

Networks in knowledge-intensive industry: the case of a regional accountants' network in far North Queensland

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Abstract

Using dialectical social theory, this study explains the reasons behind formation of a network in accounting profession, a knowledge-intensive industry, in a regional context. The study addresses issues such as the structure and choice of appropriate members for the network, the constitution and maintenance of relationship among members on an ongoing basis, contradictions, conflicts and tensions within the network. Given the 'fragmented and disjointed' nature of the literature on inter-organisational relations and networks, this study attempts to answer some of the frequently asked questions on networks within the accounting industry, with a view to arriving at a more comprehensive theory on inter-firm relationships.

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1. Introduction

The concept of networks and alliances is hardly new. Around 448 B.C. some 20 Greek city states formed an alliance to defeat Persia (Smith, et al. 1995; Osborn and Hagedoorn, 1997). History is full of examples of networks and alliances in industries (such as airline, information technology, research and development, pharmaceutical, education, among others) which have grown, changed and been dissolved over time and space. The ‘big four’ public accounting firms is another good example of a global professional network of accountants. Inter-organizational networks and alliances have emerged in the literature that during last 50 years or so, as researchers in economics, accounting, organizational and sociological studies have struggled with the complexity and multifaceted character of alliances and networks. In the last two decades, particularly, inter-firm relationships, alliances and networks have received considerable attention (Grandori and Soda, 1995; Gulati, 1998; Oliver and Ebers, 1998; Sobrero and Schrader, 1998; Langfield-Smith and Smith, 2003; Mouritsen and Thrane, 2006). The idea of networks and relationships has also been discussed widely in supply chain management literature (Tomkins, 2001). Differing perspectives and levels of analysis have been used by scholars to understand and analyse interactions among actors within strategic alliances and networks. However, our knowledge of networks (the complex relationships, conflicts and tensions, interaction and regulation of the processes involved, and network dissolution) is very limited.

To date, the majority of the literature in this area has focused on some form of networking, particularly alliances and joint ventures with a manufacturing focus. As argued by Oliver and Ebers (1998: 549) ‘the growth in the number of these studies seemingly does not ensure a clear accumulation of knowledge or even conceptual consolidation’ (emphasis in the original). The ‘richness and variety’ of research outcomes in this area are indeed ‘breath-taking’, yet the field is ‘fragmented and disjointed’ (ibid: 564). But is this really the state of affairs? By analyzing 158 articles published in four leading organizational and management journal outlets, Oliver and Ebers (1998) identified two general observations on inter-firm relations and networks. Firstly, a limited number of ‘concepts and theories’ consistently come into view, which is indicative of a

far greater degree of convergence in conceptualizing networks than the literature suggests. Secondly, even though a limited number of theories and concepts dominate the field, research appears to be segmented into a limited number of distinct and theoretically meaningful configurations of perspectives. It has highlighted links between various theories, concepts and perspectives and has also pointed to the areas of divergence and convergence in studies on inter-firm relationships.

Another major contribution to the development in the area of inter-organisational relationships was by Van de Ven and Walker (1984). Their research examined inter-organisational relationship development, particularly the dynamics of interaction in terms of building close relationships between parties. In summary, they focused on the perceptions of the parties involved, and the compromises each may make in an attempt to build a closer relationship. The study by Grandori and Soda, (1995) took a wider approach, investigating a range of network forms and mechanisms, using a number of important social, economic and organizational dimensions, and showing differing coordination properties. Research using an economics perspective, apart from vertical and horizontal integration (Blois, 1972), focused on core variables for assessing efficiency properties of network firms, such as various classes of production costs stemming from technology, economies of scale, scope and specialization (Eccles, 1981; Teece, 1986). Organizational research has also focused attention on how to achieve some desirable results in networking, such as reaching and stabilizing agreements (Schermerhorn, 1975; Schmidt and Kochan, 1977; Van, de Ven and Walker, 1984), designing, structuring and formalization of networks (Van de Ven, et al. 1979), and choosing power distribution within networks (Gray, 1987). There is another group of organizational research linked to strategy studies that has addressed inter-firm alliances as joint ventures (Harrigan, 1985).

Several organizational studies have also identified flexibility as a major characteristic of networks, leading to lower transition costs with respect to internal organization, including some networks that are more conducive to self-change than others (Pfeffer and Salancik, 1978; Gadde and Mattsson, 1987). Sociological and social-psychological approaches,

with emphasis on social and behavioural exchanges, have been useful in analyzing horizontal cooperation and coordination among similar firms, including the understanding of how these exchanges are regulated (Grandori, 1991; Grandori and Soda, 1995). The dominant views under this approach are: resource dependency (Pfeffer and Salancik, 1978; Benson, 1975); institutional (DiMaggio and Powell 1983) and social networks (Burt and Minor, 1983).

