

EXECUTIVE SUMMARY

Europe 1992 is for law and accounting, more so than for other sectors, one factor of great impact in a trend toward the further globalization and internationalization of business.

In fact, Europe 1992 involves adopting a certain number of regulatory measures aimed at harmonizing accounting standards and providing for freedom of practice and establishment of lawyers and public accountants within the European Community. Most of all, however, it involves a widespread trend toward the deregulation of these professions within each of the countries, to strengthen their international positions in order to compete with other countries.

In all EC countries, national mergers are taking place at a fast pace, as are efforts to become directly established abroad and to create different types of transnational networks. In both professions, large British, American and, to a lesser extent, Dutch firms are on centre stage.

The "big eight," now the "big six" (after reorganization of international networks), public accounting firms are the clear winners. They are experiencing phenomenal success in Europe and have integrated the largest national firms there. The "big six" may also play an increasingly important role in the legal profession. The current state of deregulation appears to lower some of the barriers that previously separated the two professions. There is also the possibility that large multidisciplinary enterprises will be created.

These developments offer new opportunities to Canadian firms when auditing, legal and other consulting markets develop rapidly as a result of the move towards internationalization and the related reorganization. They also involve risks, since large international competitors (American and British firms, the "big six") become stronger and the current international trend of globalization will eventually reach Canada and open all or part of its domestic market to international competition.

Canadian firms have all the assets required to meet these new challenges: size, work methods and mastery of English as a language of business associate them more with British and American firms. Their colleagues in continental Europe appear to be more "small scale." However, Canadian firms do suffer from two handicaps: one being the low degree of internationalization of Canadian enterprises (particularly a current lack of response to Europe 1992) and the other, a certain reluctance, until recently, to venture into international territory. One handicap undoubtedly explains the other in part, since service enterprises generally follow their clientele.

Despite these handicaps, an international dimension is now strategic for the development of large Canadian law and public accounting firms.

For business lawyers, this means a reinforced position (via mergers, acquisitions, associations) at the national level to assist growth at the international level by establishing foreign offices, either alone or with Canadian and possibly American partners, and by developing specialized niches. The leaders in the profession appear to acknowledge that growing international competition raises the stakes.

The provincial leaders of the accounting profession essentially have two choices. They can either integrate into the networks of the "big six," where international developments seem to indicate, particularly in Europe, or opt for a more decentralized strategy, one