

**A DESCRIPTIVE THEORY
OF THE BIG ACCOUNTING FIRM**

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To my parents, Giorgi and Vassiliki
and my sisters, Katerina and Eleni

“Σα βγεις στον πηγαιμό για την Ιθάκη,
να εύχεται νάναι μακρύς ο δρόμος,
γεμάτος περιπέτειες, γεμάτος γνώσεις.

...

Κι αν πτωχική την βρεις, η Ιθάκη δεν σε γέλασε.
Έτσι σοφός που έγινες, με τόση πείρα,
ήδη θα το κατάλαβες η Ιθάκες τι σημαίνουν.”

Καβάφης, Κ. (1911) *Ιθάκη*.

“As you set out for Ithaka
hope your road is a long one,
full of adventure, full of discovery.

...

And if you find it poor, Ithaka won't have fooled you.
Wise as you will have become, so full of experience,
you'll have understood by then what Ithakas mean.”

Cavafy, C. (1911) *Ithaka*. (free translation)

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Abstract

This is an accounting dissertation, whose subject is the type of firm that dominated accounting developments in the UK and the US for most of the 20th century. Its focus is theory creation and most of the dissertation exposition does not focus on the theory per se. Instead, most of the exposition is devoted to communicating the pathway of the reflexive interpretation of the empirical materials relied on. Thus, the last chapter is the theory chapter, as it is the culmination and conclusion of theory creation.

Theory creation relied on a qualitative research methodology (bricolage) that combined a specific concept of reflexivity, developed by Alvesson and Sköldbberg (2000) with a specific approach to engaging with empirical materials developed by Strauss and Corbin (1990). The empirical materials were drawn from three types of sources referencing the big accounting firms, academic research, the histories commissioned by the big firms and the intermittent disclosures of quantity 'stories' about the commercial operations of the firm.

The theory created is an assembly of constructed concepts synthesising the various levels of reflexive interpretation of the empirical materials. It communicates a different vision of the firms; they are seen as a type of capitalist firm that has at least six enduring characteristics, all related to commercial action. These are capital management services production, client-focussed geographical orientation, partnership form, ethnic affiliation, prestige and knowledge base.

Chapter 1

Introduction

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1.1 Introduction

The subject of this dissertation is the type of firm that dominated accounting developments in the UK and in the US for most of the twentieth (20th) century. Its focus is the creation of a descriptive theory of the big accounting firms, as a type of capitalist firm. The elements of the description are constructed concepts that synthesise my reflexive interpretations of empirical materials that referenced the accounting firms. The constructed concepts are the 'names' for six of the characteristics that are associated with the commercial operations of the firm¹ and include: capital management services production, client-focused geographical orientation, partnership form, ethnic affiliation, prestige and knowledge base.²

Theory creation relied on a qualitative research methodology (a bricolage) that combined a specific concept of reflexivity, developed by Alvesson and Sköldbberg (2000), with a specific method (coding) for engaging with empirical materials, developed by Strauss and Corbin (1990).³ The theory created is the assembly of these constructed concepts.

The chapter discussion has three main parts. In the next section (1.2), there is discussion of the motivation for the research, the research problem, and where the dissertation's is located in accounting research. In the next section (1.3), I briefly describe the types of empirical materials used and the type of theory that was created.

¹ The term commercial action refers to the production and marketing of services.

² The reference to types of capitalist firms is a general one. It references the practice of many interpreters of the capitalist system to discuss types of capitalist firms (e.g. Chandler, 1977; Dicken, 1992; Ruigrok & van Tulder, 1995; Whitley, 2000). This dissertation relies on this general practice but is especially influenced by the work of Ruigrok and van Tulder who describe different variants of capitalism (for example Continental European, Japanese, Anglo-American). The specific features of these business systems are seen to be related to institutional and historical development.

³ Coding, as a structured method for engaging with empirical materials was first developed by the originators of Grounded Theory, Glaser and Strauss (1967) and later elaborated by Strauss and Corbin (1990). While it is an essential element in the originators conception of Grounded Theory, its formal use in accounting research is rare, even though some of that research describes itself as 'grounded theory' research.

In the final section (1.4) the dissertation aims, plan of exposition and contributions to knowledge are presented.

1.2 The Research Problem: Silences on the Firms' Commercial Operations

Initial research on the big accounting firms occurred in the context of my growing interest in the public debate concerning the tension between the commercial aims of these organisations and the public interest duties they were said to fulfil. This interest was further stimulated by the general preoccupation in academic accounting research with the possible conflict of interest between the public interest aspect of auditing and the emerging commercial practices of the firms⁴.

An important stimulus to my curiosity was the work of Briloff (1972) because of the passion of his arguments that the conflict was at the core of issues relating to the firms commercial operations. He regarded it as absolute because professionals are supposed to protect the public interest before they protect their own commercial interests. The idea that what the firms were was a 'collection' of professionals was opposite to my own vision but the passion with which he conveyed his arguments had an important effect. What was also intriguing was the stance of other academic literature on the topic.

Academic research approached the issue of conflict of interest from varying methodological perspectives and theoretical frameworks. The consensus conclusion was that there is little known about the commercial operations of the firms (e.g. Yardley *et al.*, 1992; Willmott & Sikka, 1997; Cooper *et al.*, 1999). Despite the calls for research on this point and whilst individual accounting firms have been sites of research (surveys, questionnaires, case studies), few offered empirically informed evaluations of the firms' commercial operations. Unlike other industries, it appeared

⁴ See: Burchell *et al.* (1980); Briloff (1972); Cousins *et al.* (1998); Hanlon (1994); Montagna (1990); Sikka & Willmott (1995); Sikka, Willmott & Lowe (1991); Watts & Zimmerman (1979).

that the accounting industry had escaped systematic attention. Indeed, one of the main claims of academic researchers was the lack of systematic data (Daniels *et al.*, 1988, 1989; McKee & Garner, 1992) that would facilitate a standard post-positivist verification of a formal theory (or model derived from theory) that conflict of interest was absolute.

I began with the ambition to synthesise information on the scale and scope of the firms' commercial operations, thinking that theorising that relied on greater empirical depth on the observed pattern of their operations and changes in it over time would provide a more satisfactory framework for the analysis of conflict of interest. For example, there were the commissioned histories of the firms and some voluntary disclosures by the firms on their commercial operations. This type of archival empirical materials suggested that the task of making the big accounting firms the exclusive empirical focus of the research might be manageable. For example, if I could establish how much the firms depended on non-audit income and how had this changed over time, the trends identified might clarify discussions regarding the threat it posed to auditor independence. If audit remained the main source of income and if, in the industry segment as a whole, income from non-audit services was at a fairly low level and stable, then the issue was perhaps not as pressing as it was sometimes constructed to be.

The search for 'evidence' of this type turned out to be useful, but not in the way intended. It soon became evident that the commercial operations of the accounting firms were something of a 'black box'. There were no systematic compilations of industry characteristics (size, distribution of firms, sources of income, profitability, number of employees) and I discovered the main reason. Such baseline information was rarely compiled because, unlike their clients, the firms were not under any pressure or legal obligation to disclose or publish their accounts or to provide any public body with ongoing information on their commercial operations. The firms' immunity to criticism was in a sense institutionalised; a sort of *de facto* censorship protected them from scrutiny.

Moreover, further reading of academic research related to the firms pointed to diverse images of the firms. Academic research seems to be concerned with the firms, however the concerns expressed by different strands are completely different. The strand of research discussed earlier in this section calls attention to the threat posed to the quality and trustworthiness of audit by the provision of consultancy services (e.g. Briloff, 1972, 1993b). On the other hand, a large body of research does not address the issue of conflict of interest but is more interested in the dominance/concentration of the firms in the market - the market power of the firms (e.g. Yardley et al., 1992; Beattie & Fearnley, 1994, 1995). Other literature is pre-occupied with the social psychology – personality of the individuals working in the firms (e.g. Montagna, 1974; Hanlon, 1994) and another body of research is pre-occupied with the social, political, and institutional power of the firms in the social system (e.g. Strange, 1996; Montagna, 1990).

Reading these different strands of research raised the following questions: what type of firm inspires such opposite images of its main employees? On the one hand, there is this moral imperative of the employees, requiring initiative and drive by the professionals. On the other hand, the employees are viewed as ‘socialised’ compromising individuals having to adhere to the firms’ demands and requests. Thus, the image of the employees (professionals, accountants) is quite different if not contradictory. Moreover, there seems to be a different image regarding the effects of the size of the firms. The audit supply literature claims that the firms’ size does not matter because it does not affect competitiveness in the market; studies from an economic-sociology perspective argue that the firms’ size does matter because it means they have power in the capitalist business system. Thus, while different perspectives draw different conclusions about the effects of the firms’ size, all feel compelled to comment on it. What type of firm can inspire such opposite assessments of the effects of its size in business?

There seemed to be no consensus characterisation of the ‘problem’ related to these firms because, in my opinion, there was no clear interpretation of *what they are*. There is no consensus on *what they are*, as to either function or type. If there were a

consensus representation of these firms, then, maybe the different images of employees and effects of size would have a specificity that now is lacking. For example, what the employees are socialised into seems vague and only the most obvious and public aspects are studied. The ambition to become a partner seems to be the dominant explanation of the commercialisation of the professional ethos; however, I think that if the particular characteristics of the firms were clarified, then one might be able to identify more clearly what the professional employees are part of and thus, enable a better understanding of socialisation into the profession. It might be, for example, that the promise of partnership is not the only factor that drives the commercialisation of professional ethos. Perhaps, the threats to the employees' ethical-professional orientation may be multi-sourced rather than single-sourced. Thus, I concluded that creating an interpretation that describes them is a useful first step in understanding their commercial actions and its possible effects on the ethos of the accounting profession.