Finally, there has recently been interest by accounting researchers in the area of inter-organisational relations and trust, particularly the role of management accounting and control systems in constitution and reconstitution of supply chain relations and outsourcing arrangements (Mouritsen and Thrane, 2006; Mouritsen et al. 2001; Tomkins, 2001; Seal and Vincent-Jones, 1997; Langfield-Smith and Smith, 2003). The literature illuminates on the roles of accounting and controls in inter-organisational relations, examining how accounting acts as an integrative mechanism and identifying a series of conditions for accounting to be successful in such endeavors. Mouritsen and Thrane (2006: 242)) argue that the bulk of the literature adopts a structural functionalist approach to explain the existence of forms of governance within inter-firm relations. They are supportive of a process-oriented approach to understand how the mechanisms of governance work in everyday life of network enterprises.

The focus in this study is on networks and relationships within a knowledge-intensive industry composed of small accounting firms that provide intangible solutions to customer problems by using mainly the knowledge of their individual staff and members of the network. We live in information and knowledge age where 'firms increasingly organize their activities via networks' (Mouritsen and Thrane, 2006: 241). Given the emerging importance of information and knowledge sharing in the intellectual capital industry, the main aim of this research is understand how network relations are constituted, maintained, transformed and/or dissolved within the accounting industry in regional Australia. The key research issues to be investigated in this study are the reasons behind the formation of a regional accountants' forum, the choice of appropriate partners, the choice of structure for the network, the evolution and maintenance of relationships

over time, the role of trust, existence of contradictions, conflict and tensions and the future of the network. In the context of the accounting industry, in particular, small accounting practices, the above issues have received little attention to date. Moreover, there is no adequate theory to guide research on small to medium sized enterprise networks constituted of professional service firms. Hence this study is a step towards filling such a vacuum.

The rest of the paper is structured as follows: In the next section we examine the concept of network in some detail, followed by the nature of knowledge-intensive firms and the role of networks therein. Section 4 provides a brief review of theoretical frameworks previously used to study networks and alliances, and the framework for this study. This is followed by demographic information on regional North Queensland and the details of this research's data collection methods. In section 6 we examine the case of a regional accountants' forum, followed in the next section by an analysis and discussion of the case data. The paper ends with a conclusion, limitations of the study and implications for further research.

2. The concept of a network

The term 'network' of firms, although widely used, is a debated concept marked by 'a cacophony of heterogeneous definitions, theories and research results' (Oliver and Ebers, 1998: 549). It commonly refers to a vast range of inter-organisational relations that are characterized by continuity, informality and social embeddedness (Nassimbeni, 2004). It is a complex arrangement of informal reciprocal co-ordination and co-operation rather than competitive relationships on bureaucratic lines. In this sense, networks lie at the very core of organization theory. We are interested here in networks as modes of organizing economic and social activities through inter-firm coordination and cooperation. For the purpose of this study, a network of firms or alliances is loosely defined as an exchange relationship based on certain modalities and forms between two or more agents who are in part autonomous and independent. Agents are parties involved in the exchange relationship who may be legally independent but economically interdependent. The

exchange relationship involves the exchange of goods, services, information, ideas, technology and includes social and affective exchanges. The benefits connected to the network membership require a corresponding compensation in terms of behaviour and action by the members. A 'network' implies a close relationship between members which creates social bonds based on mutual trusts and understanding (Tomkins, 2001). The relationship could range from formal intimate partnerships based on agreement to very informal, loosely-organized structures formed to exchange views and other information. The focus of this study is on a knowledge-intensive network comprising small firms; hence in the next section we examine the nature of knowledge-intensive firms, particularly those in the accounting industry.

3. The nature of knowledge-intensive firms

Knowledge-intensive firms' capital mainly consists of human capital, the critical elements of which are in the minds of individuals and the heavy demands that are made on the knowledge of those who work in them. Law and accounting firms, management, engineering and computer consultancy organizations, and research centers are good examples of organizations that comprise the knowledge-intensive industry. Several studies based on a resource dependence view have regarded alliances as a quest for resources, and knowledge sharing being the major objective behind their formation (Dyer and Nobeoka, 2000; Inkpen and Crossan, 1995; Khanna, et al. 1998; Larsson, et al. 1998). For example, in the accounting industry, the management of hard core technical accounting knowledge, changing regulations and the use of technology play a crucial role. The majority of these studies have drawn upon an organizational learning perspective that focuses upon knowledge acquisition of alliance members as the goal of strategic alliances. The main drawback of this perspective is the concept of 'competition for learning', where each partner of the alliance seeks to learn at a faster rate than others in order to achieve a positive balance of trade in knowledge, thereby destabilizing the relationship (Grant and Baden-Fuller, 2004: 64).

Grant and Baden-Fuller (2004: 62) are critical of the 'widespread presumption that the goal of alliances is to facilitate organizational learning' and present a theory of strategic alliances that focuses upon their role in accessing (not acquiring) the knowledge resources of the member firms. For example, in the accounting profession, the members generally go through structured university studies and rigorous professional development programmes before being registered as qualified professional accountants. So a body of knowledge already exists, but having knowledge somewhere and 'not accessible in a timely manner will lead to frustration, stress or blame' (Delargy and Leteney, 2005: 13). Networks are a key to confidence, capability and competency and these elements are influential in determining who should be approached to build such skills. Our position is that knowledge accessing, rather than knowledge acquiring, provides the dominant motive for the formation of strategic alliances within the knowledge-based economy.

