

The Rise of Industrial Members within the ICAEW and the Extension of Fellowship

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Introduction

The official history by Howitt (1966: 19) refers to the fact that, on acquiring the Royal Charter, the founders of the Institute of Chartered Accountants in England and Wales (ICAEW) restricted its membership, in principle, to public accountants and excluded those employed in commerce and industry.

Walker and Shackleton (1995: 469) indicate that:

The chartered societies' close definition of public practice prevented the admission to the established societies of accountants engaged in new specialisms (such as public finance and costing) thus resulting in the institution of separate organizations of corporate treasurers and municipal accountants (1885) and, later, of cost and works accountants (1919).

To suppose that there had not been any ICAEW members employed in commerce and industry in the early periods is, however, too precipitate; the existence of such members at least dates back to as early as June 1887 (Ms.28411/1: 211-2). The fundamental organizational orientation pursued by the ICAEW and so forged image being a society for public accountants has left the fact covered. Founded on this awareness, this study first seeks to discover more about industrial members by (1) attempting to grasp when and how the number of industrial members grew within the ICAEW and (2) examining how industrial members had been subordinately treated since the formation of the ICAEW in 1880.

Experiencing the ever-increasing number of industrial members, the governing body of the ICAEW, the Council, in the early 1940s, had to face a major organization-environment inconsistency; industrial members were rapidly increasing, but they still had (a) no representation on Council and (b) no admission

of Fellowship. This inconsistency had serious consequences for the Council and for the way that the ICAEW would subsequently be organised. On the issue of industrial members' representation on Council, the history by Howitt (1966: 109) explained that:

In the year of the Supplemental Charter [in 1948] Basil Smallpeice, a member in industry, became the first Associate to be elected to the Council, and at the annual meeting in 1950, the members approved a proposal that of the forty-five seats on the Council 'up to five should normally be occupied by members not in practice, subject to the availability of sufficient suitable members willing and able to serve'. These five seats were to be regarded as a pool to be filled by the Council from any part of England or Wales.

This observation indicates that, though at a moderate level, the Council first in 1948 and then in 1950 allowed industrial members to be represented on the Council. The recognition of the status of industrial members in 1948 is identified in the wording of the Supplemental Charter acquired in 1948, according to Howitt (1966: 108), who stated that:

The extent to which in recent years members of the Institute had taken full-time employment in industry and commerce was recognized by the use of the words [in the Supplement Charter] 'the accountancy profession' instead of 'the profession of public accountants' in one place, and in another 'members of the Institute' instead of 'public accountants'.

Howitt (1966: 108-9), however, directly continued his comment as follows:

A suggestion that the Supplemental Charter should provide for the possibility, in appropriate cases and under proper safeguards, of granting Fellowship to members not in practice was considered carefully by the Council, but it came to the conclusion that such a change would not be in the best interests of members as a whole.

The two issues problematised in relation to the treatment of industrial members within the ICAEW were thus inconsistently dealt with in 1948; industrial members' representation on Council was improved, whereas the extension of Fellowship was not admitted. It was not confined only to 1948; the same inconsistency re-occurred in 1950, when the Council, on the one hand, created a pool of maximum of five Council seats to exclusively be occupied by industrial members, but, on the other hand, decided that 'it is undesirable that a new bye-law be introduced to provide for the election to Fellowship of members not in practice' (Council Minutes Book O: 47).

The issues of (a) the representation on Council and (b) the admission of Fellowship were closely connected with each other; an implicit custom of electing members of the Council from Fellows had firmly been established and the original draft Bye-law 4 was almost to provide that membership of the Council should be chosen from among Fellows.⁽¹⁾ In spite of this closeness, why the inconsistent treatments of the two issues occurred both in 1948 and 1950? If it is the case that the Council recognised the status of industrial members when the Supplemental Charter and the new Bye-laws were obtained in 1948, then how the result of the discussion on the issue of the extension of Fellowship should be explained? Were there any factors causing serious friction in extending Fellowship, when compared with allowing industrial members to be

represented on Council? More fundamentally, on what factors industrial members requested the extension of Fellowship? This study, in order to provide possible answers to these questions, attempts to analyse the specific issue of the extension of Fellowship to industrial members, which was vehemently discussed within the Council in general, and the General Purposes (GP) Committee of the Council in particular, during the period from the advent of the substantial discussion that occurred in 1944 and the amendment of the qualification rule implemented in 1959. To provide foundations for the analysis of this study, the basic concept of social closure is first reviewed and an increasing number of industrial members within the ICAEW is then examined in the following two sections.

Basic Concept of Social Closure

The concept of social closure⁽²⁾ has been employed by sociologists of profession to explain how members of a professional occupation establish and maintain their collective social status (Macdonald, 1985: 541). Although it is Australian-based research, Chua and Poullaos (1993: 692), in examining the attempt by the Incorporated Institute of Accountants in Victoria to acquire a Royal Charter, raise, as the core concept in Weberian closure theory (Murphy, 1988: 15)⁽³⁾,

the notion of closure, which broadly refers to the process by which given social collectivities strategically mobilize resources in order to enhance or defend the collective's share of rewards or resources. Closure may be based on one or several dimensions: class (property ownership), credentials, race, sex, religion, language, etc.⁽⁴⁾

The most insightful UK-based research of this type is Macdonald (1985 and 1995), Willmott (1986), Walker and Shackleton (1995 and 1998) and Shackleton and Walker (1998 and 2001). This study follows the suit and applies the concept of social closure in analysing the issue of the extension of Fellowship to industrial members.

A key concept of relevance to this study is that social closure is strategic mobilisation of resources operationalised by 'social collectivities'. Social closure needs joint action by a cohesive occupational group to concentrate strategic resources economic, social, political and organizational in pursuit of its objective: professionalisation. Larson (1977: xvii, 67) summarises her conceptualization of professionalisation as 'an attempt to translate one order of scarce resources - special knowledge and skills - into another - social and economic rewards' and indicates that professionalisation is a collective project and 'only through a joint organizational effort could roles be created - or redefined - that would bring the desired social position to their occupation'. A joint effort to mobilise resources in enhancing their social status by a coherent occupational group is thus the basic foundation of social closure.

