

b) the increased globalization of the economy which leads firms intending to remain on top to expand at both the geographical and sectorial levels. In this respect, Deloitte, which is well-established in Anglo-Saxon countries, and Touche Ross, which is better established in Europe and Asia, or Arthur Young, which is well established in continental Europe and Ernst & Whinney, better represented elsewhere, complement each other well. Similar complementary characteristics may also be found at the sectorial level.

These positive aspects of the "size effect" should obviously not obscure the difficulties related to mergers between firms of this size, or the resulting problems of conflict of interest. Despite these difficulties, the trend towards concentration seems to prevail.

1.2 The Canadian Context

Public accountancy is divided into chartered accountants, general accountants and management accountants. However, it is dominated by chartered accounting firms, which are 28 of the 30 top enterprises in this sector. It is these firms that are mainly concerned with globalization, of which Europe 1992 is part.

Until recently, the public accounting profession was marked by strong particularities at the provincial level. Each firm, including the largest ones, was established mainly in one province. In Ontario, the first choice for subsidiaries of American firms, the main firms are those that have been affiliated with the "big eight" for a long time and, by doing so, have followed their clients to Canada, whereas in the other provinces, until recently, the leaders were independent firms or those affiliated with secondary networks. Finally, public accountancy has been concentrated in Canada for some time.

In 1986 as well as in 1978, enterprises with more than 100 employees represented less than 1 per cent of firms, but more than 50 per cent of employment, and audited more than 90 per cent of the 1 000 top public enterprises.

For several years, the profession has been shaken by a significant trend towards mergers, acquisitions and concentration. This entails several dimensions:

- . a reinforced position for the principal leaders in their province of origin, through mergers with smaller firms, usually local or regional ones;
- . mergers between two or more medium-sized firms within a province;
- . mergers between firms of different provinces to acquire a national dimension; some of these mergers take place under the leadership of the "big eight";
- . the repercussions in Canada of the international movement; these repercussions were particularly marked since Thorne, the local affiliate of Ernst & Whinney, did not want to join Clarkson Gordon, Arthur Young's local affiliate, in the new entity known as Ernst & Young, and joined Peat Marwick instead.

The causes of this trend at the national level are essentially the same as those at the international level. Firms must expand geographically as well as internationally and improve their area of expertise to provide their clients' new needs; plus, firms must become large enough to secure a significant portion of the consulting markets, which are more promising and profitable than the auditing markets.

The split-up nature of the sector, stemming from its establishment mainly in individual provinces, served only to reinforce these requirements.