Accounting practice, particularly small accounting practices which are isolated by distance, is the focus in this study. It is argued that a firm's knowledge stores and its potential to extract maximum value from it enhance its capabilities to compete and survive. A firm's knowledge grows out of an ongoing interaction within the network setting leading to a superior, rich and diverse body of knowledge that is not possible in a single firm situation.

As mentioned earlier, knowledge-sharing cannot and should not be confined to the individual firm. Indeed, firms can benefit considerably by integrating crucial knowledge from external sources (Dyer and Nobeoka, 2000; Kogut, 2000). Several empirical research findings in a manufacturing situation demonstrate that knowledge sharing through networks strongly contributes towards successful performance. Firms' abilities to integrate, build and reconfigure internal and external competencies are likely to result in sustained competitive advantage to the members. Knowledge sharing in networks can have positive impacts on a firm's satisfaction with such an activity (Grant and Baden-Fuller, 2004).

The formation of networks of accountants worldwide is not uncommon. Professional accounting bodies operate at international, regional and national levels. These networks are founded for the purpose of providing member firms with the tools and resources they need to provide a broad range of services to their clients in an efficient and cost effective manner, but this does not mean that professional accounting bodies are able to cater for all the needs of their members. The partners and senior staff of independent public accounting firms are generally members of the accounting profession (for example, the CPA and the ICAA in Australia) who go beyond their professional affiliations and organize as networks. The need for accounting networks is far greater in regional areas, isolated by distance from the metropolitan area, and this may be due to reasons such as lack of communications, inadequate professional development opportunities, staffing constraints and rapid changes in regulatory environment (Tomkins, 2001; Koza and Lewin, 1999).

4. Theoretical notes on networks and alliances

Networks and alliances have been studied from different disciplinary perspectives, each offering a valuable basis for common interest and potential dialogue towards a more integrated theory (Grandori and Soda, 1995). Economic-based views of networks and alliances have stressed economic causes and consequences of such arrangements. Transaction cost economics has had a profound effect on analyses of inter-firm collaborations (Williamson, 1991) with a view to reducing the net costs of conducting business. Historical and evolutionary approaches highlighted the role of technology, related costs and learning problems in the formation of inter-firm networks (Nelson, 1993), leading to greater coordination and cooperation. A negotiation analysis of networks has been useful in understanding the exchange of resources and behaviours, and regulation of the same within the network. This approach has highlighted the structure of games as a predictor of both network foundation and shape, and does not rule out the possibility of manipulation and opportunistic behaviour on the part of network members. Resource dependence views have been very popular in sociological studies on networks (Pfeffer and Salancik, 1978), the focus being on core variables such as 'critical

uncertainty and interdependence' and 'asymmetry in the resources and information' controlled by various actors. Knowledge-based explanations of the formation of strategic alliances have their roots in resource-based approaches to alliances where alliances have been viewed as a quest for resources (Grant and Baden-Fuller, 2004). Grant and Baden-Fuller (1994: 62) are critical of the 'widespread presumption that the goal of alliances is to facilitate organizational learning' and present a theory of strategic alliances that focuses upon network members accessing (not acquiring) the knowledge resources of the member firms. Studies of networks in social psychology has mostly drawn upon social network theory and has been applied to small group research studying the emergence and change of informal structures, and patterns of relations (Burt, 1978). Finally, institutional theory has been drawn upon by some researchers to understand the processes of institutionalisation of networks. Here dependence is again treated as a central concept, not only dependence on material resources but 'includes the core resource of legitimation' (DiMaggio, 1986; DiMaggio and Powell, 1983; Grandori and Soda, 1995). Networks and social linkages, ranging from informal, personal friendship to formal arrangements are seen as essential to firm survival (Bauman and Oliver, 1991). Reciprocal legitimation is enhanced by belonging to particular networks. Institutional isomorphism (Di Maggio and Powell, 1983) explains why organisational practices end up being so similar to those of other organisations. In the context of networks the question is why such structures of cooperation emerge. Unfortunately, none of the major theories identified above succeed in adequately explaining the instabilities in strategic alliances due to the presence of contradictions and conflicts within and outside the alliance.

This study is informed by dialectical social theory which appear to be markedly absent in the study of networks and relationships, with the exception of two recent works by Das and Teng (2000) and de Rond and Bouchikhi (2004). For a better understanding of alliance instabilities, Das and Teng (2000) have put forward a framework based on internal tensions, in an attempt to address a theoretical deficiency currently lacking in the alliance and network literature. They adopt a balancing strategy between the three pairs of competing forces – cooperation vs competition; rigidity vs flexibility, and long-term vs short-term orientations. If not balanced, these may lead to instability and dissolution of a

network or alliance. In another study de Rond and Bouchikhi (2004; 64) demonstrate the 'dialectical interplay of multiple and contradictory forces from inception to termination' by invoking a longitudinal case study of a biotechnology-based alliance.