This redefinition of the aim of research meant that the methodological stance would be quite different from the one presumed in my initial efforts. Initially, I assumed that the reason why the firms were under-researched lay in the failure to develop positive tests for the conflict of interest hypothesis. However, once research revealed that part of what the firms' are includes control over empirical materials in the public domain, it became obvious that a conventional approach was impossible. Thus, to make use of the so-called evidence available required thinking more deeply about the meaning of the concept of evidence. For example, in disclosing some information the question arises as to why other types of information are not disclosed. Moreover, it is not merely a question of 'presence' or 'absence' but of representation.

Where my research is situated

My research fits into a body of research drawn from a range of disciplines that rarely 'talk' to each other. In general, within social sciences research, the dissertation research fits in studies of business organisations, which include studies of types of capitalist firms (e.g. Chandler, 1977; Whitley, 2000). In order to locate my

dissertation in the body of research on the accounting firms, I need to make explicit what I think is implicit in the writings of some researchers.⁵ My interpretation is that nearly all of this research assumes the big accounting firms are capitalist firms. However, this is not explicit in most of it. For example, I think it is implied by researchers such as Daniels, Thrift, and Leyshon (1989) because they speak of them as international firms rather than as public accounting partnerships or non-for-profit public interest organisations or any other organisational forms through which the statutory audit requirement could be fulfilled.⁶ Thus, it seems to be a taken for granted assumption, that the big accounting firms are profit-seeking firms (a minimalist interpretation of a capitalist firm).

In this body of research, there are three strands. In some cases, I have no trouble in associating particular research with one or the other strand. In other cases, I can see that the way I have distinguished the strands is somewhat arbitrary because some of the papers I place in one strand because I privilege one particular aspect of their work, whereas if other aspects of their work were privileged, then I would put them in a different strand. In one strand, the firms are treated as empirical sites for the study of a range of social science theories on organisational behaviour (e.g. Anderson-Gough *et al.*, 2001; Ashkanasy & Holmes, 1995; Soeters & Shreuder, 1988). In the second strand, the firms are treated as political actors, in Strange's (1989; 1996) terms as a centre of structural power in the capitalist system (Strange, 1996; Montanga, 1990; Sikka *et al.*, 1989; Mitchell & Sikka, 2002).⁷

⁵ The classification of academic research discussed in this section is not the same classification as the one constructed and discussed in Chapter 3. This is because Chapter 3 does not aim to present a standard literature review. In that chapter, academic research is discussed as one of the data caches constructed for the dissertation research and the aim of the exposition is to clarify the patterns of meanings that dominated my thinking on the characteristics of the big accounting firms as a type of capitalist firm. Thus, in the discussion of where the dissertation research fits in accounting research the organisation (classification) of previous academic research is different.

⁶ I say this because until quite recently statutory audit at Greece was the duty of government employees. Caramanis (1999) studies the change, in Greece, from provision of the audit service by government employees to purchase of the audit by the big accounting firms.

⁷ Structural power is defined by Strange (1989) as "the power to shape and determine ... to decide how things shall be done, to shape frameworks with which [agents] relate to each other" (Strange, 1989, pp. 24-25)

In the third strand, and the one in which I locate my work, interest lies in the firms as commercial actors. Within this strand of research, there are four focal points: one that privileges size as a characteristic of the firms. The interest lies in issues of oligopoly and/or competition in the market for audit services (e.g. Yardley *et al.*, 1992; Beattie & Fearnley, 1994; De Angelo, 1981).⁸ The second privileges the type of service produced (sold), as a type of services called professional services (Morris & Empson, 1998; Greenwood *et al.*, 1994; Greenwood *et al.*, 1999). The interest lies in developing an understanding of what the accounting firms have in common with other firms that produce (sell) this type of service. A third focal point, privileges the type of employees that are important in the accounting firms, that is qualified professionals (i.e. chartered accountants or certified public accountants) that is individuals that are licensed to conduct statutory audit of other capitalist firms (e.g. Beaverstock, 1990; Beaverstock, 1996; Caramanis, 1999; Hanlon, 1994; Hanlon, 1996). The main concern is the conditions under which professionals work, how it affects their independence as auditors and their professional identity.

The fourth focus is concerned with the firms' specific characteristics as a type of capitalist firm (e.g. Burrows & Black, 1998; Brown & Cooper, 1996; Cooper *et al.*, 1998; Cooper *et al.*, 1999; Dicken, 1992; Dunning, 1989). It is in this small body of work that I find the closest links to my interests. This location of my research clarifies how I defined my search for empirical materials. Because I wanted to conduct qualitative research that 'returned to the empirical world' and because my subject was the firms, *per se*, I looked for materials in which the firm, not the accounting profession, was the focus or in which the firm was of at least as much interest as the profession

There were three main criteria underlying the choice of materials. First, I wanted to work with archival data rather than data from field research because I thought that

⁸ The dominance (high concentration) of the big accounting firms in national markets will be referred to in the dissertation as market power. The term 'market power' is used to communicate my interpretation of the firms as dominant players in the provision of audit, what is referred to as the audit market (see, for example, Simunic, 1980, 1984).

this material was under-utilised in research. Second, I wanted an interdisciplinary perspective on the firms as commercial actors. Third, I wanted sufficient depth for the period when public controversy about the firms was an issue that academic research from various disciplines and paradigmatic perspectives was expected to address. From the body of empirical materials collected, I divided them into three sets according to whose 'voice' on the firms was privileged. The three data caches' in the dissertation for convenience of exposition, are: a) the histories of the firms commissioned by the firms, this was taken as the 'voice' of the firm telling a story about itself; b) practitioners' journals that published the firms' disclosures the firms made about their commercial operations; this was the 'voice' of the firm telling 'quantity' stories about itself; and c) previous academic research on the firms in which the firms' operations were referenced.⁹

1.3 Where My Approach Fits Into Accounting Research

The bricolage designed for the dissertation is a qualitative methodology which combines a specific concept of reflexivity derived from the work of Alvesson and Sköldbberg (2000) and a method for engaging with empirical materials (coding) that is associated with the work of Strauss and Corbin (1990).¹⁰ Only the second element has any presence in accounting research. Thus, in the discussion that follows, I trace a path from my methodology to through the characterisations made of accounting research methodologies and attempt to situate my work (its approach, subject matter and the type of theory) using Laughlin's (1995) framework for classifying accounting research.

The classification of different strands of research in accounting has been the subject of many papers, each of which uses a different framework (c.f. Chua, 1986a, 1986b;

⁹ More detailed discussion on the data caches and the evidence collected is provided in the chapter that discusses each of the data caches and the constructed concepts.

¹⁰ A detailed discussion of the bricolage and of the elements that comprise the bricolage can be found in Chapter 2.

Tomkins & Groves, 1983a, 1983b). The framework provided by Laughlin (1995) is the most useful for my purposes because it builds on previous accounting research and takes an approach that enables me to trace a path to my own work.

Laughlin's motivation in developing the scheme seems to have been a desire to make three distinct points. These were 1) that it is possible to do accounting research that falls between the two often-described extremes of positivism or grand theorising; second, that it is desirable for more accounting research to be undertaken which finds a middle way between grand theory and empiricism; and third, that what is needed is better identification of the characteristics of such middle-range theories. Laughlin's framework is based on the identification of three attributes that are common to research in all paradigms. These were: theory, methodology, and change¹¹. The latter is not useful for my purpose, so I do not include it in the discussion. Each of these, he argues is present in each school of thought which enables him to create a typology that compares and contrasts research across those dimensions.

According to Laughlin the degree to which a study relies on existing theorizing / theories at the beginning of the research exercise establishes its position on the "theory" continuum (ranging from low to high reliance). Hypothetico-deductive methodologies are strongly reliant upon existing theories and prior studies. Thus, the studies utilising a hypothetico-deductive methodology are classified as 'high' on the theory characteristic. Low levels of prior theorising assume that generalisations are impossible as objective knowledge of the world. Empirical detail is very important in such studies, as they inform the researcher's understanding of the world.

¹¹ Laughlin (1997) compares this framework to the framework proposed by Burrell and Morgan (1979). The latter is frequently cited in accounting research and has formed the basis for influential methodological papers in accounting (e.g. Chua, 1986a, 1986b; Hopper & Powell, 1985). What Laughlin labels as "theory" corresponds to what Burrell and Morgan label as ontology and epistemology; the label "methodology" is used by Laughlin to refer to both Burrell and Morgan's discussion of the role of the observer and of the research methods chosen and used. Laughlin uses the word "change" to correspond with what Burrell and Morgan refer to as dimension on the nature of society (ranging from regulation to radical change).

“Methodology” refers to the choice of research methods used by the researcher and to the role of the researcher in the research process. High levels of methodology mean that the methods used by the researcher are very structured and the researcher sees his/her-self as objective and independent. Low levels of methodology accept that the researcher is part of the research process and thus the researchers’ subjectivity and perceptions not only are accepted but also are seen to contribute to the interpretation of the research subject¹².

Table 1.1: Research Attributes Used in Laughlin’s Classification of Accounting Research

Research Attributes	Definitions	Stance in the Thesis
Theory	Nature of the world and Ways of Knowing	Social Construction of Reality. No prior theorising.
Methodology	The Role of the Researcher and Research Methods	Subjectivity of the researcher. Definable method, neither highly structured, nor unstructured.

Laughlin (1995) identifies two types of judgements that determine where a paradigm is placed the level on the “theory” dimension: ontological beliefs and the role of theory (Table I, p. 80).

