation in relation to Replacement Costs’ by an ad hoc sub-committee consisting of four business members and one practising member. The sub-committee’s proposals did not find favour with the joint representatives of the P&L and T&FR Committees (Ms.28420/4, 70-1), demonstrating the fact that intergroup contact through the operation of the T&FR Committee, when salient differences in views and interests came to the fore, could at least temporarily
create friction between each group (Noguchi and Edwards, 2004a, 313). Davison’s later reflections on the issue demonstrate recurrent initial resistance: ‘there was an entrenched opposition to any sort of tampering with accounting as it was. And it mainly came from the practising side of the profession, who could see that their problems were going to be added to if we started another series of calculations’ (Mumford, forthcoming). Davison, himself, was at first regarded by practising members as holding an ‘extreme view’, but he sat on all subsequent sub-committee of the T&FR and P&L Committees concerned with inflation accounting and he repeatedly communicated with practising members on the matter (Mumford, forthcoming). A continuous dialogue between individuals with diverse backgrounds and views can often produce respect, if not agreement, and this was the experience of Davison who, by 1963, came to be positively recognized by practising members as ‘tower of strength’ (File 12-5-16) on the issue of inflation and accounts. The specialist expertise of Davison and other business members on these sub-committees finally succeeded in persuading the Research Committee of the ICAEW, led by W. E. Parker, President 1967-68, to issue a booklet entitled Accounting for Stewardship in a Period of Inflation in 1968 (Noguchi and Edwards, 2004a, 314). Again, views and interests of business members came only slowly to be accepted among practising members.

Another specialist contribution to the technical work conducted by the T&R Committee was made by business members in response to the ‘industrial accountant’s need for assistance in connection with the presentation of simplified accounting statements’ (Various Sub-Committees Minutes Book A, 103).21 A sub-committee was appointed consisting of four business members (Davison, Fea, Rees, J. Clayton, Director, Broadcast Relay Service Ltd) and two practising members (C. M. Strachan of Hodgson, Harris & Co. and G. F. Saunders of Harmood-Banner, Lewis & Mounsey). Davison and Fea collected specimens of various statements which had been issued in practice and prepared a memorandum concerning the treatment of items such as ‘turnover’, ‘expense classification’, ‘treatment of taxation’ and ‘capital employed’ (Various Sub-Committees Minutes Book A, 104). A memorandum was issued in December 1950 to all ICAEW members entitled Notes on Statistics Relating to Income of and Capital Employed by Companies.

Further examples of business members informing the T&FR/T&R Committee of emerging practice in industry and commerce, and advising on how to address new issues, may be found in studies of: (1) the treatment of profit tax in company accounts (T&R Committee Minutes Book B, 76-7);22 (2) the accounting treatment of retirement benefits, including the valuation of investments in the balance sheet of pension funds (Various Sub-Committees Minutes Book B, 167);23 and (3) the conversion of overseas

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21 The result of the study was originally intended to ‘be issued as one of the series of the recommendations on accounting principles’ (T&R Committee Minutes Book B, 2).

22 The study resulted in the publication of ‘Notes on the Treatment of Profits Tax in Accounts’, the essence of which was incorporated into RoAP 16 ‘Accountants’ Reports of Prospectuses: adjustments and other matters’.

23 After amendment by the P&L Committee, the memorandum arising out of the work of the ad hoc committee became RoAP 21 ‘Retirement Benefits’ (T&R Committee Minutes Book B, 209; C, 26; P&L Committee Minutes Book F, 75; H, 21).
currencies into sterling and treatment of the exchange differences (File 12-43-2).24

In addition to the successful resolution of technical issues, the intergroup contact and collaboration through the operation of the T&FR/T&R Committee undoubtedly reduced prejudice against business members on the part of practitioners and instead instilled mutual understanding between them. S. Dixon, Chairman of T&R Committee 1957-58, in a speech made in 1957 stated that ‘the contacts and discussions involved in the work of the Taxation and Research Committee had done something for him’ (Accountancy, January 1959, 49). The same perception was shared by the practising side; the following assessments of the T&FR/T&R Committee’s activities made by B. H. Binder, President 1948-49, and R. P. Winter, President 1963-64, are relevant:

the committee has served to bring about closer association and co-operation between the practising and non-practising members of the Institute. The pooling of the knowledge and experience of accountants in practice and the industrial and commercial accountants has been fruitful and developed a real esprit de corps among members of our Institute. (Ms.28423, 147, emphasis added)

the Committee was constituted in such a way as to bring members of the Institute engaged in commerce and industry together with those engaged in public practice, thereby establishing an active and fruitful liaison between the practising and non-practising sides of the profession.