Increasing Number of Industrial Members and the ICAEW's Organizational Assumption

British accounting history literature refers to an increasing number of industrial members within accountancy bodies, as the result of which a reasonable consensus on how and when they increased has emerged. For example, on the rise of industrial members within the ICAEW, Zeff (1972: 7) comments that:

Increasingly during the 1930's, newly qualified Institute members were taking employment in industrial and commercial concerns. By 1941, more than half the total Institute membership consisted of 'members not in practice' (i.e., all who do not practice as public accountants)... . It is estimated that less than half of the number of members not in practice, i.e., about 25 percent of the total membership, was employed in industry and commerce.

In an effort to provide a comparative proportion of industrial members of the ICAEW in the United Kingdom, Fea (1958: 560-1) also studied a sample of membership and presented the following data:

Occupations of members of the ICAEW in the United Kingdom		
	1932(%)	1957(%)
In practice	44	41
Employees of members in practice	21	14
In industry and commerce	12	25
In local Government and other employment of a non-industrial nature	-	1
Unclassifiable (private address only stated)	23	19
Total	<u>100</u>	<u>100</u> ⁽⁵⁾

(Source: Fea (1958: 560-1))

A more systematic attempt to estimate the proportion of members in industry of major accountancy bodies in Britain, based on a sample of membership of the accountancy bodies, has been conducted by Matthews *et al.* (1998: 138), who provide the following table:

Estimates of the proportion and implied number of accountants 'in business' in Britain, 1891-1991						
	1891(%)	1911(%)	1931(%)	1951(%)	1971(%)	1991(%)
ICAEW	1	1	12	28	36	50
Society of Incorporated Accountants and Auditors	3	6	38	52	-	-
Institute of Chartered Accountants of Scotland	1	3	15	35	49	40
Chartered Association of Certified Accountants	-	5	38	58	60	70
All	5	7	29	48	53	64
Implied numbers	128	642	6,253	17,491	39,960	94,917

(Source: Matthews *et al.* (1998: 138))

It is inferred from these proportions that the number of industrial members increased within the ICAEW during the inter-war period (Matthews *et al.*, 1998: 137) or in the 1930s (Zeff, 1972: 7) and came to occupy around 10% of the total membership in the United Kingdom by 1931-32. The positions within the ICAEW of industrial members and those who were employed in public accountancy firms were reversed during the period from 1932 to 1957 (Fea, 1958: 561). The increase of industrial members had important consequences for the ICAEW's internal arrangements governing the way the organization was structured, such as representation on Council and the admission to Fellowship. However, the internal systems were not easily reformed in parallel with this structural change of the membership, because there was a basic organizational assumption which envisaged the ICAEW as a society for public accountants, a view which had been maintained since the ICAEW's formation in 1880.

The 1880 Charter application set out the purpose behind the formation of the ICAEW as follows:

the said societies were not established for the purpose of gain nor do the members thereof derive or seek any pecuniary profit from their membership but the societies aim at the elevation of the profession of public accountants as a whole and the promotion of their efficiency and usefulness by compelling the observance of strict rules of conduct as a condition of membership and by setting up a high standard of professional and general education and knowledge and otherwise.⁽⁶⁾

Section 19 Sub-section 4 of the Charter restricted the occupations to be followed after qualification as follows:

no member who was not in practice as a public accountant at the date of the Charter should follow any business or occupation other than that of a public accountant, or some business which, in the opinion of the Council, was incidental thereto or consistent therewith.

An applicant who was not a member of the original five bodies but wished to be a member of the ICAEW at the date of the Charter was required to have been in practice as a public accountant for three years or to have had five years' service as a clerk immediately preceding the date of the Charter. An applicant who desired to be a member after the date of the Charter was required to have had as a clerk five years' service, or three years' service in the case of a university graduate, which was construed to mean service under articles to a member or members in practice in England and Wales (Howitt, 1966: 22). Given this emphasis on the status of public accountants, there was a strong but implicit bias against those who became 'members not in practice' taking commercial appointments after the entry. In fact, industrial members had rigorously been required to resign their membership. There was an entry in the minutes of a meeting of the Council dated 4th May 1881 that:

A letter was read from a member of the Institute from which it appeared that he had accepted an appointment as clerk to a firm of auctioneers, and it was resolved that member in question be requested to resign his membership of the Institute, his present employment not being in accordance with the fundamental rules of the Institute. (Ms.28411/1: 92-3; Ms.28423: 120-1)

Again, the minutes of meetings of the Council held on 28th June 1882 and 1st April 1885 recorded that:

A letter was read from Mr. T.M. Watson and the Secretary was directed to inform Mr. Watson that if he

gave up business as a Public Accountant and became manager of a Commercial Undertaking he could not remain a member of the Institute. (Ms.28411/1: 164)

it appearing that Mr. Mollett has become Assistant Secretary to a firm of Cement Manufacturers the Council invite him to send in his resignation and that in the event of his not doing so a Special Meeting of the Council be called in accordance with Sec. 19 Subsec. 4 of the Charter to consider whether he should be excluded or suspended from membership. (Ms.28411/1: 416)

The original draft Bye-law 52 provided that a member not in practice should not describe himself as a chartered accountant (Ms.28423: 120), but the provision was forced to be withdrawn in 1882 by the Privy Council, which claimed that it would be a limitation not provided by the Charter. Although a member not in practice is not necessarily an industrial member, this episode, though not successful, may also be added to demonstrate how industrial members were regarded within the ICAEW.