In terms of ontological beliefs, a middle range position argues that generalizations are possible but they would be “skeletal”. To add to this middle range position on methodology, the reality observed by the researcher is a socially constructed reality. In other words, the empirical detailed collected and analysed represents a socially constructed reality. When addressing the role of theory, Laughlin refers to both the use of previous theories (prior theorizing) as well as the development of theories

¹² By “change”, Laughlin refers to the degree to which the researcher either aims to bring about change with his research (high levels of change) or accepts the status quo (low level of change). Discussion of this dimension raises many issues that are outwith the scope of the thesis. Following Parker and Roffey (1997) the focus of the discussion will be on the dimensions of theory and methodology.

through the research process (possible generalizations). He states that the middle-range level on theory includes both the “design and use of ‘skeletal’ theories” (p. 83). And that

“To the ‘middle-range’ thinkers the empirical detail is of vital importance. It complements and completes the ‘skeletal’ theory. It may, on occasions, enrich the ‘skeleton’ since it is from empirical investigation that the ‘skeletal’ theory is derived.” (p. 81).

A middle position on methodology means that the researcher is seen to be part of the process and his/her subjectivity is part of the interpretation. The methods used, although defined, can vary depending on the situation. Laughlin explains that in the middle level on methodology

“The intention is to design a methodology which sets ‘skeletal’ rules for processes of discovery which still allows for variety and diversity in observational practice.” (p. 82)

These ideas are summarised in a simplified version of Laughlin’s (1995) overall guidance provided in Table 1.2 below.

Table 1.2: Map of Laughlin’s Research Paradigms in Accounting

High Level of Prior Theorising	Critical Accounting Research		Positive Accounting Research
		Middle-Range Research	
Low Level of Prior Theorising			Highly Structured Analysis of Empirical Materials

To situate my work in accounting research, I have classified some of the other accounting research on my subject (broadly construed as the commercial activities of the accounting firms) to illustrate my meaning. This is presented in Table 1.3 that follows:

Table 1.3: Map of on Accounting Research on the Firms by Laughlin's Paradigms

High Levels of Prior Theorising	Critical Accounting Research, e.g., Willmott & Sikka (1997) Cooper <i>et al.</i> (1998; 1999), Hanlon (1994; 1996)		Positive Accounting Research e.g. Palmrose (1986a; 1986b) Francis (1984), Matthews, <i>et al.</i> (1998)
	MIDDLE-RANGE		
Low Levels of Prior Theorising	Some Case Studies of life in the firm		Highly Structured Analysis of Empirical Materials Bavishi & Wyman (1983); Bavishi (1989)

Application of Laughlin's guidance highlights the absence of middle-range accounting research on the firms commercial operations and points to the possibility that my research can make a contributions to accounting knowledge on the subject. However, his guidance does not extend to the issue of methodology *per se*. In other words, it is not clear if any methodology could be the basis for middle-range research, or if only some.

Connecting Laughlin's scheme to the interpretations of Denzin and Lincoln (1994) and Alvesson and Sköldberg (2000) on qualitative research, it is possible to create a more general map of the different types of accounting research on the commercial activities of the firms. This approach divides previous research into two main types—whether they are, data oriented or theory oriented and an example, with illustrations, is given in Table 1.4 that follows.

Table 1.4: Differences in Orientation of Accounting Research on the Big Accounting Firms

Approaches			
<i>DATA ORIENTED</i>		<i>THEORY ORIENTED</i>	
Positive Accounting Studies of Audit Market	Case Studies of Life in the Firms	Economics-based Matthews, <i>et al.</i> (1998)	Critical Theory based Hanlon (1994)

Table 1.5 suggests that my work does not map easily onto any of the representations made by or derived from Laughlin's (1995) work. This led me to use of the work of Alvesson and Sköldbberg (2000) on qualitative methodologies as I regard my research as a type of qualitative research that seeks to return to the empirical world. By mapping their criteria onto a version of Laughlin's framework, it is possible to identify Laughlin's middle-range research as situated between two approaches discussed by Alvesson and Sköldbberg (2000) that claimed my attention from the beginning. Table 1.5 below provides a typology of methodologies, as discussed in Alvesson and Sköldbberg (2000), along a modified version of Laughlin's (1995) framework.

Table 1.5: Map of Methodologies in Alvesson and Sköldbberg (2000) On Laughlin's (1995) Framework

High Reliance on Meta-Theories	Critical Theory Reflexivity		
	Reflexive Interpretation of Empirical Materials Using Coding		
	Positivism		Grounded Theory
Low Reliance on Meta-Theories			High Reliance on Empirical Materials

Of data-oriented methodologies, grounded theory was relevant because the method of coding developed by Strauss and Corbin (1990) contained specific guidance on

engagement with all types of empirical materials. Of theory-oriented methodologies, reflexivity, as described by Alvesson and Sköldberg (2000) was the most relevant because of its openness to the range of approaches that could be labelled, interdisciplinary research in accounting.

Further exploration led me to conclude that while both grounded theory and critical theory contained elements that were relevant to the research problem, neither (in their entirety) would enable me to achieve my research aims. Work from two sources (Denzin & Lincoln, 1994 and Alvesson & Sköldberg, 2000) pointed to the possibility of combining elements of different methodologies. Thus, I decided to create my own methodology, a bricolage that combined coding (from grounded theory) with the concept of reflexivity developed by Alvesson & Sköldberg. The location of my methodology, a type of bricolage, is given in Table 1.6 below.

Table 1.6: Location of Methodology of Bricolage

High Reliance on Meta-Theories	Critical Theory Reflexivity		
	Bricolage: A Blurred Genre Combining Coding and Reflexivity		
	Positivism		Grounded Theory
Low Reliance on Meta-Theories			High Reliance on Empirical Materials

Thus, I would situate my research subject and research methodology in the 'middle-range' described by Laughlin but I would not describe my theory as a middle range theory. This is because the path from Laughlin's classification system to my work has taken several twists and turns. It might be confusing to those having a different interpretation of Laughlin's typology to describe my theory as a middle range theory. Therefore, I think the safest course is to use the simpler classification system suggested by Fawcett and Downs (1986).

According to Fawcett and Downs (1986), there are three types of theories: descriptive, relational, and explanatory. Descriptive theories identify the common characteristics of the phenomena or actors studied. Descriptive theories are the first step in knowledge construction for phenomena or actors for which there is little or no prior research. The existence of descriptive theories enables the construction of relational theories. The purpose of the latter is to identify how the characteristics are related to each other. In turn, relational theories may be taken further to explaining causality (cause and effect relationships), in which case explanatory theories are constructed.

Descriptive theories can be further classified into naming and classification theories (Fawcett & Downs, 1986). Naming theories provide a list of the common characteristics of the phenomenon or actors studied. Classification theories identify that there are relations between these characteristics. These relations can be of four types: the characteristics may be mutually exclusive, they may be sequential, they may be in a hierarchical order, or there may be overlaps between them. However, classification theories do not delve into analysing correlations between the characteristics. (These points are discussed in detail in Chapter 2)

Because my descriptive theory is a 'naming' theory, it is important to clarify to what the names refer. They refer to characteristics that are related to commercial action, that is, to profit seeking actions by accounting firms, as a type of capitalist firm. This means that they are general (they may apply to other capitalist firms of the same type); however, they are not 'generalisations' in the conventional sense. They are abstractions from a particular phenomenon that reflects the interpretive path to exclude representations that were considered details. This process of exclusion is similar to a phenomenological exercise but different in that the exclusion is reflected upon; especially the theoretical presuppositions explain why I excluded some representations. Thus, it is not a question of 'generalising' from them but judging whether they are applicable to other firms. The generalisation that determines their applicability is the concept, "type of capitalist firm", which is part of a hierarchy of generalisations associated with different grand theories of history and society.

A second point of clarification is that the names do not refer specifically to sources of commercial action or resources for commercial action. Thus, they do not reference resource and my theory is not a resource theory of the firm, such as that of Pfeffer and Salancik (2003).

1.4 Dissertation's Plan of Exposition and Contributions to Knowledge

The focus of the dissertation is theory creation; this dictated a plan of exposition that is quite different from the one that characterises mainstream accounting research. The usual order of exposition (depending on the methodology) begins with a review of the literature, moves through to theoretical framework, then onto methodology/method, empirical materials and discussion of 'results' or interpretations made, and ends with a conclusion chapter that brings all the pieces together. In my dissertation, the theory created IS the conclusion of the research. Moreover, in my methodology, the path to the conclusion is highly structured, combining a specific method for engagement with the empirical materials and a highly structured framework for communicating my interpretations, as I move from preliminary through to reflexive interpretations of the materials. Thus, my starting point was the methodology and method. The communication of the different levels of interpretation made of the empirical materials and the division of the materials into three data caches meant that I had two choices: I could order the chapter exposition after presentation of the methodology and method by themes or order it by the type of empirical materials analysed. I decided on the latter.

I decided that the best path of exposition would be to start with the methodology and method and then move through each of the data caches, one after another. In this way, I could communicate the path of interpretation and associate the preliminary and intermediate concepts that would be synthesised as constructed concepts in the theory chapter, as the concluding chapter of the dissertation. I decided to add a

concluding chapter, mainly to create space for broader reflections on the research and the avenues for future research that I thought it opened up.