(T&R Committee Minutes Book D, 100, emphasis added)

We can therefore conclude that close liaison between practising and business members within the T&FR/T&R Committee resulted in the former developing a positive and enhanced recognition of the latter as ‘making valuable contribution to the work of the Council’ (GP Committee Minutes Book R, 135-6). As one of the main business participants in this process put it: ‘once we [business members] got our foot in the door, I think we were quite welcome. It wasn’t a rough revolution, in any sense’ (Smallpeice, cited in Mumford, forthcoming).

9. Gateway to the Council

Technical expertise, prior contribution to the work of the ICAEW, a wide range of knowledge and experience, social contacts, fame, popularity, seniority and various other factors could have played a part in the election of a member to the Council. As far as the period from 1942 to 1966 is concerned, there emerges a clear pattern of appointment of relevance to this study. Of the 95 members (including both practising and business) elected to the Council, 55 (57.9%) had previous experience of work on the T&FR/T&R Committee. Excluding the 10 representatives of the Society of Incorporated Accountants and Auditors, which was absorbed by the chartered bodies in 1957, and the 15 elected following the amendment of the constitution of the Council in 1965, 46 (37 practising and 9 business) (65.7%) of the remaining 70 Council (59 practising and 11 business) members were at some stage members of the T&FR/T&R Committee. Of these, 41 (32 practising and 9 business) (58.6%) were elected after having been engaged in the T&FR/T&R Committee’s operations (Ms28411/13-14; Ms.28423; Council Minutes Books O-W; T&R Committee Minutes Books B-D). Table III reveals the extent to which the make-up of the Council was transformed, in the period 1948-65, with ‘graduates’ from the T&FR/T&R Committee occupying the majority of the positions on the Council by the end of the 1950s. It also demonstrates the extent to

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24 The data collected over the period 1949-56 enriched the content of RoAP 25 ‘Accounting Treatment of Major Changes in the Sterling Parity of Overseas Currencies’.
which prior membership of the T&FR/T&R Committee proved an effective ‘gateway’
to the Council for both practising and business members.

Table III. Members of the Council with prior membership of the T&FR/T&R Committee

<table>
<thead>
<tr>
<th>Date</th>
<th>No. of members (%)</th>
<th>No. of practising members (%)</th>
<th>No. of business members (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>7 April 1948</td>
<td>11 (24.4% of a total of 45 members)</td>
<td>9 (20.9% of a total of 43 members)</td>
<td>2 (100.0% of a total of 2 members)</td>
</tr>
<tr>
<td>1 March 1950</td>
<td>13 (28.9%)</td>
<td>11 (30.2%)</td>
<td>2 (100.0%)</td>
</tr>
<tr>
<td>3 May 1950</td>
<td>13 (28.9%)</td>
<td>11 (30.2%)</td>
<td>2 (100.0%)</td>
</tr>
<tr>
<td>5 December 1951</td>
<td>15 (33.3%)</td>
<td>12 (29.3% of a total of 41 members)</td>
<td>3 (75.0% of a total of 4 members)</td>
</tr>
<tr>
<td>6 April 1955</td>
<td>20 (44.4%)</td>
<td>16 (40.0% of a total of 40 members)</td>
<td>4 (80.0% of a total of 5 members)</td>
</tr>
<tr>
<td>6 November 1957</td>
<td>22 (48.9%)</td>
<td>16 (40.0%)</td>
<td>5 (100.0%)</td>
</tr>
<tr>
<td>5 February 1958</td>
<td>22 (48.9%)</td>
<td>16 (40.0%)</td>
<td>5 (100.0%)</td>
</tr>
<tr>
<td>8 April 1959</td>
<td>23 (51.1%)</td>
<td>17 (42.5%)</td>
<td>5 (100.0%)</td>
</tr>
<tr>
<td>6 March 1963</td>
<td>25 (55.6%)</td>
<td>20 (50.0%)</td>
<td>5 (100.0%)</td>
</tr>
<tr>
<td>7 July 1965</td>
<td>28 (62.2%)</td>
<td>24 (60.0%)</td>
<td>4 (80.0%)</td>
</tr>
</tbody>
</table>

Source: Ms.28423; Ms.28411/14; T&R Committee Minutes Books B-D; Council Minutes Books O; Q-R; W.