The notions of contradictions, opposites, dialectics and paradoxes are important themes for social science theorizing, hence Giddens' (1984) call to look for contradictions social systems embody, and not the functions they perform. A dialectical perspective is processual in nature with roots in philosophies of Hegel and Marx. It provides explanation of processes in the constitution, reconstitution and the destruction of particular organizational forms. In the context of networks and alliances it has the potential to provide a better understanding of the processes through which one set of network arrangements emerge and gives way to another, i.e. the emergence, transformation and dissolution of specific arrangement. There are four principles of dialectical analysis (Benson, 1977; Hopper, et al. 1987; Neimark and Tinker, 1986): social construction, totality, contradiction and praxis. In construction of social structures and arrangements, relationships are formed, institutions and roles are constructed through everyday encounters and confrontations of human agents, i.e. they are socially constructed. For a dialectician structures are medium as well as outcomes of social processes (Giddens, 1984). Totality emphasizes the need to study networks and alliances relationally, focusing on their multiple interconnections with the wider social order within which they are embedded. Holistic understanding of the wider structures (open systems thinking) provide a more meaningful and better understanding of how structures are constituted, reconstituted, dissolved and or transformed through human agency. Contradictions and ensuing conflicts and tensions are important elements of a dialectical perspective. Contradictions unfold in multiple layers as signalled by the motto 'every solution has the seeds to the next problem'. Contradictions are constitutive features of organizations and societies and according to Giddens (1984) the emphasis in critical social science research should include identification and analysis of such contradictions in social and organizational life. Praxis, the final dialectical principle has to do with the free and creative reconstruction of new social arrangements based on a reasoned analysis of current arrangements (Benson, 1977). With emphasis on practice and practical

concerns, this dialectical theme allows for a deeper understanding of the linkages between routinised everyday practices and the socio-economic contexts within which network and alliance structures are located.

5. Demography and research methods

This research is situated in Far North Queensland (FNQ), one of the fastest growing economies in Australia. The region extends north to Cape Tribulation, west to Heberton and south to Cardwell, and has Cairns as its major urban centre. Cairns' population currently stands at around 130,000 and the recent growth rate in population averages around 2.8%. The region is rich in natural resources, including the Great Barrier Reef, tropical rainforests of World Heritage significance and mineral, agricultural and fisheries resources. Tourism, agriculture (sugar, bananas, mangoes another tropical fruits), mining, fishing and manufacturing are the key industries in FNQ, supported by construction, transport, and retail sectors. Rapid population growth, coupled with a buoyant economic outlook led to the development of strategic directions for the future that focused on creating a corporate image for Cairns, expanding exports, improving technology and communications, promoting the service sector and maintaining an ecologically sustainable environment (Far North Queensland Regional Plan, 2000). For these strategies to be achieved requires a greater role for accountants and the accounting profession in the region.

The focus of this research is on the specific case of the Cairns Regional Accountants' Forum (CRAF), a network of small and medium sized public accounting firms located far away from the metropolitan centers in Australia. It attempts to provide reasons behind formation of the CRAF and explains how the relationship among network members is constituted and maintained on an ongoing basis. Senior partners/principles of eight firms who are members of the CRAF were interviewed by both the researchers in a semi-structured manner. The average duration of an interview was 1.5 hours. The interview proceedings were tape-recorded and back-up notes were also taken. All interview transcripts were fed back to the interviewees with a view to obtaining any additional

information relevant to this research. All of them responded acknowledging the interview accounts were fair and reasonable reflection of issues discussed at the interviews. Three further telephone interviews were held with non-active CRAF members to obtain their views on the CRAF activities. The interview transcripts were analysed manually by identifying themes and matching texts to those themes. The case study data is presented in the next section.

6. The case of the CRAF¹

The CRAF started in mid 1970s as a get together of principals of small accounting practices. Original members report the need for a forum to ‘share problems, very often with the tax department, and mutual support’ at a time when professional development courses provided by the professional accounting bodies were not available in the area.

‘The main reason behind it was to provide professional development for the members public practice and also to provide an exchange of views as to what was going on in the areas of concern in the operation of public practice’

Another started attending because he was new to the area and felt it was a good way to network and meet other accountants. It was originally called the Cairns District Accountants’ Discussion Group. This title appeared a bit long and was later changed to ‘CRAF’. Many people still refer to it as a ‘discussion group’. The CRAF is a knowledge sharing network of about 50 small and medium public accounting firms in the Cairns region. Meetings were held originally once a month and now occur bi-monthly over a meal (supplied for a small charge) in order to exchange information of a mostly ‘technical’ nature ‘the practicalities and the efficiencies and the use of resources and time in running a business.’