Therefore, in this dissertation, after the next chapter (Chapter 2), which presents the methodology and method used in the construction of knowledge on my subject, three chapters follow, one for each of the data caches constructed and analysed. Each of the chapters has been structured to illustrate and communicate the concepts that were constructed from engagement with its associated empirical materials. Communication of that engagement is done in the same way in each of the chapters. There is a description of the empirical materials and discussion of the first or preliminary level of interpretation. Then there is discussion of the second level of interpretation in which a more thorough reflection leads to clarification of the intermediate concept terms that are synthesised as the constructed concepts of my descriptive theory of the accounting firms, as a type of capitalist firms.

In the rest of the discussion, I provide a chapter-by-chapter description of their themes and what I regard as the associated contribution to knowledge construction in accounting.

Chapter 2 introduces and discusses my methodology, a type of bricolage, which combines a specific concept of reflexivity, as the four levels at which interpretation takes place. In that process, coding is seen as a specific method for engaging with the empirical materials that enables development of the primary or first level of reflexive interpretation. The chapter contributes to knowledge construction in accounting about methodologies that encourage a return to the empirical world. Of particular importance, is the way the bricolage enables clarification of the path of interpretation from the 'actor' level in which interpretation is focussed on what the actor means, to the theory-creating level in which the researcher has reflected on the theoretical and other presuppositions that underpin the interpretations made.

The subject of Chapter 3 is the interpretation of previous academic research related to the firms. The main contribution to knowledge of this chapter is demonstration of

how to structure a synkrisis (assembly) of multiple (diverse and divergent) perspectives on a subject in which accounting research is disparate and other disciplinary research even more so. The synkrisis illustrates how it is possible to encourage pluralism within a research project; positivist accounting research is engaged with at the same level as interdisciplinary and critical accounting research.

The subject of Chapter 4 is the interpretation of the quantity stories told by the firms via a practitioner's journal, for the fifteen-year period, 1983-1997. These were assiduously compiled to create a database that would allow the construction of different quantity stories, mainly ones that put all the short stories told to create quantitative representations of aspects of the firms commercial operations. The main contribution to knowledge of this chapter is demonstration that quantitative materials can be used in qualitative research if they are treated as a 'quantity' narrative that has no privileged voice. If used this way, quantitative materials can enrich interpretation, offering quantity representations that supplement the other narratives in the empirical materials used.

The subject of Chapter 5 is the commissioned histories of the firms in which the shadowy protagonist of this dissertation, the big accounting firms, tells their 'own' story. The main contribution to knowledge of this chapter is demonstration of a possible way to use these histories as an empirical resource in accounting research. The path of interpretation made in this chapter tries to link the complex social constructions the actor's relies on to tell the story of 'his' life (e.g. the history of the firm) to other interpretations of that life.

The subject of Chapter 6 is the descriptive theory of the accounting firms, as a type of capitalist firm. Each of the constructed concepts that synthesis the interpretations brought forward from the chapters on empirical materials is subject to reflexive interpretation in light of my theoretical presuppositions. In this way the concept terms, the 'names' for the characteristics of this type of firm (e.g., capital management services provision, ethnic affiliation, prestige, knowledge base, client-focused geographical orientation and the partnership form) are clarified and the

meaning of my theory is communicated as fully as possible. The main contribution of this chapter is a creation of theory that proposes a systematic interpretation of at least some of the characteristics of the accounting firms that are related to their commercial operations. As such, it offers a point of departure for research projects that seek to develop relational and explanatory theories of the firms' commercial actions and their commercial powers.

The subject of Chapter 7 is the conclusions I have come to because of my engagement in this research project, including what I regard as possible avenues for future research.

Chapter 2

The Work of the Bricoleur:

Methodology and Method in Theory Creation

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“The product of the bricoleur’s labor is a bricolage, a complex, dense, reflexive, collage-like creation that represents the researcher’s images, understandings, and interpretations of the world or the phenomenon under analysis”
(Denzin and Lincoln, 1994, p.3).

2.1 Introduction

This chapter has three main aims: to explain the basis of knowledge construction in the dissertation, to situate my research in the accounting research and to describe the empirical materials used in creating a descriptive theory of the big accounting firms. In this introduction to these subjects, I try to set out the broad outlines my answers to the three questions implied in the chapter’s aims. I start with why I think my research is qualitative, then give a general characterisation of the empirical materials and close with the chapter’s plan of exposition.

I regard my research to be qualitative research. Characterisations of qualitative research vary, depending on the context in which they are discussed. In this dissertation, I rely on the general one made by Denzin and Lincoln (1994) that emphasises the epistemological stance toward knowledge construction. They argue that qualitative researchers view empirical material as theory-laden and reject the proposition that these can be objectively ascertained.

This general interpretation is supplemented by the emphasis in Alvesson and Sköldbberg (2000) that a focus in the empirical world imposes different demands on qualitative research and these mainly relate to the criteria by which efforts to ‘return to the empirical world’ are judged. They write:

“In our view empirical material can inspire ideas and theories, endowing them with credibility, clarifying them and, in the case of theories, making them more stringent. Empirical material cannot unambiguously falsify or verify theories, but it can generate *arguments* for or against the

championing of theoretical ideas and a particular way of understanding the world.” (Alvesson & Sköldbberg, 2000, p. 275, emphasis in text).

For empirical materials to do their work as ‘arguments’, these authors emphasise two criteria: richness in points and reflexive interpretation. By richness in points, they mean that the research goes beyond what the empirical material is able to say (the preliminary or what they refer to as the primary level of interpretation). This means that the ‘novelty’ value of the research--developing insights, problematization of established ways of thinking—is an important basis on which to judge qualitative research. The second criteria is reflexivity and openness in the interpretations made. By this, they mean the research should make an effort to communicate, with as much richness as possible, the movement from the empirical materials to the interpretation or theory created. The crucial ‘last step’ in this movement is the communication of an openness to other paradigms and views which cultivates pluralism *within* a research project, in order to cultivate increased pluralism within the research community (Alvesson & Sköldbberg, 2000, p. 277-280).

From both sources, but especially Alvesson and Sköldbberg (2000), I characterise my dissertation research as qualitative because its central focus is creation of a theory that problematizes established ways of thinking about the big accounting firms. This means that I regard the basis of assessment of my research to be the qualities of the interpretations made (richness in points, reflexivity), rather than any claimed capacity to adjudicate differences between different theoretical stances.

The specific methodology I used in my research is a type of bricolage composed of two main elements: Alvesson and Sköldbberg’s (2000) concept of reflexivity (as four levels at which interpretation occurs) and coding (derived from grounded theory) as a

method for producing the first of these four levels, the preliminary¹ or first level of interpretation.

Denzin and Lincoln (1994) introduce the term 'bricolage' in their discussion of qualitative social science research. They argue that in qualitative research the researcher is free to construct methodologies that are suited to their particular subject and ambition. In light of the task at hand, they argue, the researcher is free to draw on elements from different qualitative approaches to knowledge construction and use these as the building blocks of a be-spoke methodology. Thus, in my bricolage, I rely on the mixture of two approaches to knowledge construction, reflexivity and elements of grounded theory, both characterised by Alvesson and Sköldbberg's (2000) as qualitative methodologies. These elements have different strengths (and weaknesses) and my bricolage attempts to combine them in a way that will enable it to gain their strengths and to minimise their respective limitations.

I think my research fits into qualitative accounting research that seeks to return to the empirical world whilst recognizing the problems and consequences of such an ambition. Thus, in Chapter 1, I situated my work in the accounting research project, characterised by Laughlin (1995) as middle-range theorising and my research subject in the disparate body of interdisciplinary research that, directly, or indirectly, treats the big accounting firms as an important social 'actor'.²

The empirical materials I used combine different types of documents found in public archives. These include accounting and other social science academic research published in refereed journals, materials published in accounting practitioners journals, and the histories of the big accounting firms written by authors paid by the

¹ In reflexive interpretation, the first level is referred to a primary interpretation. However, at times, the source for this methodological element, Alvesson and Sköldbberg (2000), use the term 'preliminary'. I would prefer the term 'preliminary' because I think it communicates more clearly that this first level of interpretation is prior to 'reflection on meaning.' However, I use the term primary level (sometimes the term first level) in order to respect the formal terms presented by the authors of this methodological approach.

² The details of the description are found in section 1.

firms. To me, an important feature of my materials is that they come close to exhausting the range of materials on the subject of the firms commercial operations that are available to independent (novice) researchers.

The chapter follows a conventional presentation, in which methodology is presented before method, in order to assist the clarity of the exposition. However, the distinction implied in the separation of the two is not easily honoured in my bricolage. The problem is amplified by the fact that in some of the accounting research I rely on, there is little explicit discussion of methodology (as distinct from method). On this point, Alvesson and Sköldbberg (2000) write:

“What constitutes an interesting and manageable research problem depends on the researcher’s fundamental stance on methodological questions on the broad sense. More reasonable than the one-sided relationship of dominance ...(of one or the other)... is the mutual relationship of influence between the two.” (Alvesson and Sköldbberg, 2000, p. 11)

Thus, in discussing my research, I conform with the convention of discussing them separately so as to assist communication of my ideas. Doing so, however, means that the overall exposition is rather long and perhaps, at times, repetitive because the distinction has to work against the way methodology and method are intertwined in the bricolage.

This leads to one last preliminary point. In the section of the chapter in which I discuss the methodological elements of the bricolage (section 2.2.) I begin with grounded theory and give more space in this section than I give to reflexivity. This is not because I regard it as more important. In terms of shaping the research and its exposition in the dissertation, the concept of reflexivity was much more influential. The reason for starting the discussion with grounded theory (and for elaborating on it in two different places) is that the confinement of grounded theory to a position of ‘method’ in the bricolage needs to be explained ‘twice’. It needs to be explained twice because, in its original formulation, its creators regard it as a methodology that provides a method. Therefore, I need to explain why its claims as a methodology are

rejected (section 2.2) and then explain (later) why the element of coding as a method, is accepted (section 2.4).