The figures in parenthesis express, for each category, the number of members with prior membership of T&FR/T&R Committee as a percentage of the entire cohort. It can be seen that practising members significantly outnumbered business members throughout the period 1948-65, but this was an inevitable consequence of the fact that the pool available to business members was not created until 1950, and even then it consisted of only five members (with one of these positions remaining unfilled until 1953 when W.W. Fea was appointed). We can see that prior membership of T&R/T&FR appears to have been almost an essential condition for business members’ election to the Council. In relation to Fea’s appointment, a memorandum prepared by the GP Committee in 1951 stated that but ‘for the fact that Fea was the Vice-Chairman of the T&R Committee at present and would normally be Chairman in 1951/52, he would have been placed higher in the list’ of the nominees (File 5-1-3).²⁵ Fea (Mumford, forthcoming) himself states ‘I was on the T&FR. I became chairman of the T&FR, and then they elected me into the Council’. The same pattern occurred in the case of S. Dixon’s appointment to the Council in 1958, with Dixon stating (Mumford, forthcoming) that ‘they [the Council] started looking for somebody else and…I just happened to have been chairman of the T&FR Committee. And then I was invited to go on (to Council)’.

Equally relevant is the pattern of election to the Council of practising members. Filling a vacancy on Council for practising members was conducted through nomination by the committee of a relevant district society and then selection from the nominees of a suitable member by the Council itself. Of the 70 appointees referred to above, 59 were elected in this way.²⁶ Of the 59 appointees, 31 (52.5%) were nominated by the

²⁵ In practice, the appointment, through the pool of five seats, of business members to the Council was conducted in the following manner: (1) the recommendation by the district societies and the T&R Committee; (2) the nomination by the GP Committee; and (3) the final selection and approval by the Council.

²⁶ Filling a vacancy in practising membership of the Council further needed formal approval at annual general meetings though.
provincial societies and the remaining 28 by the London and District Society. The committee of the London and District Society, unlike the other district societies, had to consult London members of the Council in advance of nominating suitable members. For 11 of the 28 lists of London nominations, details are available concerning both the recommendations made by London members of the Council and the nominations made by the committee of the London and District Society, in which 17 members were finally elected to Council. Of the 17 members elected to Council (signalled * in Table IV), members recommended by London members of the Council and those nominated by the committee of the London and District Society and their order of preference were identical in almost all cases. This suggests that the views of London members of the Council were strongly reflected in the nominations by the committee of the London and District Society. From among those nominated, Council could select the most suitable member. Significantly, over half of those recommended by the London members of the Council had prior membership of the T&FR/T&R Committee. Moreover, of the 10 instances where ex or current members of the T&FR/T&R Committee were recommended, eight were listed first in order of preference. All of these were elected to Council, together with two other T&FR/T&R members ranked second (J. H. Mann in 1956 and J. A. Jackson in 1958).