The rigid stance of the Council, however, was soon challenged by an internal dispute over the operation of Section 19 Sub-section 4 of the Charter. The minutes of a meeting of the Council dated 23rd June 1887 recorded that:

The debate was resumed on Mr. Bolton's motion that 'Mr. James Martin Luttmann in accepting the appointment of accountant or bookkeeper to the Artizans, Labourers, and General Dwellings Company Limited has entered upon an occupation, in the opinion of the Council, not incident with that of a Public Accountant' and on Mr. Chadwick's amendment thereto that 'in the opinion of the Council the appointment of Mr. Luttmann as accountant to the Artizans, Labourers, and General Dwellings Company Limited is incident to the business of a Public Accountant and consistent therewith'. The amendment was put to the meeting and lost. It was then moved by Mr. A. Murray seconded by Mr. C.H. Wade and resolved that 'the question be not put'. (Ms.28411/2: 211-2)⁽⁷⁾

It is not clear why Chadwick raised the counter-argument protecting an industrial member, but in view of the timing of the debate, there might have been an influence arising from the formation of major rival associations in December 1885: the Society of Accountants and Auditors (SAA) and the Corporate Treasurers' and Accountants' Institute. The issue was revisited in 1892, when the minutes of a meeting of the Council, held on 6th April, recorded that:

It was moved by Mr. Walter N. Fisher and seconded by Mr. F. Whinney that the principal aim of the Institute being the elevation of the profession of Public Accountants as a whole, it is expedient that persons who have passed the Final Examination, and who, previously to applying for admission, have received appointments of an honorable and responsible character, in the discharge of the duties of which their attainments as Accountants are utilised should be eligible to be admitted as Members of the Institute. (Ms.28411/3:178-9)⁽⁸⁾

Again, there might have been an influence on this dispute from the formation of a further rival association in the previous year (1891): the Corporation of Accountants, Ltd. The Council then consulted Markby, Stewart & Co., Solicitors, on this matter. A reply was recorded in the minutes of a meeting of the Council, held on 4th May 1892, as follows:

the duty and power of deciding what is to be considered to be the following of a business or occupation not incident to or consistent with that of a public accountant is by the Charter given to the Council... . They [the Council] are not under any legal obligation to hold that the acceptance of an appointment to

a Government Office or of Manager to a public body is the following of such an occupation or business... . The nature and extent of the duties incident to such an appointment may be such as to require all the skill and knowledge of a public accountant... . The Council should...deal with each case, as it arose, on its merits and should abstain from laying down any general rules... . We venture also to suggest that it might be expedient to keep a Record...in some convenient shape for reference so that when similar cases occur the Council can refer to these cases to assist them in their consideration of such cases. (Ms.28411/3: 184-5)

Time had at last come to change the original policy of excluding industrial members. The minutes of a meeting of the Council, held on 5th February 1896, recorded that: 'Mr. E.D. Towse, A.C.A., who has become Accountant to Messrs. Crickmer & Hilder, Stock and Sharebrokers, be allowed to remain member of the Institute as Associate not in Practice' (Ms.28411/4: 62). Once a member was admitted, then, the movement of members into industry turned out to be unstoppable. The minutes of a meeting of the Council, held on 7th April 1897, again recorded that:

Mr. T.B. Road, A.C.A., who has been appointed Accountant to Messrs. Elkington & Co., Ltd., Mr. A.L. Shaphin, A.C.A., who has been appointed a Director of the Globe Express Ltd. and Mr. A.N. Frewer, A.C.A., who has been appointed Secretary and Accountant to various companies in the office of Messrs. Matheson & Co. be allowed to remain members of the Institute as Associates not in Practice. (Ms.28411/4: 154)⁽⁹⁾

The minutes of a meeting of the Council, held on 12th January 1898, recorded an example of the Council giving permission even in advance:

Mr. George Noble, A.C.A., London, who wishes to know if he can retain his membership if he accepted an appointment with a firm of Timber Merchants, be informed that there is no objection to his accepting the appointment as mentioned in his letters of the 27th & 29th of November 1897. (Ms.28411/4: 209)

Howitt (1966: 43) describes the movement of members into commerce and industry as follows:

The position of chartered accountants as auditors and advisers having become generally recognized, industrial concerns realized more and more that their professional training fitted them also to play a valuable part in management. Accordingly they were appointed in growing numbers to the post of secretary or accountant of companies, a trend that has gathered momentum during the intervening years and shows no signs of falling off.

As seen in the terms of permissions granted, industrial members, however, were simply 'allowed to remain' in membership but never welcomed within the ICAEW. In fact, *The Accountant* (9 August 1913: 186) carried a contributed letter saying that:

The number of Associates not in practice conclusively proves that the profession is being utilised for the sake of obtaining lucrative situations. I do not think the profession should permanently allow a man to remain a member of the profession who is rusticated in some insurance company's office, and who at the end of five years has forgotten all the fine points of auditing or company law.

Various internal systems were not reformed but continued to envisage the ICAEW as a society for public accountants. The Royal Charter divided membership into two categories: Fellows (FCA) and Associates (ACA). If any member who wished to apply for Fellowship had been continuously in practice as a public accountant for five years up to the date of his application, the member was entitled to be admitted

as a Fellow; if not, the member was entitled to be admitted as an Associate and to apply for Fellowship after having completed five continuous years of practice as a public accountant. Under such a rule, it was virtually impossible for an industrial member to qualify as a Fellow.

Several issues of *The Accountant*, as early as in 1922, provide evidence, in the form of a series of contributed letters, for industrial members requesting the extension of Fellowship:

the rule that only practising accountants of five years' standing are eligible for Fellowship of the Institute, is it not now time that this rule was reviewed? Large numbers of the Institute's members have taken up responsible administrative positions such as financial directors, secretaries, chief accountants, & c., to public companies and various large undertakings, such posts being quite equal in status to that of a practising accountant. The former are debarred from becoming Fellows of the Institute... . The time is opportune for the Council to consider the reframing of the laws governing admission to the Fellowship, with a view to remedying what is an apparent injustice. (*The Accountant*, 11 March 1922: 331)

However, some, particularly long-trained, practising members had a strong view on the extension of Fellowship to industrial members:

The true meaning of F.C.A. is a completed five years' experience as a public accountant after becoming an A.C.A. This is a quite different status to that of financial directors, secretaries, chief accountants, & c., to public companies or large undertakings... . It would neither be injurious to the public nor detrimental to the best interests of Chartered Accountancy if the use of A.C.A. or F.C.A. was restricted to practising members. (*The Accountant*, 18 March 1922: 384)

the public and the Institute would be better off if he [an industrial member] were excluded from membership. In one sense such an A.C.A. is absolutely outside the Institute's sphere. True, he is a member but ought not to be. He has become a servant in the whole-time employ of a limited company or a public business, and is of quite a different status from an A.C.A. or F.C.A. in practice. The five years' practice following five years' articles, the keeping up to date in order to satisfy the requirements of the public in accounts and the law relating thereto, makes the F.C.A. an 'earned' as well as a 'paid for' degree. (*The Accountant*, 15 April 1922: 507)

These views against the extension of Fellowship to industrial members serve to demonstrate the extent to which practising members had bias against industrial members. However, industrial members' long and hard quest for Fellowship was re-launched in 1944, founded on the structural change that occurred during the inter-war period in the relationship between practising and industrial members within the ICAEW.