The chapter plan of exposition can be summarised as follows: section 2.2 describes the bricolage and discusses the elements that are used in its design; section 2.3 describes the types of empirical materials used and how selection was decided. This discussion is followed by a rather lengthy discussion of ‘coding’ as the method used to develop the first level of interpretation (section 2.4). The last section (2.5) provides a map to the three chapters that follow, in order to explain the order of their appearance in relation to the different empirical materials that are their focus.

2.2 The Bricolage: Methodological Considerations

The aim of the discussion is to clarify the elements that are included in the bricolage. The discussion is organised by the methodological source (first grounded theory, then reflexivity) in order to spell out how each is understood and to identify its contribution to the project of theory creation.

The bricolage used in the dissertation research was designed to create a theory that reflected the possibilities of qualitative research that returns to the empirical world (Alvesson & Sköldbberg, 2000). My bricolage combines elements from grounded theory and insights on qualitative research from the work of Alvesson and Sköldbberg (2000), in particular, their concept of reflexivity.

In the case of grounded theory, the originators’ description of their approach makes clear that they blur the distinction between methodology and method. This is because they claim that a method (a particular technique of engagement with empirical materials, called coding) is a methodology. In my view, the blurring of the distinction between methodology and method in this way is highly problematic. Doing so introduces a positivist bias to knowledge construction. This is because, when method is mistaken for methodology, there is a failure to articulate the

ontological and epistemological presuppositions of the research. Moreover, positive accounting research is characterised by a failure to distinguish between methods of empirical materials analysis and methodology (Reiter and Williams, 2002).

In the case of other accounting research, it is possible to argue that, frequently, the boundary between theory and methodology is blurred. This is because some work in accounting research relies on grand theories, that is, on theoretical sources that 'frame' different aspects of the subject under study. For example, critical accounting research sometimes relies on a complex combination of theoretical sources that interpret different aspects of capitalism as a social 'totality'. The vision is that capitalism is not merely a type of market economy but a social system (totality) in which knowledge of the empirical world is constrained not only by the general problems addressed in philosophies of knowledge but by constraints specific to capitalism, as mode of production and a 'way of life' (Cooper Sherer, 1984; Tinker, 1985).

Alvesson and Sköldbberg (2000) refer to this as reliance on meta-theories that are presupposed by those doing work in the critical theory tradition. The effect of such reliance can be a tendency for some qualitative research to privilege theoretical clarification over empirical interest. In my interpretation, this point is linked to criticisms of accounting research made by Laughlin (1995) who argues that empirical materials should inform, not merely illustrate, theory creation (Laughlin, 1995; Alvesson and Sköldbberg, 2000).

The bricolage reflects a strong influence from the work of Alvesson and Sköldbberg (2000) because theirs is one of the few treatments of qualitative research to systematically discuss grounded theory in relation to other qualitative methodologies (including critical theory, hermeneutics, poststructuralism and postmodernism). Moreover, the overall context of their discussion is motivated by a conviction I share that, in spite of the many difficulties that arise for empirically oriented qualitative researchers, the project of returning to the empirical world is a valid one. On this point, Alvesson and Sköldbberg (2000) write:

“...we stubbornly claim that it is pragmatically fruitful to assume the existence of reality beyond the researcher’s egocentricity and the ethnocentricity of the research community (paradigms, consciousness, text, rhetorical manoeuvring), and that we as researchers should be able say something about this reality” (Alvesson and Sköldbberg, 2000, p.3).

The single most important contribution of Alvesson and Sköldbberg (2000) to the bricolage is their concept of reflexivity as the “four levels at which interpretation occurs” (p. 254-255). This concept, along with elements of their overall discussion, provides a means to bridge the distance between grounded theory and a qualitative orientation toward knowledge construction. It does so by providing a pragmatic framework for communicating the path of interpretation from empirical materials to theory creation.

However, bricolage is not without problems. There is a tension created by combining ‘coding’ with reflexivity. This is because coding carries the shadow of the positivist bias of grounded theory. This tension persists, even in my limited use of it to help me structure my preliminary or first level interpretation of the empirical material. The terms of reference in grounded theory as a whole (data, core phenomenon, emerging concepts, coding) sometimes pulled my interpretations in a positivist direction which meant that, in the second level of interpretation, there is sometimes a treatment of the theoretical memos (called memos hereafter) as a source to assert the accuracy of my preliminary interpretation by reference to the materials themselves.

In order to understand my criticism of grounded theory as a methodology, it is important to communicate my understanding of it.³ The elements that I privilege in my communication of this understanding are: first, the origins of the theory and the originators’ vision of it as a methodology; second, the misunderstanding created by

³ This clarification is in the spirit of the advice given by Parker and Roffey (1997) when they observe “For researchers wishing to examine grounded theory’s potential utility in the accounting and management domains, however, there are insufficient building blocks to date. Further grounded theory studies are necessary to inform the methodological debate ...” (Parker & Roffey, 1997, p. 213).

some of their terminology, especially in accounting research; and third, the realisations I came to when attempting to use it as a methodology. This is the subject of section 2.2.1. In the next section, 2.2.2, I describe why I think their technique of coding can be useful in the overall context of reflexive interpretation.

2.2.1 Critique of Grounded Theory as a Methodology

In grounded theory, the research process begins with no or low prior theorization, allowing the development of new theory, thereby freeing researchers from the closed project of verification of existing theories. Its chief characteristic is to treat induction as the beginning point. As Glaser (1978) claims

“Grounded theory is, of course, inductive; a theory is induced or emerged after empirical materials collection starts. Deductive work in grounded theory is used to derive from induced codes conceptual guides as to where to go next for which comparative group or subgroup, in order to sample for more empirical materials to generate the theory. ... [D]eduction is in the service of further induction and the source of derivations are the codes generated from comparing empirical materials, not deductions from pre-existing theories in the extant literature.” (pp. 37-38).

The purpose of the induction-deduction process⁴ is to gain depth of understanding of the subjective meaning of actors' actions (Parker & Roffey, 1997). This way, grounded theory emphasises the central role of the empirical materials collected in theory creation and its view that the quality of the theory is 'better' if the research remains close to the actor-level.

At the same time, the researcher's pre-existing experience, knowledge and training are not ignored but accepted as an integral element in the process of theory creation. I found this 'acceptance' somewhat at odds with their other emphasis that theory creation benefits from a lack of prior theorization. They appear to mean that by ignoring prior theorisation, they avoid prejudice (however, according to them, this is not in the sense of imagining the researcher as an 'objective observer'). Instead, they

⁴ The combination of induction and deduction is called abduction (Potter, 2000).

seem to regard ignoring prior theorising as a way the researcher can retain an open mindedness toward the empirical materials and that this will enable interpretation that grasps what the actor 'really meant'.⁵

The methodological commitments of grounded theory seem blurred, if not contradictory. To clarify matters, it is useful to distinguish between ontology and epistemology, as emphasised in critical accounting research (Chua, 1986b; Laughlin, 1995; Hopper & Power, 1985). The view that what is studied is 'real' (exists outside of and independently from the researcher's mind or awareness of it) implies that grounded theory is based on ontological realism. However, Glaser and Strauss' (1967) view also seems to be that knowledge of the real is 'subjective' – that is, it is always an interpretation. This would imply that grounded theory's epistemological stance is post-positivist. Since post-positivism embraces a range of views along a continuum, from 'thin' social constructionism to 'thick' social constructionism⁶, further classification requires revisiting grounded theory's representation of the interpretation and theory creation.

Grounded theory was originally formulated by two sociologists, Glaser and Strauss, in a book-length study, the "Discovery of Grounded Theory: Strategies for Qualitative Research" (1967). The two sociologists came from different research backgrounds; Glaser's background is quantitative, whereas Strauss's background is qualitative. Despite this difference, both saw the need for a methodology that would facilitate theory creation that was grounded in empirical materials (i.e. induction and theory generation), as compared to the traditional research approach of starting with

⁵ It has to be noted that the authors are not very clear on their ontological position (Alvesson & Sköldbberg, 2002), especially in their early writings. At different points, as revealed in their many books, they offer statements that appear to be contradictory. However, what remains consistent is their overall approach towards subjectivity. Thus, I conclude that their epistemological stance is not positivist but interpretivist.

⁶ According to Potter (2000) on the thin end of the continuum is research that relies on Kuhn to emphasise that all interpretation is made by a 'socialised' individual and is therefore paradigmatic; on the 'thick' end, Foucauldian research emphasises that there are 'deep' structures that an archaeology of knowledge can make visible and that socially constructs what constitutes research (e.g. what is claimed to be legitimate knowledge).

a theory and hypothesis and testing it with empirical materials (i.e. deduction and theory verification).

Most importantly, in the preface to their first book the authors proposed the main purpose of their theory to be the provision of a methodology that would enable researchers to bridge the knowledge gap created by over-reliance on verification of grand theories (Glaser & Strauss, 1967).

In subsequent years, the two sociologists further elaborated their vision of grounded theory, but along the way, their roads diverged. Each revised the original theory and published different versions of it, whilst simultaneously acknowledging the importance and validity of their previous shared work.

What were the differences that separated the two? Parker and Roffey (1997) summarised these as follows:

- “(1) The approach to generating the focal research issues.
- (2) The degree of formal structuring of the approach to coding data.
- (3) The degree of formal structuring of the approach to generating a theoretical framework” (Parker & Roffey, 1997, p. 222)

Thus, from initial agreement on the aim of grounded theory and the broad outline of its implementation, in their separate versions of it, Parker and Roffey (1997) argue that the aim of grounded theory remains the same (theory creation) but the method to achieve it is changed. Glaser supports a more flexible and less structured implementation, whereas Strauss proposes a more rigid application of the method.