<table>
<thead>
<tr>
<th>Date of Nomination</th>
<th>Recommended by London Members of the Council</th>
<th>Nominated by the Committee of the London &amp; District Society</th>
</tr>
</thead>
<tbody>
<tr>
<td>27 Jan. 1947</td>
<td>(1) W.G. Campbell+ (3) G.L.C. Touche (5) C. Watts+</td>
<td>(1) W.G. Campbell* (3) B. Smallpeice (4) L.W. Robson</td>
</tr>
<tr>
<td></td>
<td>(2) P.F. Carpenter</td>
<td></td>
</tr>
<tr>
<td>20 May 1948</td>
<td>(1) B. Smallpeice+</td>
<td>(1) B. Smallpeice* (3) L.W. Robson</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11 Feb. 1953</td>
<td>(1) D.A. Clarke+ (3) J.H. Mann+ (5) C. Watts+</td>
<td>(1) D.A. Clarke* (3) J.H. Mann (4) E.F.G. Whinney*</td>
</tr>
<tr>
<td></td>
<td>(2) W.G. Densem+</td>
<td></td>
</tr>
<tr>
<td>20 July 1956</td>
<td>(1) H.A. Benson+ (3) W.E. Parker+</td>
<td>(1) H.A. Benson* (3) W.E. Parker (4) R.P. Matthews</td>
</tr>
<tr>
<td></td>
<td>(2) J.H. Mann+</td>
<td></td>
</tr>
<tr>
<td>18 July 1957</td>
<td>(1) J. Godfrey+ (2) J.E. Talbot</td>
<td>(1) J. Godfrey* (2) J.E. Talbot</td>
</tr>
<tr>
<td>26 Nov. 1958</td>
<td>(1) R.P. Matthews+ (3) C.J.M. Bennett+</td>
<td>(1) R.P. Matthews* (3) C.J.M. Bennett (4) J.D. Russell</td>
</tr>
<tr>
<td></td>
<td>(2) J.A. Jackson+</td>
<td></td>
</tr>
<tr>
<td>13 Jan. 1959</td>
<td>(1) E.K. Wright+ (3) J.D. Russell</td>
<td>(1) E.K. Wright* (3) J.D. Russell</td>
</tr>
<tr>
<td></td>
<td>(2) C.J.M. Bennett</td>
<td></td>
</tr>
<tr>
<td>17 Jan. 1961</td>
<td>(1) J.D. Russell (3) R.G. Leach</td>
<td>(1) J.D. Russell* (3) R.G. Leach</td>
</tr>
<tr>
<td></td>
<td>(2) C.J.M. Bennett+</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(2) C.J.M. Bennett+</td>
<td></td>
</tr>
<tr>
<td>24 Jan. 1963</td>
<td>(1) C.J.M. Bennett+</td>
<td>(1) C.J.M. Bennett*</td>
</tr>
<tr>
<td>24 Nov. 1964</td>
<td>(1) D.S. Morpeth+</td>
<td>(1) D.S. Morpeth* (3) H. G. Smith</td>
</tr>
<tr>
<td></td>
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<td></td>
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<td></td>
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<td></td>
</tr>
</tbody>
</table>

Note: + after the name indicates that members concerned were ex- or current members of the T&FR (T&R) Committee. * after the name indicates that members concerned were elected to the Council as the result of the nomination. The numbers in parentheses indicate the order of preference.

Source: London Members’ Committee Minute Books B, 188; C, 7, 108, 177, 200, 245, 263; London & District Society Minute Books D, 74, 155, 158; E, 3.

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27 No systematic information concerning nominations made by provincial societies appears to have survived.
Why was membership of the T&R/T&FR such an effective gateway to the Council? An important clue appears in a secretarial note that refers to the T&FR/T&R Committee’s role as a ‘training ground for potential members for Council technical committees’ (File 5-8-1). The activities of the T&FR/T&R Committee were placed under the over-riding authority of the Council and the more direct intermediary control of the P&L Committee (P&L Committee Minutes Book G, 96-7). To exercise proper control over the T&FR/T&R Committee’s work and to communicate effectively with this highly technical advisory body, it was desirable for members of the Council and the P&L Committee to have a thorough knowledge of technical matters and the workings of the T&FR/T&R Committee. Recruiting new members from the T&FR/T&R Committee was an efficient and convenient way for the Council to satisfy this requirement. This important link is was referred to by W.H. Lawson, President 1957-58:

I had several happy years as a member of the Taxation and Research Committee. I then had a run as Chairman of the Parliamentary and Law Committee which handles (or, as you may sometimes think, mishandles) the documents emanating from your committee. And now as President I have to preside at Council meetings when a document which has emanated from your committee and has been through the Parliamentary and Law Committee is finally brought to the Council for consideration. I do therefore know something of the joys and sorrows throughout the whole proceedings. (T&R Committee Minutes Book B, 224; see also Ainsworth, 1993, 107)

Recruiting T&R/T&FR graduates also helped to meet the ICAEW’s need for people on the Council who possessed administrative and leadership skills. Indeed, eighteen (43.9%) of the 41 elected after having been engaged in the T&FR/T&R Committee’s operations were ex chairmen of that committee or of its sub-committees.

As former members with experience of the work of the T&FR/T&R Committee joined the Council, in increasing numbers, Council’s recognition of business members gained momentum. This change of attitude is reflected in statements made by several ICAEW Presidents.

James Blakey, President 1953-54:

We all start in the same way and it is only after qualifying that we are able to choose different paths according to our inclinations. But whatever paths we choose we are all chartered accountants. There is no cleavage between one main branch and the other. We all have our part to play in the profession (T&R Committee Minutes Book B, 102).