Fellowship for Industrial Members: 1944-50

Industrial members' quest for Fellowship was re-started with a letter contributed to *The Accountant* (15 July 1944: 32) by an industrial member, G.D. Johnston, in which he noted that:

Fellowship is refused to those members of the Institute holding industrial appointments, however wide their experience may be and however responsible may be their appointment, and this sometimes tends to give a misleading impression to the layman as he quite naturally assumes that a Fellowship is a higher qualification than is an Associateship whereas, in fact, it merely indicates that the holder thereof has had an office and has 'practised' - whether or not he has in fact had any clients at all.

Two industrial members, H.F. Bowser and J. Sandford Smith, in 1944, also expressed to R.W. Bankes, the

Secretary of the ICAEW, strong views in the following terms:

H.F. Bowser:

the distinction made in England between Fellow and Associate Members of the Institute is not appreciated and is probably widely misunderstood. I would go so far as to say that the view is fairly generally held that Associate Members of the Institute in England are a kind of inferior brand of Chartered Accountants. I shall be obliged if you would kindly take an early opportunity of drawing the attention of the Council to the disability of non-practising members of the Institute. (Ms.28435/2; File 0436)

J. Sandford Smith:

While all accountants know that 5 years in practice is the only qualification at present called for to obtain the fellowship, the business world generally is not aware of this fact and attaches a notable degree of importance to the difference between an A.C.A. and a F.C.A... . The 'practice' of accountancy must be of first importance in the affairs of the Institute, but I believe there has been a general recognition lately that the members not in practice have a useful part to play in the affairs of the Institute and add not a little to its prestige when holding senior appointments in industry. (Ms.28435/2; File 0436)

Another industrial member, B. Smallpeice, however, was a bit more cautious. In 1946, he wrote to H.G. Howitt that:

I chanced to meet three chartered accountants in industry... . They all feel that fellowship for senior members in industry is not only desirable but overdue, and that those industrial accountants who only carry the initials A.C.A. are at a disadvantage from those who carry the initials F.C.A. In support of their view I was told that responsible people, such as the head of a large business and a Director of one of the big banks, were under the impression that a man was not a full chartered accountant until he was an F.C.A., and that in going through lists of accountants they would grade people accordingly... . I cannot help feeling however that the matter is only one of importance when an accountant in industry is wanting to change his job, and I am uncertain just how far we should be influenced by such a consideration. (File 0436)

In order to confirm Smallpeice's comment, it is attempted to compare the lists of industrial members obtained from the membership lists published in 1947 and 1957, the result of which reveals that an important number (514) of members actively changed work organizations in industry during the decade from 1946 to 1956 (*see* Table 1).

Table 1. Moves of industrial members during 10 years from 1946 to 1956

Members who changed work organizations in industry	514 (20.6%)
Members who changed into employed members	41 (1.6%)
Members who changed into practising members	161 (6.5%)
Members who remained in the same organization	1,160 (46.5%)
(Members who had promotions in the same organization	217 (8.7%)
Members who retired during the decade	59 (2.4%)
Members who quit the membership of the ICAEW	226 (9.1%)
Members who were included in 'No Trace' category in the 1957 membership list	273 (11.0%)
Unknown	59 (2.4%)
Total	2,493 (100.0%)

Note: Members giving, in the 1947 membership list, only positions in organizations (e.g., 'directors of companies') without any effective information to identify the organizations are included in 'Unknown' category.

(Source: Membership Lists for 1947 and 1957)

Table 2 reveals that industrial members who changed work organizations in industry during the period from 1946 to 1956 typically obtained advancement from 'Accountant' to 'Director' or 'Secretary'. Table 3 also shows that members who had promotions in the same organization obtained promotion from 'Accountant' to 'Director' or 'Secretary'.

Table 2. Comparative positions of members who changed work organizations in industry during 10 years from 1946 to 1956

Position	1946	1956
Director	42 (8.2%)	78 (15.2%)
Secretary	97 (18.9%)	118 (23.0%)
Accountant	131 (25.5%)	92 (17.9%)
Others	67 (13.0%)	59 (11.5%)
Sub-total	337 (65.6%)	347 (67.6%)
Unknown	177 (34.4%)	167 (32.4%)
Total	514 (100.0%)	514 (100.0%)

Note: Members providing information on their positions such as 'Manager', in either or both of the membership lists for 1947 and 1957, are included in 'Others' category. Members giving only the names of organizations without any effective information to identify their positions are included in 'Unknown' category. A relatively high proportion of members are classified into 'Unknown' category, but the proportion is stable in both points of time at around 33.5%. Therefore, the entire trend shown in the statistics is considered to be reasonably reliable as an indication for an increase in number of industrial members obtaining advancement from 'Accountant' to 'Director' or 'Secretary'.

(Source: Membership Lists for 1947 and 1957)

Table 3. Comparative positions of members who had promotions in the same organizations during 10 years from 1946 to 1956

Position	1946	1956
Director	32 (14.7%)	125 (57.6%)
Secretary	92 (42.4%)	44 (20.3%)
Accountant	81 (37.3%)	18 (8.3%)
Others	12 (5.5%)	30 (13.8%)
Total	217 (100.0%)	217 (100.0%)

Note: Members providing information on their positions such as 'Manager', in either or both of the membership lists for 1947 and 1957, are included in 'Others' category. Uncertain changes of job titles in terms of promotion are excluded from this table as much as possible. But, some changes, such as from 'Accountant' to 'General Manager', from 'Manager' to 'General Manager' or from 'Comptroller' to 'Executive Manager' are included in this table as promotion.