At the same time, it is noteworthy that these revisions do not substantially alter the epistemological and ontological assumptions on which grounded theory, as a methodology, is premised. This becomes clear when one considers the core differences between their revisions of the ‘original’ version of grounded theory.

Strauss & Corbin revise in favour of reliance on specific pre-existing research questions; Glaser verifies the importance of the identification of the question (what is

referred to as the 'actor's problems') during the research process itself. Accordingly, Strauss & Corbin (1990; 1998) stipulate a more structured and detailed framework, providing a step-by-step process for coding and theory generation within which a researcher should operate. This contrasts sharply with the more flexible framework advocated by Glaser (1978; 1992; 1994; 1998). The structure and detail provided by Strauss and Corbin (1990) is the core element of coding used in the dissertation. I relied on it, because it provided me, especially as a novice researcher, with practical guidance on using empirical materials.

Strauss and Corbin (1990) identified two further attributes in relation to the use of grounded theory. Firstly, grounded theory provides a strategy that allows the creation of a theory, grounded in evidence and secondly, the focus of the strategy is on instructions for empirical materials analysis. These two attributes provided them with a solution to the research problems encountered. However, Glaser objected (1992) to Strauss and Corbin's step-by-step process for theory development, arguing that it might force the development of theory, instead of allowing the theory to emerge. This, Glaser argued, would lead to the emergence of a weak or incomplete theory or tilt the project in the direction of verification of existing theory rather than the creation of new theory.

The difference between the originators of grounded theory seemed to me to emanate from different, implied, understandings of the distinction between method and methodology. Thus, the effect of Strauss and Corbin's (1990; 1998) revisions is to reduce grounded theory to a method whereas the implication of Glaser's objections imply an effort to maintain grounded theory as a methodology.

In addition, creating theory that is grounded in evidence in this way is problematic because it relies too closely on the empirical materials collected, without challenging and reflecting on their quality. This is highly problematic in qualitative research because the effect of the researcher's distinction between methodology and method is deemed to have important effects on knowledge construction (Chua, 1986b; Hopper & Power, 1985; Reiter and Williams, 2002). Thus, a criticism of positive accounting

research is that the two words (methodology and method) are used interchangeably and background assumptions or theoretical presuppositions are not clarified.

Other concerns raised relate to what the originators mean by 'data' and what they mean by 'categories'. Thus, Alvesson & Sköldbberg (2000) remark,

“Data in grounded theory can be described in vague terms as something empirical, often some event, often in the form of an incident, often in the form of some social interaction” (Alvesson & Sköldbberg, 2000, p. 20).

The vagueness of what data means coupled with the underlying belief of the authors in the ability to observe reality directly (data are value-free not value-laden) are the source of problems for those who use grounded theory (Alvesson & Sköldbberg, 2000). In the language of grounded theory, categories are concepts described and defined by properties. They are either identified in the empirical materials gathered or constructed by the researcher (Strauss, 1987). The danger in the identification of categories arises from the closeness of the researcher to the evidence and to the actor. The vagueness in the originators' definition of empirical materials and the detailed attention to the procedure of coding reveal a failure, on their part, to attend to the double movement that is involved in the use of the method. First, there is the movement from the evidence *per se* to one's representation of it. Then there is the movement from one's representation to one's interpretation of meaning. Coding directs itself solely to interpretation, as if that could be independent of the researcher's representation of its meaning.⁷

There are few accounting research studies that utilise a grounded theory methodology and even those that do, do not make explicit the distinction between research methodology and methods (Parker & Roffey, 1997; Ferreira & Merchant, 1992) or situate their use of grounded theory in the wider framework of paradigms in accounting research.

⁷ In the case of printed or video-taped materials, representation could be said to have an existence 'outside the mind of the researcher' but this would not be the case for participant observation studies where the record of events is a representation, in memos, reflecting the researcher's interpretation of what s/he observed.

The few grounded theory studies conducted were initially motivated by calls by Tomkins and Groves (1983a; 1983b), who argued in favour of “‘naturalistic’ styles of investigation involving greater, if not exclusive, use of qualitative empirical materials” (p. 362)⁸. Their call gave rise to a number of studies that focus on individual actors and the way the actors understand their circumstances. Calls for grounded theory studies in accounting also gave rise to field research, where the emphasis is on interviews and participant observation as the research methods. Despite the focus on gathering empirical materials in the field, some of the studies relied on interviews in order to gain access to archives (i.e. documentary research) and some studies use both qualitative and quantitative empirical materials for their analysis (McKinnon, 1988; Ferreira & Merchant, 1992).

Grounded theory research in accounting privileges as ‘the actor’, an individual or person. Institutions or organisations are not envisioned as possible ‘actors’, reflecting some ignorance of the originators’ vision of the general pertinence of grounded theory. They explicitly reject the notion that their approach is restricted to the study of individuals, and argue that their methodology is general enough

“for use on social units of any size, large or small, ranging from men, or their roles, to nations or world regions.” (Glaser & Strauss, 1967, pp. 21-22).

I rely on this point of clarification, in my research. It explains why I use the term ‘actor’ in a general sense and refer to organisations, such as capitalist firms, as ‘actors’.

This above clarification of the originators’ vision and the detailed referencing of their work is central to warranting my use of elements of grounded theory in my methodology and of treating the big accounting firms as actors. I regard the firms as

⁸ The term ‘naturalistic’ was used by Tomkins and Groves (1983a; b) to signify research that does not adhere to “‘conventional scientific approaches’ to research” (p. 362) by which they appear to mean research that did not adhere to the hypothetico-deductive testing of theories with quantitative empirical materials.

'social actors' whose actions are subject to interpretation in the same way that management theories characterise the actions of an organisation or economic theories characterise the actions of a firm.

I am the first to admit that my treatment of the firms as 'actors' can cause confusion since my usage is 'orthodox' from the perspective of scholarship on grounded theory *per se* but 'unorthodox' from the perspective of how grounded theory has been communicated to the accounting research community. What I rely on for my claims that I 'know' better is my extensive reading of the works of the originators (Glaser, 1978; 1992; 1993; 1994; 1995; 1998; Glaser and Strauss, 1967; and Strauss and Corbin, 1990, 1994, 1997, 1998). This depth of scholarship on grounded theory also gives me confidence that I can use coding as a method to engage with empirical materials that reference the big accounting firms as an actor and with materials in which the firms 'speak'; that is, in materials produced or disclosed by the accounting firms to explain or justify their actions.⁹

2.2.2 Reflexive Methodology

Alvesson and Sköldbberg (2000) emphasise the need for some distance between the researcher and the actor level representations, a distance that would allow for the realisation that the empirical materials gathered and the researcher's interpretations and understanding are socially constructed. They suggest that

“...‘empirical materials’ are regarded not as ‘raw’ but as a construction of the empirical conditions, imbued with consistent interpretive work. The attitude towards the empirical material thus becomes somewhat freer and demands are made for conscious interpretation.” (Alvesson and Sköldbberg, 2000, p. 258).

⁹ The empirical materials I rely on to create my theory include materials in which the accounting firms are referenced as an actor. This is, empirical materials cache I, interdisciplinary research on the firms, also includes materials in which the actor, that is the firm, explain some aspect of their commercial operations (this is in empirical materials cache II) and materials in which the actor tells their own story (empirical materials cache III).

Two levels of social construction are identified: the social construction of the empirical materials and the researcher's consciousness of the interpretive frame regarding the uses to which she will put the empirical materials. The empirical materials are taken to be *representations* of reality. The research process and its outcome consist of the researcher's interpretation of these representations. If one treats the empirical material as a representation of reality, which has a social determination, then the object of interpretation is the socially constructed representations. This means that my research does not claim to produce an objective account of the actors but an interpretation of the representations made about them, either by other researchers or by the firms' themselves.

At the same time, some degree of circularity is embedded in the use of the term social construction. On the one hand, the subjectivity of the individual researcher's interpretation is assumed (but not seen as socially determined), whereas the representations of reality are viewed as socially determined and these social determinations are studied. To overcome this circularity, Alvesson and Sköldbberg (2000) propose a specific concept of reflexivity.

Reflexivity, according to Alvesson and Sköldbberg (2000) includes the author's awareness that the research process is an act of interpretation, as well as the awareness that empirical materials are socially constructed; that is, empirical materials are not facts but representations mediated by values, ideology, interests and institutional arrangements. Of particular importance to my research is Alvesson and Sköldbberg's detailed discussion of how to use their concept of reflexivity to communicate the path of interpretation, described as 'the four levels at which interpretation occurs'. Each step along the path, from the empirical materials to the theory created is different; each is important and each is not reducible to another.

The four levels can be described as follows. During the primary level of interpretation, the researcher attempts to understand the actor's intended meaning, as indicated in empirical materials. The second level of interpretation, the next move, considers the 'primary' or preliminary meaning, as the researcher's interpretation and

subjects it to further analysis. At the third level of interpretation, the researcher explores and questions the theoretical presuppositions underlying the elements that dominated the interpretation. These shifts in levels emphasise how meta-theoretical presuppositions inform the pathway of the researcher's interpretation of the empirical materials. The fourth level of interpretation relates to the researcher's own critique of the research project and allows space for the possibility of alternate interpretations.