A.S.H. Dicker, President 1956-57:
The services performed by practising Chartered Accountants for their clients are of a wide and varied nature for they include (in addition to our all-important auditing) financial and management accounting, the formation, reorganisation and liquidation of companies, taxation, and investigations to ascertain the financial position of a business. Equally varied are the appointments held by non-practising Chartered Accountants. Together they emphasize how great is the contribution of Chartered Accountants to the industrial efficiency and economic well-being of this and other countries (T&R Committee Minutes Book B, 193).

28 A similar sentiment is expressed by the highly influential Henry Benson, joint senior partner of Cooper Brothers and President of the ICAEW 1966-67, who addressed the members of the T&FR/T&R Committee as follows: ‘During the past year you have lost, by appointment to the Council or its committees, many members, but it is a great satisfaction to the Council to see these newcomers; they come with a background of valiant service and they are going to do a great deal more valiant service in the years that follow. But yours is a strong Committee and this is important because our technical work is a fundamental of the whole of our profession.’ (Accountancy, December 1966, 906)
Although the [T&FR/T&R] committee’s membership is more or less evenly divided between practising members and those in industry and commerce we do not, at Moorgate Place [the ICAEW’s headquarters], think in terms of a division of membership. We think in terms of members of the Institute (T&R Committee Minutes Book B, 226).

These statements contrast starkly with the prejudice against business members expressed by the Council’s leadership in the 1940s. This change of attitude has recently been confirmed to us by the managing partner of Arthur Andersen’s London Office (1966-83), Ian Hay Davison: ‘Well, increasingly, they [members of the Council] were people with a wider outlook I think you could say’ and ‘attitudes of the people who became Presidents became more up to date I suppose’. It is also around the time that recruits from the T&FR/T&R Committee came to comprise the majority of the positions on the Council that we see that body introducing new policies relating to the treatment of business members. These included, as we saw in section 7: the formation in 1957 of the formal machinery to convey ‘a broad and exclusively non-practising opinion held by persons of eminence in industry and commerce’ (NPMCC/CCMCI); and the enlargement of the size of the Council and the greater representation of business members thereon in 1965.

10. Conclusion

Its Royal Charter reveals that the ICAEW was formed as an organisational collective for ‘the elevation of the profession of Public Accountants’ (ICAEW, 1883, 196), and this orientation remained explicit in the Report on the Constitution of the Council produced in 1942. By this time, however, the ICAEW’s membership was diverse, with the number of business members continuously rising and comprising 26.7% of the membership compared with practitioners at 57.6% (derived from Table I) by 1946. It was also the case that business members increasingly occupied influential positions within industry and commerce and were unwilling passively to accept a situation where their existence was merely tolerated by the leadership. The start of a transformation of the attitude of the Council toward its business members began with the creation of the T&FR Committee in 1942.

Walker and Shackleton (1995, 478) postulate that we can best understand the formation and technical activity of that committee as part of a corporatist structure formed between the ICAEW and state authorities such as the BoT. Zeff (1972, 8), by paying attention to the circumstances of its formation, points to a radically innovative feature of the T&FR/T&R Committee, namely the inclusion of business members alongside practising members. Adding to prior work, this study reveals that the T&FR/T&R Committee fulfilled a key role in raising the profile of business members within the ICAEW. It did so in three ways. First, by providing an ideal vehicle to promote optimal intergroup contact between practising and business members in which the traditional prejudice against the latter was effectively reduced. Second, by demonstrating to practising members the contribution that business members could make to the resolution of important technical issues of relevance to the accounting profession as a whole. Third, by creating a mechanism from which members with an enhanced appreciation of the value of business members could be elevated to positions

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29 Interview, 23 October 2006.
on Council. The result was that the Council revised significantly its traditional perception of business members as comprising individuals who had ‘left the profession’.