¹ This research was conducted guaranteeing the anonymity of the participants and therefore responses have been simply placed in apostrophes

There are at least two large firms which are also part of this network, with one of them very actively involved in its day to day activities. One may wonder what benefits accrue to the large firms when they have massive resources at their disposal to get on with their daily life. It was revealed that the partners of two large firms were initially sole practitioners who later became partners in large firms, hence their continued support for the network. The current chairperson of the CRAF is a senior partner from one of the large firms in the region. This person acknowledged that, as a larger firm, there was greater access to resources and research unavailable to small accounting practitioners. Emphasis was placed on the participation within the network as a good corporate citizen to the community at large, justifying the continuing involvement as part of 'giving back to the community'. There was also an acknowledgement of the networking in the group may have led, occasionally, to referrals for specialist services, which was also a motive to participate.

Another member, who was also attached to a large firm, stated that they found the forum useful in learning about technical matters, such as the correct procedures for filling out governmental forms (non-taxation such as social security and workers compensation). Referrals were also received by this firm by fellow members, however there was uncertainty as to whether this was specifically a result of membership of the group or would have happened anyway.

The accounting firms are members, rather than individuals, and generally partners and principals participate in the activities of the network as the firms' representatives. The CRAF is a very informal and unincorporated body, without clear aims and objectives but functions in the interest of the members, focusing mainly on a broad range of public practice related issues, regarding technical problems. The meetings are formal with the agenda and minutes circulated to all the members in advance. Generally tax, work cover, Centrelink and context specific emerging issues such as those related to sugar, tourism and fishing industries dominated the CRAF meeting agendas. A member remarked as follows:

‘The CRAF is a very informal loose arrangement which basically heads where the members want it to head’.

CRAF was formed in during the mid seventies. The late seventies and early eighties saw a lack of professional development and training, and the presence of the two major professional accounting bodies (the CPA and the ICAA) was not felt at all in the region. The members interviewed felt that the professional accounting bodies and the tax institute were, at that time, ‘capital city oriented’. Another CRAF member stated:

‘being a regional area, away from capital cities, in the past the professional bodies have not always been able to provide professional development opportunities for their regional members’.

It came out clearly during the interviews that it was not easy for the individual firms to deal with the tax office, especially long telephone queues, delays, harsh penalties and contradictory interpretations of some of the aspects of tax legislation and so on. Introduction of the goods and services tax and electronic lodgment of tax returns, among other developments required frequent consultations with the tax office. Some of the interviewees revealed their frustrating experiences with regard to these newer developments and one had this to say:

‘The tax office says that we answer everybody’s call within 3 seconds. Yes, automatically they do, there is an answer but then you get on the waiting list for a consultant, and that takes too long’.

The CRAF has an important role in relation to the ‘practicalities of carrying on a business’ to make the member firms more efficient in the use of their scarce resources. At the meetings members spent time formulating a strategy to overcome the difficulties some people [were having with a] government department’ Collective action through the CRAF is seen as better than ‘spending hours on the phone chasing people in the tax office

to try and sort out a problem. If you are one person, the tax office is not going to take much notice, it doesn't matter who you are'.

The CRAF members feel that communication with the tax office has never been easy at all, and have found it very difficult to resolve client specific issues over the phone. This is where the CRAF has a major role. It provides a common voice to the tax office, individually firms got nowhere with the latter but as a group they made a difference. A senior representative of the CRAF sits on the Tax Liaison Group (TLG) in Townsville and it is in this forum he raises issues and concerns on behalf of the members on complex tax matters. The TLG is a forum for communication between the tax office and tax practitioners about how the tax system works. Specifically, it focuses on tax administration and provides an opportunity to identify, discuss and jointly resolve significant tax administration issues that could not be handled by local tax agents nor other tax office problem resolution mechanisms. The TLG further promotes exchange of information about future issues and events relating to respective responsibilities in the administration of the Australian taxation system. Agenda items for the TLG meetings are set by the TLG members and the tax office. The CRAF is a member of the TLG, and it is in this forum the CRAF representative raises issues and concerns on behalf its members on complex tax matters. Upon return to Cairns, this senior representative reports back to the members at the next meeting on resolutions and outcomes. The members also have direct access to TLG minutes posted on the tax office website. This is seen as the main role of the CRAF by its members, 'participation in the Townsville taxation liaison discussion group... that was the reason to exist'.

As a knowledge sharing network, members bring to the notice of other members, problems that they have encountered in everyday practice. The CRAF also organizes guest speakers on complex areas that impinge on local practice and extend beyond accounting and tax.

Constitution and maintenance of relationship

The CRAF secretariat is located at the office of one of the biggest firms in the region, and is responsible for sending out notices to the members, preparing agendas for meetings and circulating minutes of the meetings. Cairns, being a small town, the practitioners get to know fairly quickly their colleagues in public practice. It is the 'knowledge sharing culture' that keeps the members close to one another. Distance from major cities also contributes significantly towards the constitution and maintenance of close relationship among members. Problems arising from everyday practice are common problems that affect members, hence a joint resolution through the network. This facilitates knowledge sharing. One network member who had to travel some distance to attend the meetings commented as follows:

'Our relationship continues quite nicely, any of them will help you if you needed them. In some areas, some are more conversant than others, we share and gain knowledge to keep up to date. You have got no one except yourself to talk to here. If you can keep up to date with other people's problems, it stops you from having the same problems'.