In the bricolage, during the first level of interpretation (primary interpretation), coding is used as a structured procedure (method) for establishing my interpretation of the intended meaning of the 'authors' of the empirical materials studied. The texts and documents are envisioned as a series of representations of events and thus treated as social constructions, rather than as an objective account of the events or processes referenced in the materials. From this point forward, coding is abandoned¹⁰ and the next interpretive moves are freer and rely on reflexivity. Thus, the use of grounded theory in the bricolage is *limited* to this primary level of interpretation.

For the subsequent levels of interpretation, I break away from the empirical materials and dispense with efforts to increase confidence that I have captured (at least some elements of) the authors' intended meaning. I then move on to the second level of interpretation. At this level, the dominant patterns of meaning that are privileged in my primary interpretation are scrutinised, mainly by reviewing the memos written as an accompaniment to the primary interpretation. At this point, I critically reflected on the materials and on the materials' nature and limitations. At the third level of interpretation, I begin the process of reflection on 'why' some patterns of meaning are privileged and explore the theoretical presuppositions that might explain them and help me communicate my interpretation. At the fourth level of interpretation, I reflect, in a self-critical way, on the theory I created and on the research process. An effort to visually illustrate these four levels of interpretation is undertaken in Table 2.1 below, a version of the one given in Alvesson and Skoldberg (2000).

¹⁰ And, the hope is, all traces of grounded theory disappear.

Table 2.1: Illustration of Reflexivity as the Four Levels of Interpretation

Level	Reflexive Coding	Reflexive Questions
Primary Interpretation: Meaning of Text	Meaning Intended by the Authors of Text (Coding Level 1-- Initial Memos)	What lies behind the initial, self-evident interpretation that was made?
Second Level of Interpretation	Dominant Patterns of Meanings in the Researcher's Interpretation. (Memos)	Why certain interpretations by the researcher dominate? (Not that 'empirical materials' confirms the author's intended meaning)
Third Level of Interpretation	Dominant Patterns of Meanings and Theoretical Presuppositions	Self reflection on elements of dominance in interpretation.
Fourth Level of Interpretation	Reflexive Critique of the Theory and of the Research Process	Openness to other interpretations and conclusions.

It should be noted that Table 2.1 is an effort to bring together the four levels of interpretation in a simple visual representation in order to support the preceding discussion. However, I would emphasise, that in my experience, the research process itself is not so tidy.

During the research process, the distinctions between the levels of interpretation are not clear and the 'boundaries' become blurred. Thus, while a number of meanings (concepts) and dominant patterns are identified, some were more important for me, or some were closer to the actor level, than others. Moreover, the identification of the theoretical presuppositions, at the third level of interpretation, does not mean to imply that there are no theoretical presuppositions underlying the first two levels of interpretation. On the contrary, reflexivity acknowledges and deems important the existence of theoretical presuppositions and thus, requires the researcher to explore and explain the ones that are privileged.

2.2.3 The Type of Theory Created

The type of theory I created is a 'descriptive' or 'naming' theory in which the relationship between the named items is described as 'overlapping'. For reasons that will be detailed in the discussion that follows, this may be the only type of theory my bricolage can construct. Whether it conforms the Laughlin's concept of a middle-range theory is an open question. In the discussion that follows, I first situate my theory in the context of a simple and general typology of theories. I then describe why I think that my bricolage constrains the types of theories that can be constructed.

According to Fawcett and Downs (1986) there are three types of theories: descriptive, relational and explanatory. Descriptive theories identify the common characteristics between the phenomena or actors studied. Descriptive theories are the first step in knowledge construction about phenomena or actors for which there is little or no prior research consensus. The existence of consensus descriptive theories enables the construction of relational theories. The purpose of the latter is to identify how the characteristics are related to each other. In turn, agreed relational theories are the point of departure for efforts at explaining causality (cause and effect relationships), thereby creating explanatory theories.

Descriptive theories can be further described as naming theories in which the names are classifications (Fawcett & Downs, 1992). Naming theories provide a list of the common characteristics of the phenomenon or actors studied. Classification theories identify the relationship between these characteristics. These relations can be of four types: the characteristics may be mutually exclusive, they may be sequential, they may be in a hierarchical order or there may be overlaps between them. However, classification theories do not delve into correlations between the characteristics. The identification of correlations is part of relational research.

Discussions referenced on the methodology and methods of theory creation do not directly address the question of type of theory, in the same way as Fawcett and

Downs, 1986 (Denzin & Lincoln, 1994; Laughlin, 1995; Glaser & Strauss, 1967). Fawcett and Downs (1986) propose a purely formal typology or system of classification to describe what the theory 'does'. Whether what the theory 'does' is determined by its methodology (knowledge construction assumptions) is not clear from their work. Glaser and Strauss (1967), on the other hand, do think that what a theory does is linked to the type of empirical materials that are theorised. Thus, Glaser and Strauss (1967) argue that grounded theory can lead to a substantive or formal theory. To generate formal theory, a researcher would have to compare different substantive areas and / or different substantive theories, or to study whether a substantive theory is relevant, works or is suited to different situations (Glaser, 1978; Strauss & Corbin, 1990). In that sense, the writers accept the limits imposed on theorising by the empirical materials. However, their definition of the type of theory that can be produced and its generalisability are not parallel to the typology of Fawcett and Downs (1986). What is implied in their ideas is a distinction between the particular and the general. Thus, some 'theories' are about 'one' thing whereas other theories are about 'many' things.

In the case of Laughlin's work (1995), the link between middle-range theories and the typology of Fawcett and Downs (1986) is even less clear. For example, Laughlin (1995) states that the middle-range level on theory includes both the "design and use of 'skeletal' theories" (Laughlin, 1995, p. 83) and that

"to the 'middle-range' thinkers the empirical detail is of vital importance. It complements and completes the 'skeletal' theory. It may, on occasions, enrich the 'skeleton' since it is from empirical investigation that the 'skeletal' theory is derived." (Laughlin, 1995, p. 81).

However, the idea of a 'skeletal theory' is not parallel to the classifications made by Fawcett and Downs (1986). Thus, it is not clear whether their formal typology of theories can be situated in his description. It seems plausible to classify some theories as middle-range descriptive theories and others as middle-range explanatory theories. The problem is that the middle-range 'space' in Laughlin's tables is not defined by attributes of the theory but by attributes of its knowledge construction assumptions.

My answer to this problem lies in situating theory type according to the purpose of the research project. If the purpose of the research is to try to describe the relationship between two interpretive concepts, it implies some reliance on an existing *descriptive* theory in which there are concept terms (characteristics) for the phenomenon studied. Thus, I would think that a research purpose of this type would lead to creation of a relational theory.

Similarly, if the purpose of the research is explaining how concepts are related (i.e. identifying causality), this implies reliance on a prior *relational* theory in which there are concepts that describe the phenomenon studied that enable the proposal of a specific relationship between the concepts. I would think that a research purpose of this last type would lead to creation of an explanatory theory.

In the case of my work, the purpose was to create a theory that described the characteristics *common* to the big accounting firms, as a type of capitalist firm. The proviso, 'as a type of capitalist firm', points to an even narrower purpose. Thus, I sought to create a descriptive theory of characteristics related to commercial action that were common to all the big accounting firms.

The highly specific focus of my naming theory was driven more by my theoretical presuppositions than by my methodology. What the bricolage did was to introduce method, not methodological constraints on theory creation. Because the bricolage is a 'blurred' genre in which method and methodology are intertwined, it is possible that assigning the constraint to method rather than methodology is, in a way, splitting hairs. However, my reasons for saying they were method constraints are as follows.

One constraint on the type of theory created was imposed by the time demands imposed by coding. Generation of memos that were not an 'aide memoire' but, additional texts to be studied and understood, left little time for depth of reflection on theoretical presuppositions. In addition, I discovered that while reflexivity was an

essential corrective to the positivist bias introduced by ‘coding’, it also brought with it the demand for extensive writing to communicate the path of interpretation.

As a result, the bricolage brought together two approaches, each of which imposed enormous time demands; the ‘method’ of coding required production of memos that detailed my engagement with the empirical materials and reflexivity required production of detailed memos so I could communicate the path followed (concepts developed) in the overall process of creating theory.

From my perspective, at the end of the exercise, I would describe this as a bit of the worst of all worlds. At the same time, the discipline on reflexivity placed by coding and the discipline on coding introduced through reflexivity did provide a bit of the best of both worlds.

This double engagement gave me confidence in the qualities of my interpretation (richness in points and reflecting an openness and pluralism *within* my research project) but it was at the expense of depth in reflection on my theoretical presuppositions. It was not possible to follow on, for example, the deeper implications of referring to the big accounting firms as a type of capitalist firm, going beyond the works referenced (Chandler, 1977; Whitley, 2000). At the same time, I think the greatest benefit of the bricolage is that when coding and reflexivity are combined, they enable the construction of descriptive concepts that are abstract and comprehensive. The concepts are abstract in the sense that everything inessential has been excluded, details of differences between the firms are set aside, attention is concentrated exclusively on ‘what’ the thought-object is – on its ‘whatness’.

I would now describe the combination of coding and reflexivity as a type of phenomenological exercise whose focus is ‘what is it that I am trying to understand’. Is it a middle-range theory? I would say that the clearest way to articulate the type of theory created is to call it a descriptive theory. However, in the context of accounting research, the best available label is middle-range theory.

This meant that the type of theory that can be created using the bricolage is a descriptive theory. In my research, it is a naming theory that clarifies six characteristics that are common to the big accounting firms, as a type of capitalist firm.

These features of the bricolage were not clear to me during much of the research process. What I experienced was great difficulty in moving beyond naming, beyond constructed concepts that described, to explanations of the profit-seeking actions of the firms.