This study has shown that contact hypothesis serves as a ‘commonsensical’ and effective framework for explaining how improved relations may be achieved by potentially disparate groups within a professional body. As in the case of the multi-ethnic athletic team where ethnic differences can be set aside in pursuit of a gold medal, the cultural differences between those who have and have not ‘left the profession’ can be overcome by joint recognition of the importance of portraying a public image of professional competence. The creation of the T&FR/T&R signalled both institutional support (Allport’s condition 3) for intergroup co-operation (through common membership) and the establishment of common goals (Allport’s condition 2) through an obligation to address ‘matters affecting taxation and the financial relationships of the business community with the Inland Revenue or other Government Departments’. The ICAEW leadership’s explicit concern to counter intergroup prejudice is demonstrated by its ambition that the new committee would help ‘establish an effective liaison between the practising and non-practising sides of the profession’. Allport’s other two pre-requisites for a reduction of inter-group prejudice – equal group status and perception of common interests – were achieved over an extended time period through repeated contact between practising and business members secured within the T&FR/T&R and its numerous sub-committees. The archives reveal that the prejudicial attitude of the ingroup (public practitioners) towards the outgroup (business members) was not easily overcome, but continuous dialogue produced greater understanding even if not always agreement. Consistent with Pettigrew (1998), the initial stage seems often to have been at the interpersonal level with ‘diminished saliency’ significant in enabling the ICAEW’s leaders to acknowledge the distinctive contribution of ‘hybrid’ business members such as F. R. M. de Paula and P. M. Rees. As intergroup contact increased and, significantly, business members were able to demonstrate the possession of specialist expertise relevant to the solution of important problems facing the ICAEW’s leadership, growing saliency caused positive experiences to generalize to the intergroup level.

The ultimate signal of the recognition of business members was, of course, their growing representation on the ICAEW’s ruling body, the Council, which increased from zero in 1942 to 15 in 1965. However, this study has uncovered a series of important events which witnessed the changing attitude towards business members. The first occurred in 1943 and 1944 when two ‘hybrid’ business members who had experienced public practice and held the title of FCA, F. R. M. de Paula and P. M. Rees, were appointed to the Council. The second occurred in 1948 when a further two business members, this time possessing only Associate status and never being in practice on their own (B. Smallpeice and J. S. Mackenzie) were elected to the Council. Another occurred in May 1950 when the pool of a maximum of five seats to be occupied by business members was created, with the decision announced by Russell Kettle to the 69th annual meeting (3 May 1950) of the ICAEW. The implication of Kettle’s presidential address is that creation of the initial pool was motivated by the Council’s recognition of business members’ contribution to the work of the T&FR/T&R Committee.

Since that principle [that membership of the Council should as a general rule be confined to practising members] was established in 1942 the ‘general rule’ has been departed from so that
the Council has had the benefit of the valuable services of several members not in practice. At present there are two such members [Smallpeice and Mackenzie] on the Council, both of whom are associates. Also since 1942 the Institute and indeed the profession as a whole have benefited from the arduous work of the Taxation and Research Committee, the establishment of which was proposed in the 1942 report…few members would deny that the achievement of the Taxation and Research Committee have been far greater than anything that could have been achieved by changes in the constitution of the Council such as were apparently envisaged in the 1941 resolution. (*The Accountant*, 13 May 1950, 541)

There followed further events (including the creation of NPMCC/CCMCI in 1957 and the revision of the constitution of the Council executed in 1965) reflecting the fact that the ICAEW was becoming what Zeff (1972, 32) has described as ‘a more flexible and open-minded organization’. Zeff (1972, 27-8) associates the ‘New Climate’ with developments in the 1960s. Weighing up the evidence presented in this paper suggests that it was from about 1950 that the Council began to modify its strongly held conviction that the ICAEW was a society exclusively devoted to the interests of public accountants and, as evidenced by Lawson’s statement in 1957, to restructure the ICAEW’s basic mission as the protection of the interests of ‘chartered accountants’ both practising and business.

**List of Abbreviation**

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>BoT</td>
<td>Board of Trade</td>
</tr>
<tr>
<td>CASC</td>
<td>Cost Accounting Sub-Committee</td>
</tr>
<tr>
<td>CCMCI</td>
<td>Consultative Committee of Members in Commerce and Industry</td>
</tr>
<tr>
<td>GASC</td>
<td>General Advisory Sub-Committee</td>
</tr>
<tr>
<td>GP Committee</td>
<td>General Purposes Committee</td>
</tr>
<tr>
<td>ICAEW</td>
<td>Institute of Chartered Accountants in England and Wales</td>
</tr>
<tr>
<td>NPMCC</td>
<td>Non-Practising Members Consultative Committee</td>
</tr>
<tr>
<td>P&amp;L Committee</td>
<td>Parliamentary and Law Committee</td>
</tr>
<tr>
<td>RoAPs</td>
<td>Recommendations on Accounting Principles</td>
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<tr>
<td>T&amp;FR Committee</td>
<td>Taxation and Financial Relations Committee</td>
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<tr>
<td>T&amp;R Committee</td>
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