(Source: Membership Lists for 1947 and 1957)

Excluding 217 members who had promotions, Table 4 shows that 365 (38.7%) of the remaining 943 members who stayed in the same organization had already obtained the position of 'Director' or 'Secretary' in 1946. The information shown in Tables 1-4 collectively confirms that, until they obtained the position of 'Director' or 'Secretary', industrial members were actively seeking and often changing jobs within industry. It is not evident whether there was an actual belief in industry and commerce that an ACA was an inferior brand of chartered accountant, but instances in 'situations vacant' columns of *The Accountant* seemed to suggest that some previous experience in industry and commerce was regarded as essential for a position above 'Accountant' level. However, a small number of industrial members, 328⁽¹⁰⁾ (13.2%) of 2,493 in 1946 and 605⁽¹¹⁾ (13.9%) of 4,337 in 1956, had titles additional to the ICAEW qualification. Industrial members might have

expected the initials FCA to provide evidence of them having a wider experience, whether in practice, in industry or in commerce. In fact, industrial members requested Fellowship to be extended to members having been holding 'a position of responsibility' in industry or commerce for a period of time (File 0436).

Table 4. Original positions in 1946 of the 943 members who stayed in the same organizations during 10 years from 1946 to 1956

Director	173 (18.3%)
Secretary	192 (20.4%)
Accountant	98 (10.4%)
Others	70 (7.4%)
Sub-total	533 (56.5%)
Unknown	410 (43.5%)
Total	943 (100.0%)

Note: Members giving, in the 1947 membership list, only the names of organizations without any effective information to identify their positions are included in 'Unknown' category.

(Source: Membership Lists for 1947 and 1957)

The request of industrial members for Fellowship was considered at a meeting of the GP Committee, held on 26th November 1946, at which it was resolved to refer the matter to the Charter and Bye-laws Sub-Committee, the membership of which included: H.G. Howitt (Chairman); E. Furnival Jones; H. Crewdson Howard; R. Kettle and G.D. Shepherd. On this matter, Kettle held the personal view that:

it would be better to drop all initials and merely call ourselves Chartered Accountants. I appreciate, however, that this view is not favoured by the majority. Whether, however, the strong feeling of the District Societies to retain F.C.A. which presumably reflects mainly the feeling of practising members, would be equally strong if every member whether practising or not were to be entitled to become an F.C.A. is...very doubtful... . On the other hand I think it difficult to resist the suggestion that every member of the Institute, whether practising or not, should be eligible to become an F.C.A. after having qualified a certain number of years... . If, however, the door is going to be open to all, then I think the suggestion made by Robson at a recent meeting of the Council is the best, namely that in respect of members not in practice they should not be eligible for fellowship until ten years after being admitted to the Institute on the grounds that the practising member may be said to wait that time, i.e. five years before he commences to practise and five years in practice... . The trouble as I see it, however, is that once all members are entitled to become F.C.A. any value which the initials have will be largely depreciated. (Ms.28435/2; File 0436)

Howitt, however, had a different view, namely that:

I personally am opposed to this proposal... . I think we have gone a long way recently to meet the quite justifiable aspirations of the non-professional members, but it seems to me that the basic justification of our Institute is its professional calling and that fellowship should be restricted to those who have followed that calling in practice for a prescribed period. The commercial members would be the first to admit that their success is, at any rate in large part, due to their professional grounding, and they should not wish to dilute in any way the main purpose in life of the Institute. (Ms.28435/2; File 0436)

The Charter and Bye-laws Sub-Committee, at a meeting held on 22nd January 1947, resolved to make no recommendation, the reason for which was that:

if the possibility of fellowship were extended to all members of five years' standing the value of the status would be very much depreciated. Furthermore...it would be impossible to prescribe standards to be applied if it were to be decided that fellowship might be available to members not in practice in individual cases. For these reasons the sub-committee agreed that it would be preferable for matters to be left as they are. (Ms.28435/2; File 0436)

At the special annual general meeting of the ICAEW, held on 21st April 1948, to consider the revision of the Royal Charter and Bye-laws, G.D. Shepherd, President (1947-48), announced that the Council had decided not to recommend any change in the present system of Fellowship (*The Accountant*, 1 May 1948: 344). Opposed to the statement, J. Clayton criticised the Council in the following terms:

the revised Draft Charter as printed at the moment does, for all practical purposes, exclude from the possibility of fellowship and full membership of the Institute a large and growing majority of its members, and that is done...not on the ground of lack of knowledge or lack of ability, nor on the ground of lack of contribution to upholding and furthering the standards of practice and integrity, but merely because they have not gone into that branch of the profession which we know as 'practising'. It seems to me quite wrong...that we should just now frame a new constitution which perpetuates this segregation of membership into classes, and I feel that this question of fellowship should be reconsidered so as to give proper opportunity to every member of this profession, whether he practises or otherwise, subject to the same proper qualifications, to be elected as a fellow. (*The Accountant*, 1 May 1948: 345)

However, Shepherd refuted Clayton's criticism on the ground of Clause 9 of the draft Bye-laws, which provided that:

The Institute may by bye-law provide that in the cases and circumstances set out in such bye-law the Council may admit any person an associate or elect any person a fellow notwithstanding that such person may not have complied with the provision of this our Supplemental Charter applicable to him. (*The Accountant*, 1 May 1948: 345)⁽¹²⁾

On the suggestion of Shepherd, the GP Committee, at a meeting held on 27th January 1949, began to reconsider the extension of Fellowship to industrial members and decided to set up a sub-committee consisting of the Vice-Chairman (Garton Ash) of the GP Committee, Shepherd, Crewdson Howard and P.M. Rees to consider the introduction of a draft Bye-law (Ms.28416/9: 136). The GP Committee also resolved to collect the views of the district societies thereon.⁽¹³⁾ In spite of a number of favourable responses, such as that expressed by the committee of the London and District Society, the sub-committee, at a meeting held on 13th December 1949, prepared and then submitted a report that contained the following:

While seven district societies, either favour, or would have no objection to, the introduction of a bye-law subject in most cases to varying conditions, five societies are against it and two expressed no opinion or were unable to arrive at any decision. Your sub-committee considers: (a) that there is no real demand for fellowship from the general body of associates not in practice...(d) that fellowship should continue to mark responsibility of the accountant in practice. Your sub-committee accordingly recommends that it is undesirable that any recommendation to be made to the Council that a new bye-law be introduced to provide for the election to fellowship of members not in practice. (File 0436)

The GP Committee, at a meeting held on 20th December 1949, resolved to put forward the report to the Council. The minutes of a Council meeting, held on 4th January 1950, recorded that: 'it is undesirable that a new bye-law be introduced to provide for the election to Fellowship of members not in practice' (Council⁽¹⁴⁾)

Minutes Book O: 47). At the sixty-ninth annual meeting of the ICAEW, R. Kettle, President (1949-50), stated that:

The Council has obtained the view of the committee of each district society but their opinions as to the desirability and practicability of providing for the election of fellowship of members not in practice have been so varied and conflicting that the Council has been unable to see any satisfactory basis on which such fellowship could be made available... . The Council does not believe that there is any substantial body of associates not in practice who are anxious to see any change in the existing fellowship rules. (*The Accountant*, 13 May 1950: 544-5)⁽¹⁵⁾

Hardly had the discussion begun at the meeting, when Clayton argued that:

It is not clear from the annual report...which of the district societies have reported in favour of extending fellowship to non-practising members; I do know personally that London has done so and it would appear from its tenor that the London District Society is not alone in having so reported and in suggesting appropriate conditions for implementation. What is clear, however, is that district societies which purport to be represented by a majority of members of the Council have reported in favour of extending fellowship to non-practising members. In these circumstances it seems to me that the least the Council should do is to withdraw its flat rejection of such proposals and enter into detailed discussion with those district societies who have so resolved. (*The Accountant*, 13 May 1950: 547-8, *emphasis in original*)

E.H. Davison and Sandford Smith supported Clayton, but industrial members lacked cohesion as a pressure group; two industrial members of the Council (Smallpeice and Mackenzie) were opposed to Clayton's argument, because of the technical difficulty in establishing satisfactory and practicable standards for the admission to Fellowship of non-practising members (*The Accountant*, 13 May 1950: 548-9). As a result, industrial members' quest for Fellowship was suppressed by the majority of those present at the meeting.⁽¹⁶⁾ However, the policy of the Council of the extension of Fellowship to industrial members saw a transformation by the end of the 1950s, the process of which is examined in the next section.

Amendment of the Qualification Rule: 1954-59

The qualification rule for Fellowship continued to generate controversy within the GP Committee. At its meeting, held on 27th July 1954, the GP Committee considered a letter from R.O. Bowden suggesting that further consideration should be given to the admission to Fellowship of non-practising members and decided to refer the matter to the GP Sub-Committee (Non-Practising Members). At a meeting, held on 15th November 1954, the sub-committee resolved to submit to the GP Committee a report that:

the stage has now been reached at which all members of the Institute, whether in practice or not, should, under certain conditions, be eligible for election to fellowship. In reaching its decision your sub-committee has in mind the great number of members who are now in industry and commerce, the eminent positions which many of them have attained and the great contribution which members not in practice have made and are making to the interests of the profession generally and of the Institute in particular. Your sub-committee accordingly recommends...that a new bye-law be introduced to provide that all members of the Institute shall be eligible for election to fellowship after the expiration of 10 years of membership of the Institute. (GP Committee Minutes Book L: 173)

This time, all the industrial Council members, including Smallpeice, Mackenzie and Clayton, formed common line towards the extension of Fellowship to industrial member and, therefore, their cohesion as a pressure group was strengthened. The GP Committee, at a meeting held on 23rd November 1954, decided to set up an ad hoc sub-committee consisting of the Chairman (S.W. Cornwell) and Vice-Chairman (T.B. Robson) of the GP Committee, Garton Ash, K.A.E. Moore, Shepherd, Clayton and Smallpeice to consider the matter (GP Committee Minutes Book L: 179). The ad hoc sub-committee, at its meeting held on 6th January 1955, endorsed the recommendation of the GP Sub-Committee (Non-Practising Members) (GP Committee Minutes Book L: 190). Receiving such a recommendation, the GP Committee first considered adopting a single class of membership, i.e., abolishing the distinction between FCA and ACA and instead adopting the designation 'CA'. However, Sir John Somerville and Sir Ian Bolton of the Institute of Chartered Accountants of Scotland, in a reply to an informal enquiry from D.V. House, President (1954-55) of the ICAEW, expressed the view that any suggestion that ICAEW members should adopt the designation 'CA' would be entirely unacceptable (GP Committee Minutes Book L: 211), with the result that the GP Committee were, at a meeting held on 29th March 1955, forced to discard the option. In the end, the GP Committee made a negative decision by a vote 6 to 4 not to endorse the ad hoc sub-committee's report (GP Committee Minutes Book L: 212).

In spite of this negative conclusion from the GP Committee, the Council resolved, at a meeting held on 6th April 1955, 'to refer back to the General Purposes Committee for further consideration the question of the granting of Fellowship to members not in practice' (Council Minutes Book Q: 108). The GP Committee was thus forced to hold, on 18th November 1955, a special meeting, at which a resolution was put to test the feeling of the committee that 'in order to preserve the distinction of Fellowship as envisaged and granted by the Royal Charter in 1880, Fellowship should continue to be restricted to members in practice' (GP Committee Minutes Book M: 17). As expected, it was defeated by 7 votes to 5. The GP Committee then, at a further meeting held on 24th January 1956, called for an informal meeting of a sub-committee of industrial members of the Council (Clayton, W.W. Fea; P.V. Roberts; Smallpeice) to consider

the extent of any existing demand for fellowship on the part of industrial members, the relevance or otherwise of such demand (if any) to the desirability of making fellowship available and of the most satisfactory basis of eligibility if action is taken. (GP Committee Minutes Book M: 46)

Again, industrial Council members' common line was maintained and they coherently negated the counter-argument founded on the extent of their demand for Fellowship. The informal meeting, held on 10th February 1956, reached the following conclusion:

The sub-committee is unanimously agreed that it is desirable in the interests of the Institute to extend the availability of fellowship to members not in practice and that the absence of evidence of a strong current demand for fellowship is not a material factor... . The sub-committee strongly supports...that the sole requirement for fellowship for members not in practice should be ten years of membership, duly supported by two members of the Institute. (GP Committee Minutes Book M: 47)

After interruption due to the absorption of the Society of Incorporated Accountants and Auditors by the chartered bodies, consideration of the extension of Fellowship to industrial members resumed at a meeting of the GP Committee held on 30th July 1957. The GP Committee still sought to abolish the distinctive classes of membership and recommended to the Council that the initials FCA should be adopted for all members, provided it was possible to protect the letters ACA (Council Minutes Book R: 116). The GP Committee was again forced to discard this option in view of the advice received from the ICAEW's counsel that the designatory letters ACA could only be effectively protected while they were being used (GP Committee Minutes Book M: 177).