Over the years the members have got to a stage where they know each other very well. There is 'enormous trust and confidence' among regular members of the group, 'anybody will trust anybody with anything'. There is no tension or conflict within the group, 'no one is worried about somebody pinching somebody [client] of them or anything like that'. 'There is so much of work for everybody, most of us will be glad to see some clients go elsewhere'.

The CRAF is more of a 'knowledge sharing' network. It is a forum where members bring to the notice of other members, complex accounting, tax and other related issues. The members share their experiences they have had with the tax office, ASIC or any other institution for that matter, such as the Building Services Authority, Centrelink, and Government Fishing Industry Authorities and so on. The main focus, however, remains the tax issues which normally dominate the CRAF meeting agendas.

It is in the previous experiences of members who have dealt with a similar problem to the one currently being experienced that was seen by many members as invaluable, 'knowing other people were having problems too. Sometimes they could supply the answers because they'd already had the problem'. One member commented on the ability to overcome the problem without spending valuable time researching it:

'you're busy with your business and trying to make it work and deal with all your clients problems and frequently situations would arise where you would have to do a lot of research to find out the solution to that is, that particular problem, and the fact that you can take that problem along to the CRAF meeting, and have that discussed by members of the big firms, by other practitioners who have had similar sorts of experiences and can recommend how to treat it, that was invaluable, because it's not something that you can go on to a web site or get a book and read up about it. It's actual experience of members, that's what you tap into, it's the members experience.'

Members were in agreement that the larger firms had greater knowledge due to the resources available to them and the deeper breadth of their client base and subsequent experiences. Some, however, considered the knowledge flow was not only in one direction. One member of a larger firm acknowledged the usefulness of information gained at the meetings, another from a smaller firm said:

'I believe it's two way, because the smaller firms do have problems that they have dealt with themselves and bring them to the attention of the larger firms who think "We haven't come across that ourselves." And so there is a two way flow, but it would probably be more from the larger firms to the smaller firms in total'

One member summed up his attitude to knowledge sharing in the group, 'you can contribute whatever you feel is necessary to contribute from your side of things and you can learn from what goes on from the other firms.'

A key professional workforce is the most significant 'resource' of knowledge-intensive companies. Not only is it crucial for such firms to attract the right individual with the right expertise, it is equally important to integrate the knowledge of those recruited in order to carry out daily activities. Finding and retaining quality staff has been the most pressing issue for small practitioners in the Region. The CRAF members work closely with a branch of a local university, with a view to recruiting and retaining quality staff. One of the researchers participated occasionally in the CRAF meetings to provide an overview of the developments and the directions in relation to teaching, learning and research in accounting and finance. By the same token, the CRAF reciprocated by coming to the university and talking to students on accounting as a career, and related opportunities and prospects.

Contradictions, conflicts and related tensions

The CRAF members are either members of the CPA or the ICAA. It is beyond doubt that there are tensions between the CPA and the ICAA who are 'competitors in the market place, and if there was no tension, then they would have merged many years ago'. This tension at the institutional level is evident within the CRAF. The relationship between the CPA and the ICAA has turned very hostile from time to time mainly due to historically constituted differences between the two. While the CPA is the largest accounting body in Australia, the ICAA (due to historical reasons) boasts about its prestigious status as 'chartered accountants' through superior qualifying examinations, and sees the former organization as producing generalists. The two bodies have occasionally criticized one another's television advertisements that 'get up to the nose' of each other.

‘CPA was very hostile about ICAA’s television ad that they put on condemning the CPAs. CPA would never put on an ad to condemn ICAA and recently there was a lot of hostility between them’.

Interviews revealed that politics generated in Melbourne head offices of the two professional bodies ‘rarely translated to the surface in the region’. The CRAF members as professionals practicing in a small region stretched out in time and space consider exchange of information as vital and without such exchange ‘you could be left out on your own if you do not have the right information’. It’s just the ‘country atmosphere’ that makes the difference. Conflicts and tensions have emerged from time to time between the two major professional bodies but ‘nothing has ever changed here. We all get on very well regardless of who is a member of what, we are fairly laid back’.

Tensions between the professional bodies do occasionally come to the surface, despite the ability of members to cooperate. The CRAF is often asked to put up a stall at careers expo to educate secondary school students on the nature of accounting education and related career prospects. The CRAF is too happy to do that, but desists because of directions from the professional bodies’ head offices that intervene, saying:

‘No we can’t have joint like that, we are going to have CAs and CPAs. So the CRAF steps back as head offices fund such activities’.

‘Being professionals we get on with our activities, continue to do things that we do together, but when it is imposed on you from down South, you just can’t do anything about that’.

