

## 1. INTERNATIONAL AND CANADIAN CONTEXTS

### 1.1 The International Context

The past few years have been marked by major reorganizations of international networks (the "big eight" became the "big six") and by the more or less turbulent implications of these reorganizations at the various national levels. The major characteristics of these reorganizations are:

- the creation of KPMG (1987) through the merger of Peat Marwick, Klynveld Main Goerdeler and the Fiduciaire de France;
- the merger between Arthur Young and Ernst & Whinney (1989) to form Ernst & Young;
- the merger between Deloitte Haskins and Sells, Touche Ross and the Japanese firm Tohmatsu to create DRT; and
- the failed merger between Arthur Andersen & Co. and Price Waterhouse.

These mergers were principally governed by:

- a) the desire to take an increasing part in management and computer consulting markets, more promising than those of public accounting and auditing, since the latter are becoming saturated, particularly in North America. This objective meant that large auditing firms had to regroup their strengths and abilities to withstand the competition from large management consulting firms and large informatics management service companies, and to face increasing research and development (R&D) expenses in these sectors. In this manner, following their merger, Ernst & Whinney and Arthur Young, which ranked 8th and 14th respectively among consulting firms, join the leaders, i.e., Marsh & McLennan; McKinsey; Towers Perrin; and Booz Allen & Hamilton, which are far behind Arthur Andersen & Co. (see Table 5);

TABLE 5

Twelve Largest Consulting Firms in the World

<u>Rank</u>	<u>Firm</u>	<u>Consulting fees (millions of US\$)*</u>	<u>Number of consultants</u>
1	Arthur Andersen & Co.	838	9 639
2	Marsh & McLennan	530	6 400
3	McKinsey	510	1 600
4	Towers Perrin	465	3 085
5	KPMG	438	4 700
6	Booz Allen & Hamilton	412	2 075
7	Coopers & Lybrand	381	4 712
8	Ernst & Whinney	374	3 255
9	Price Waterhouse	345	4 300
10	Saatchi & Saatchi	267	1 445
11	Touche Ross	248	2 142
12	Wyatt	237	1 600

Source: *Consultants News* and *La Profession comptable*, No. 69 (September 30, 1988).

\* The U.S. dollar is worth approximately C\$1.17 (June 8, 1990)