Finally, by a special instruction made on 1st December 1957 by the Council (Council Minutes Book R: 188), the GP Committee, in co-operation with the Finance Committee, set up a Joint Sub-Committee on Fellowship and Subscriptions,⁽¹⁷⁾ which prepared and submitted to the GP Committee a report containing the following:

It is thought that, whatever the position may have been in the past, there is now no adequate reason for retaining the two separate designations of fellow and associate except as a matter of expediency in preventing the adoption by some other body of accountants of the discarded distinctive letters A.C.A. The sub-committee is accordingly of the unanimous opinion that fellowship should be extended to all members automatically on the 1st January following the completion of five years as an associate. (GP Committee Minutes Book M: 224)

On 5th February 1958, the GP Committee submitted to the Council its final report containing the above recommendation from the Joint Sub-Committee, on which the Council resolved that: 'Fellowship be eventually extended to all members automatically' (Council Minutes Book R: 211). Although the minimum period for the automatic qualification was re-extended to ten years and an advantageous right for practising members to apply for Fellowship after five years was retained (Council Minutes Book S: 2), the Council, at a meeting held on 3rd December 1958, resolved that:

the following proposals be put to members of the Institute at the annual meeting in 1959...that associates become fellows on the first day of January which follows the completion of ten years' membership of the Institute. (Council Minutes Book: S: 2-3)

Accountancy (May 1959: 288) reported the proposed amendment of the qualification rule for Fellowship as follows:

It is probable that when membership was first divided into associates and fellows in 1880 nobody contemplated the possibility that a very large number of members would be engaged whole-time in industry and commerce... . It has been claimed that members who go as accountants into industry or commerce should no longer be viewed as leaving the profession but rather as performing recognized functions of the profession in the industrial or commercial sphere. The Council has demonstrated its approval of this view by its policy of bringing such members closely into the life and activities of the Institute.

The Council's proposal was carried at the special meeting of the ICAEW held on 2nd June 1959. A further special meeting was held on 5th August 1959 to confirm the resolution by a poll, which produced a vote of

14,231 in favour and 3,825 against.

Conclusion

This study has first attempted to grasp how and when the number of industrial members increased within the ICAEW and to discover the disregarded story in the early period of the ICAEW's development in reference to the issues of the subordinated treatment of industrial members. The number of industrial members increased within the ICAEW during the inter-war period. In spite of this structural change, the ICAEW's fundamental organizational assumption and its internal arrangements, such as the representation on Council and the admission of Fellowship, had still exclusively emphasised the status of public accountants and retained bias against those who became 'members not in practice' by taking commercial appointments, reflecting the restricting policy, set by the founders, of having excluding industrial members from membership. As a result, the Council of the ICAEW, in the early 1940s, had to face a major organization-environment inconsistency; industrial members were rapidly increasing, but they had no representation on Council and no admission of Fellowship.

This study then specifically analysed the issue of the extension of Fellowship to industrial members to know more about the intricate internal relationship between practising and industrial members within the ICAEW, based on the basic concept of social closure. Industrial members' request for Fellowship caused serious friction, compared with the issue of their representation on Council. For example, Howitt, a practising Council member, supported industrial members' representation on Council, but was firmly opposed to the extension of Fellowship. There was practising members' bias against industrial members, as seen in the views reported in *The Accountant* in 1922, which clearly impacted on the unsuccessful results of industrial members' quest for Fellowship both in 1948 and 1950. The practising members' bias only, however, could not entirely explain the serious friction perceived in industrial members' request for Fellowship. The foundations of the Council refusing the extension of Fellowship in 1948 and 1950 were: (1) the practical difficulty in establishing satisfactory and practicable standards for the admission of Fellowship; and (2) no real demand for Fellowship from the general body of associates not in practice. On both of the two causes, an important feature on the part of industrial members entailed: industrial members' lack of cohesion as a pressure group. There were conflicting views on the extension of Fellowship among their camp (Bowser, Sandford Smith against Smallpeice in 1947 on industrial members' demand for Fellowship; and Clayton, Davison, Sandford Smith against Smallpeice and Mackenzie in 1950 on the establishment of practically satisfactory standards). Industrial members' lack of cohesion seems to have particularly strengthened the Council's impression that there was no real need for Fellowship from the general body of Associates not in practice.⁽¹⁸⁾

As Larson (1977: 67) suggests, the professionalisation is a collective project and 'only through a joint

organizational effort could roles be created - or redefined - that would bring the desired social position to their occupation'. Underwriting Larson's indication, in the subsequent discussion during the period from 1954 to 1959, the cohesion of industrial members was maintained, particularly through the GP Sub-Committee (Non-Practising Members). Their common line against the subordinated treatment within the ICAEW at last succeeded in persuading the Council to amend the qualification rule for Fellowship in 1959.