One member placed these tensions in the local context:

‘So there is a bit of friction right now between the CPAs and the Chartered right now in Sydney and Melbourne about all of those sorts of things, but here in Cairns we say “Oh, well, we can’t control what goes on down there.” We just get on and do whatever we have to do here. We do not take up arms

and be against each other because of something organized by someone in Melbourne or Sydney. We don't do that, it just doesn't happen here. We have accepted the fact that we are professionals, we are in this organization, we are in a small regional area, we need to have an exchange of information because if you don't have that exchange of information you can be left out on your own professionally and you can make serious mistakes in your profession if you do not have the right information. So we recognize that and say "OK, let's put those differences aside. Let's get into co-operation in dealing with the things that affect us in our businesses." ‘

Future of CRAF

Small firms have limited resources and they were the main beneficiaries of the CRAF. The majority of the interviewees felt that in recent years there was far more presence of the professional bodies in the region. As a result of this the role of the CRAF may diminish with regard to professional development of members. A member of the CRAF who still thinks that the latter has a role, had this to say;

‘The CPA doesn't necessarily have a dozen guys standing by the phone waiting for calls to come in about tax matters or whatever. It certainly has the tax experts and tax general councils and so forth, but they are capital city oriented. It isn't so easy to ring up and say what about this or that’.

On a more serious note, the anticipated structural changes at the tax office may have an impact on the future activities of the CRAF. Members reported rumors that the Tax Liaison Group monthly meetings organized by the tax office in Townsville will be discontinued. The reason for this is not yet known to the CRAF members. If the TLG is suspended or abolished, it will have a significant bearing of the future of the CRAF, ‘probably it will go’ as remarked by some of the interviewees. ‘Tax liaison group was one of the beauties of the whole thing, one of the most active TLG's in Australia’. Small accounting practitioners in the region, in line with experiences elsewhere, mostly have

tax clients and perform compliance-related tasks. Tax issues have always bothered the members and were influential in the formation of the CRAF. A member commented as follows:

‘the tax system is just unbelievable, so we need to be constantly updated among ourselves. For example, taxation legislation and its advice are approximately ten thousand pages of what I call ‘micro dot’. Whenever they simplify anything at the tax office, it makes the whole thing more complicated. Probably the major problem with the tax system is that it is so big, so encompassing and there is so many ‘what ifs’, ‘but’, ‘forthwith’ and other whiz-bang buzzwords. Stupid things like this’.

The majority of the interviewees felt that the role of CRAF is probably going to diminish as time progresses due to constraining elements within the wider structures the latter is embedded in. Among other reasons stated by the interviewees include lack of interest on the part of younger practitioners, drop in the number of sole practitioners as a result of several mergers of small firms in the region and decline in numbers at monthly meetings ‘when I first joined... they would have up to forty persons for their lunch time, possibly more than that. Recently it’s down to about fifteen’.

‘Just looking at the way the meetings are going now, the numbers are not just there. You always seem to get this nucleus of members and basically they are happy to attend and discuss whatever comes up’.

Telephone discussions with three irregular members of the CRAF demonstrate that they are not unhappy with the activities of CRAF, they ‘fully support the network but they just don’t attend meetings. They just seem to be happy to sit back and let it all happen’. The greatest benefit they derive from the network is the tax liaison group minutes and the minutes of the CRAF meetings. The network helps to cut down time on researching issues, ‘you could spend hours inefficiently researching something but if raised at the

network level, could provide immediate answers to problems, thus considerable saving in time, costs and energy’.

Many members feel the future of the CRAF lies in making sure that the liaison with the tax office in Townsville keeps going. ‘If the tax liaison falls and if members don’t keep coming, I don’t think there is future at all for it. I think it will just die a natural death. We need to stimulate more interest in it’. There seems to be no clear indication at this point in time as to which way the tax office will go. The liaison group may take a different form or even disbanded altogether. A recent e-mail communication with a very senior member of the CRAF stated: ‘realistically though I think it is dead’. This member put the researchers’ question (on the future of the CRAF) to a recent meeting of the members and the response was as follows:

‘I can advise you that the ATO is reviewing its policy in relation to this matter Australia wide and that there no scheduled meeting going forward at this stage. We are unsure of their reasons for this, however the general feeling of our group is that it is unlikely the meetings of the TLG will continue. It is very disappointing for CRAF, as we felt something positive was coming from the association. We are having a representative from the ATO to attend our next meeting in November, not specifically to deal with that issue however it will probably be discussed’.

At least two interviewees felt that the CRAF will and should continue as a social body for socialization is an important element of network relations. ‘Just getting together and talking about things and getting to know different people over lunch’ within and outside the profession are important roles that will enable the CRAF to continue. Yet another interviewee felt somewhat differently, advising that he would rather socialize with clients or with friends, rather than other accountants. This was an interesting response as this participant originally reported joining the group for social reasons. Other members felt the mutual support was important and the group should continue ‘it has a place as a networking group’. There was a belief that the group dealt with issues that were not

covered by the professional bodies, 'small half hour presentations... topping up' technical problems such as access to the new tax portal or 'the other angle that's interesting. We had a talk with somebody from Centrelink and that gives you another angle and somebody that you can ask questions (sic)'.