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Notes

- (1) The minutes of a meeting of the Council, dated 3rd August 1881, recorded that the Council instructed the Bye-Laws Committee 'to provide by the Bye-Laws that the members of the Council be selected solely from the Fellows of the Institute' (Ms.28411/1: 110). The original draft Bye-law 4 thus provided that membership of the Council should be chosen from among the Fellows. However, the Privy Council regarded such a restriction as not a proper interpretation of the Charter (*The Accountant*, 11 March 1882: No.379/6).
- (2) Murphy (1984: 548) defines closure as 'the process of mobilizing power in order to enhance or defend a group's share of rewards or resources'. Collins (1990: 25) summarises the concept of market closure as follows: '[i]nstead of merely responding to market dynamics...occupations attempt to control market conditions. Some occupations are relatively successful at this, others less so. Those which are especially successful are the ones which we have come to call "the professions"'. Selander (1990: 139), therefore, defines professionalisation as 'the aspiration that an occupational group cherishes to reach exclusive societal advantages and preference of interpretation within their special field of knowledge and praxis'.
- (3) For Weberian closure theory, see Murphy (1988: 8-13, 15-17).
- (4) But, Chua and Poullaos (1993: 694) criticise Weberian work as suffering from an assumption of pluralism and comment that: 'the formation and existence of professional interests is always contingent upon certain economic, social, political and discursive conditions'.
- (5) According to a similar study conducted by C.H.S. Loveday, Assistant Secretary of the Appointment Register of the ICAEW, out of 15,686 members in England and Wales in the 1954 membership list, if retired members were taken at 400, 6,638 (42.3%) were in practice, 2,174 (13.9%) were employed at accountancy firms and 6,874 (43.8%) were in commercial, industrial and other employment (File 0252).

- (6) The ICAEW was originally formed by the amalgamation of five societies: the Institute of Accountants in London (1870); the Society of Accountants in England (1872); the Incorporated Society of Liverpool Accountants (1870); the Manchester Institute of Accountants (1871); and the Sheffield Institute of Accountants (1877).
- (7) This extract may reveal another facet of David Chadwick, who is described in Parker (ed.) (1980) as '[a]lthough of an impetuous disposition, calculated at times to hurt the feelings of sensitive people, his rare ingenuous conduct very often won the hearts of those whose feelings he had hurt'. The same biography, however, adds that: 'Mr. Chadwick has been described as being most generous to the poor - often generous before being just' (Parker (ed.), 1980).
- (8) It was Whinney, President (1884-88) of the ICAEW, who, at a Special General Meeting held in May 1893, proposed the strategic alliance with the SAA in promoting the Chartered Accountants Bill, a registration bill of accountants. According to Howitt (1966: 46): 'Frederick Whinney...recalled that the Institute had been formed "to elevate the whole body of accountants" and said that it was not "for the good of accountancy as a profession that there should be two bodies existing in the City of London, both of which represent accountants"'. When collectively considered from these episodes, Whinney appears to have been a person, with a flexible mind, capable of changing a conventional course and adopting open-door policies to industrial members and those of the SAA. For his background, career, character and so on, see Parker (ed.) (1980) and Howitt (1966: 249-50).
- (9) For similar entries, see Ms.28411/4; Ms.28411/5; Ms.28411/6.
- (10) Examples were: '[c]hief accountant-secretary required for public company, chartered or incorporated accountant with commercial experience, preferably in engineering and allied trades' (*The Accountant*, 18 October 1947: VIII); '[c]ompany secretary required for an engineering factory in the Midlands. Applicant must be a qualified accountant and have held a position as secretary or assistant with some manufacturing concern for a number of years' (*The Accountant*, 8 November 1947: IX).
- (11) It would also be applied to the case of practising members that only a small number of people had additional qualifications. The most popular qualifications were university degrees such as B.A., M.A., B.Com., B.Sc.(Econ.), LL.B., M.Sc., etc. These qualifications are identified from the membership lists. It must, however, be admitted that it is possible that the data contained in the membership lists provide only inaccurate and incomplete information.
- (12) Clayton withdrew his objection, subject to the assurance that 'drafting such a bye-law would receive early and serious consideration' (*The Accountant*, 1 May 1948: 345).
- (13) The minutes of a meeting of the committee of the London and District Society, held on 14th March 1950, recorded that: 'in recognition of the growing status of Chartered Accountants not in practice it be recommended to the Council of the Institute of Chartered Accountants that it should now consider the desirability of admitting Fellowship of the Institute to non-practising members of the Institute, subject to proper safeguards' (London Members' Committee Minutes Book C: 50).
- (14) Expecting industrial members' criticism at the annual general meeting to be held in May, the GP Committee, at a

meeting held on 25th April 1950, had recommended to the Council: '(1) that the Council should resist any rejection at the Annual Meeting; (2) that in the event of any motion rejecting or referring back...being carried, the Council should demand a poll' (GP Committee Minutes Book J: 13).

- (15) It is doubtful whether the committees of the district societies, with the exception of the London and District Society, truly represented the opinion of the general body of industrial members in each area, in view of the small number of industrial members joining the societies and their extreme under-representation on the governing committees.
- (16) Clayton proposed to refer the Council's resolution back, but his proposal was lost as the result of vote by a show of hands.
- (17) The report of the Joint Sub-Committee dated 23rd January 1958 recorded that the Joint Sub-Committee 'was constituted by resolution of the Council on 4th December 1957 in order to examine and report comprehensively on the question of extending fellowship to non-practising members and on the revision of subscriptions and subsidiary fees' (GP Committee Minutes Book M: 224). Membership of the Joint Sub-Committee comprised: W.S. Carrington (Chairman); W.H. Lawson; T.B. Robson; R.P. Winter; C.L.G. Touche; Harold Gillett; D.A. Clarke; W.W. Fea; and P.F. Granger.
- (18) A further complicating factor was the apprehension that, if Fellowship were extended to all members automatically, the value of the initials would be very much depreciated.

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[Abstract]

The Rise of Industrial Members within the ICAEW and the Extension of Fellowship

Masayoshi NOGUCHI

This study, by specifically examining the issue of the extension of Fellowship to industrial members, based on the basic concept of social closure, purports to understand more about the intricate internal relationship between practising and industrial members within the Institute of Chartered Accountants in England and Wales. The study attempts to explore the reasons why industrial members' quest for Fellowship ended with unseccessful results both in 1948 and 1950. It is concluded that industrial members' lack of cohesion as a pressure group strenghtened the Council's impression that there was no real need for Fellowship from the general body of Associates not in practice.

Keywords: practising members; industrial members; Fellows; Associates