One member observed that 'some of us are more interested than others in maintaining it and continuing it along'. Another member pointed to the necessity for an active committee as necessary for the forum to continue, 'I guess the commitment of the committee members is one, otherwise it wouldn't exist, the willingness of them to be on the committee and to keep things going'. The current president is a senior partner in a large local firm, and reports questioning the need for the forum in a previous CRAF meeting. This member feels that it was the forum's participation in the TLG which provided the most compelling reason for the continuation of CRAF and, should the TLG no longer take place, it is less likely to continue.

One member stated this view of the possibility of the CRAF continuing:

'[I]t comes down to the individual getting out of CRAF what they perceive as some benefit for themselves and that to me it has been of benefit all the way through and I support it because it has been... the fact that you go and meet professionals in your own industry and you can know where they are at and what they are doing in life, what they are doing in their business. That to me is something that I would like to keep going, because there is also that social aspect of it that you do get to know these guys and women. That to me is part of why I continue going along with it... they like the idea of coming along because they can do the discussions of what is worrying them, and there has been questions raised as to whether CRAF should continue, because of the decline in numbers and that has been answered by "Yes we do want to continue." The question before was because the now professional bodies are bringing more professional development into the region. The question of whether CRAF is viable or necessary had been raised and for the time being it is continuing.'

7. Discussion and conclusion

Networks and relations in small firms, particularly those in a knowledge intensive industry are relatively neglected areas of investigation in comparison to network relationships in large manufacturing, retailing and service organizations. The main focus of this research has been to obtain a better understanding of why and how networks and relationships are developed, maintained and dissolved over a period of time in the accounting industry, comprising small and medium firms stretched far out in time and space. While the main coordination mechanism in large networks and alliances is a formalized written agreement among members, the network in this study is a very informal arrangement based on the presence of relational ties, trust, reputation, shared values, goals and customs. These unwritten and tacit aspects of governance have been the main coordination mechanisms that governed the behaviour of the parties, and as a result reproduced through the network interaction process.

This paper draws upon dialectical social theory to explain the constitution, maintenance and dissolution of relations among network members in accounting industry in a regional context. Contradictions provide a continuing source of conflicts and tensions, leading to changes in the present order. Studies have shown that generally internal contradictions and tensions between network members make a network or an alliance inherently unstable (Koza and Lewin, 1998; 1999). In this study contradictory forces and pressures outside the network have been influential in causing instability that may lead to the demise of the CRAF. Network and alliance literature is relatively void of dialectical approaches which are critical of the conventional theoretical and methodological wisdoms. Several forces and pressures outside the focal organization have been influential in the formation of a network of small accounting practices. These included the need for keeping up-to-date through knowledge sharing, given the time and space distancing from urban locations, professional development and more generally the need to exchange views in the areas of concern within the public accounting industry. What is most interesting is that, with the passage of time, more or less the same forces

and pressures have been influential in the very demise of the CRAF, in line with Giddens' (1984: 169) dialectical argument that 'structure is both enabling and constraining, in the virtue of the inherent relation between structure, agency and power'. The CRAF case brings out clearly this dialectical contradiction to the fore as a result of interaction between the network members and the wider institutional structures. Mouritsen and Thrane's (2006: 273) study also highlighted contradictions in networks where the idea of networks based on 'cooperation' and 'trust' is not borne out, for network enterprise is 'fragile', 'trusting is problematic' and tensions exist between members. In this way contradictions and conflicts become an important feature of networks, and theories of networks should reflect this element.

Unlike de Rond and Bouchikhi's (2004) study of a range of dialectical forces and tensions from inception to termination in a biotechnology-based alliance, this study found no evidence of such tensions and conflicts among network members comprising public accounting practitioners. In the former study, some of the unwritten rules of the agreement were violated and the spirit of the contract was breached, leading to 'unpleasant emotions, embarrassment, anxiety and mounting distrust' (ibid: 63). These and other unintended consequences led to the termination of the alliance. In this study, the greater presence of the professional accounting bodies and the discontinuance of the tax liaison group set up by the tax office were found to be the major reasons seriously affecting the continuity of the CRAF. The majority of the interviewees felt that the CRAF will go, only a few believed that 'it will get down to a social thing in the form of 'occasional lunch and discuss what's going on'. A senior member of the CRAF felt that most of the members were 'very busy people, working under considerable pressure, and working longer hours and much harder than before' leaving no time for lunch. If there was some time for lunch, 'it was going to be with either a very good friend or with clients, not another accountant'.

We are aware that this study has certain limitations. At this point in time we cannot say conclusively that the life of the CRAF has come to an end as a result of dialectical tensions within its wider structures. But the majority of the network members interviewed

felt that way i.e. 'with the TLG gone, the CRAF is gone'. Nine face to face semi-structured interviews with regular network members and three telephone interviews with inactive members may not be considered sufficient by some to arrive at meaningful conclusions. We feel that it is unlikely that any additional interviews would have provided somewhat different results. We are aware of the limitations associated with a single case study in theorizing evolution, transformation and dissolution of networks and relationships. More longitudinal in-depth case studies in future within the dialectical tradition may be in a better position to generalize the findings. Hence we end this paper with a call for more qualitative case-based research to obtain a richer understanding of constitution, maintenance and dissolution of network relationships comprising small firms.

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