My initial ambition was to create a relational theory, one that offered an interpretation of the association between, the self-evident commercial power of the big accounting firms and the sources of that power. Because my aim was to create a more modest relational theory (rather than an explanatory theory), I tried to identify a correlation between the interpretive concepts I constructed.

However, I came to realise that before I could do that, much more work was required to theorise my taken-for-granted concept of commercial power. Moreover, I could see that because there was no descriptive theory of the firms that I found compelling, it was better to focus on what the bricolage could do best: create a descriptive theory that was rich in points and reflexive.

While the type of theory I created (a naming theory in which the names classify the characteristics of the phenomenon) is, perhaps, not very grand, it benefits from the phenomenological exercise that was (unexpectedly) enabled by the bricolage. The names or constructed concepts benefit from the phenomenological exercise; they are abstract, they are removed from the actor's self-understanding (via its representations of itself) and removed from the perceptions and opinions of the actor offered in other research.¹¹ Thus, the 'names' or constructed concepts have some capacity to move in the direction of relational theory construction. I regard this as a possible strength of the theory I created and think it increases its value to other researchers.

¹¹ These last points are discussed in Chapter 6, where the theory is treated in detail.

2.3 Discussion of the Empirical Materials

“Empirical material should be seen as an argument in efforts to make a case for a particular way of understanding social reality, in the context of a never ending debate...This is different from ascribing to the empirical material the status of referee in a dispute between different (theoretical) stances.” (Alvesson & Sköldbberg, 2000, p. 276).

There were three main criteria underlying the choice of materials. First, I wanted to work with archival empirical materials rather than empirical materials from field research because I thought that this material was under-utilised in accounting research on the firms. Archival research refers to the use of written texts or documents. Documents are anything written and include anything, from governmental statistics and reports, to books, newspaper articles and private letters and diaries. In this dissertation, the main contributors to my research on the subject of the firms are: 1) interdisciplinary research (including accounting research) in which the firms are, directly or indirectly, important social actors; 2) the commissioned histories of the firms to gather mainly qualitative evidence on the firms' operations and 3) the use of practitioners journals as the source of firms' quantitative stories about their commercial operations.

All three types of materials are treated as the empirical materials in the study and all three types were coded. I came to regard empirical materials as a location in the coding process rather than something that was qualitatively different to the texts that I produced as research. In other words, I did not treat the concept of 'empirical' as something inherent to the materials studied. They were 'empirical' because I was going to use them to develop my understanding of the firms. For example, I now think that it is possible to use my bricolage as a methodology for producing a reflexive literature review.

Second, I wanted an interdisciplinary perspective on the firms, as commercial actors, because I thought this would offer a richer set of representations about the firm. The

perspective of economists of the firms could be expected to privilege markets, whereas the perspective of sociologist could be expected to privilege issues such as status and social power. By supplementing accounting research on the firms with these interdisciplinary perspectives, I reasoned that my own understanding of them would be enriched.

Third, I wanted sufficient depth for the public controversy about the firms during recent years. I expected that academic research (from various disciplines and paradigmatic perspectives) would address the controversy. The starting point was controversies in the US expounded mainly in Briloff's work dating back to the mid 1960s.¹²

The earliest post-war accounting research articles referenced were the one by Penney in 1961, in a practitioner's journal and one by Schiff and Fried in 1967, in a refereed journal. My search from this point on indicated that academic interest and public controversy appears to have grown in strength in the 1970s. Sustained enquiry about the firms, in positive accounting research, begins from about 1976, with the article by Zeff and Fossum. Around this time, Montagna (1974) published a sociology Ph.D. dissertation in which the firms were the site of his research. This work, in later years, seems to have had some influence on accounting research on the firms.

Three sets of empirical materials, hereafter called data caches¹³ were compiled: a) the quasi-histories of the firms, b) a database constructed from the intermittent disclosures by the firms of aspects of their commercial operations that were published in practitioners' journals and c) interdisciplinary research in which the firm's operations or the firm itself was a significant actor. A detailed discussion of the sources of empirical material and the search methods is given in each of the chapters in which the empirical materials are interpreted. For details on the search

¹² The reference data for Briloff's work, 1972, does not indicate the content of the book which references research in the 1960s on the accounting standard for mergers.

¹³ The term data cache is one of convenience and is used throughout the dissertation. It simply provides a shorthand for the groups of materials I created. Each is discussed in a separate chapter, even though they were read and coded contemporaneously.

methods related to previous academic research, see Chapter 3, section 3.2. For details of the search related to published materials on the firms commercial operations, 1983 to 1997, see chapter 4, section 4.2. For details on the materials related to the firms' own stories, that is, their commissioned histories, see chapter 5, section 5.2. These references are made to avoid the duplication of lengthy material on the subject, especially that for chapters 4 and 5.

The classification of the empirical material into three data caches does not imply there are no additional data caches that one could construct, nor does it imply that the same body of materials could not have been divided in a different way, depending on one's interpretive frames. In addition, that they are three does not imply an effort at triangulation, because that is an attempt by post-positivists to establish the truth of events. It derives from their assumption that empirical materials can be decisive in adjudicating between alternative knowledge claims. Instead, the three data caches are supplementary, on the assumption that the different types of empirical materials can generate more arguments for or against the interpretation advanced (Alvesson and Sköldbberg, 2000, p. 275).

In general terms, it is possible to describe the research for this dissertation as being mainly composed of accounting and other social science research published in the period 1976 to 2001. This includes the commissioned histories of the accounting firms. I chose this time period because, it seemed to me, that during this period public controversy over the firms has ebbed and flowed.

Others might have drawn the boundaries close to the present period. It is certainly the case that in the last few years, public controversy has been great, partly because of the firms' mergers, partly because of scandals in which the accounting firms are implicated and perhaps because there are more accounting journals open to critical and interdisciplinary perspectives on the profession and the firms.

Such a research strategy would probably incorporate more materials from the press, devote more attention to the development of Internet sites, and perhaps take

advantage of government documents that reference public interest concerns related to the firms. For example, it is now quite easy to search the Securities and Exchange Commission (SEC) documents relating to the prosecutions of the firms, because of the search engine EDGAR and the related digitalisation of SEC reports.

I, however, chose a longer-term framework, because I was interested in understanding the firms' enduring, common characteristics. This perspective could be described as developmental or evolutionary, even though my intention was not to write an history of the firms' commercial activities. Rather, it seemed to me valuable to try to develop an interpretation that incorporated materials from a longer time frame. It is this, which decided that the use of the quasi-histories was warranted. These books were published between 1954 and 1995 and offer the firm's vantage point on its past and tell the firms' own stories.

Another possible strategy would have been to do a combination of archival and field research. As reflected in the dissertation, a great deal of valuable insight is gained into commercial action by interviews with partners; survey of attitudes and opinions can also produce valuable insights (as indicated in the discussion, particularly in Chapter 3). However, what struck me in my searches was the lack of qualitative research that made use of archival materials, such as the ones like Bavishi and Wyman (1983) and Bavishi (1989). Moreover, it seemed to me that in qualitative research, documentary materials are potentially valuable for creating theory and in a metaphor proposed by Glaser and Strauss (1967) one can think of the library as a place where "voices are waiting to be heard" (Glaser & Strauss, 1967, p. 163).¹⁴

¹⁴ Glaser and Strauss (1967) argued that "sociologists need to be as skilled and ingenious in using documentary materials as in doing field work. These materials are as potentially valuable for generating theory as our observations and interviews. We need to be as effective as historians in the library, but with inquiry directed to our own purposes." (Glaser & Strauss, p. 163). In their initial book, Glaser and Strauss outline the similarities of field research and documentary research using the metaphor of a library as voices waiting to be heard. Alvesson and Sköldbberg (2000) praise the ingenuity of Glaser and Strauss (1967) in their treatment and emphasis on library research.

Other support for archival research is given by Macdonald and Tipton (1993), who state that documentary research has a longer history than any other type of research and is at least as important. In theory development, some methodologies consider it appropriate in studies that research an under-researched subject, such as this one (Sarantakos, 1998; Wilmott & Sikka, 1997).

It is especially important that the authenticity, credibility, representativeness and meaning of the qualities of the narratives and other documentary sources are evaluated (Macdonald & Tipton, 1993; Sarantakos, 1998). According to Macdonald and Tipton (1993) “in documentary research everything must be checked from more than one angle” (p. 199).

My use of the archival provides two assurances on this point. First, the text exists in the public domain. Alvesson and Sköldbberg (2000) argue that when using anonymised interview-based company studies, participant observation and even survey research, the starting point for the second level of interpretation should be exploration of the authenticity of the materials referenced. This is because we have no way of independently verifying the authenticity of the materials portrayed. They reference a number of cases (Alvesson and Sköldbberg, 2000, pp. 262-263), where this type of material has been falsified and they counsel the importance for qualitative researcher to accept the need to provide assurances of the authenticity of materials.

In this dissertation, the materials are archival. Thus, although they have the limitations of documentary sources, they do not have the limitations associated with anonymised field research. Indeed, one of the strengths of the materials used in this study is that they can be independently verified.

Of particular note is that my research makes use of the quasi-histories of the firms. Those quasi-histories are about the firm, a conventional story, a written story that relies on non-public archives for the chronicling events. This means that whilst it is possible to take dates, places and names at face value, not much else should be. In

my use of these materials, I emphasise that the motive for publication of these histories has more to do with the conventions of hagiography,¹⁵ which shows the subject from a good light, than they have to do with history. However, I argue that one can focus on the social constructions that seem to underpin the hagiographers' conception of flattery. Thus, in my use of these materials, the issue is not their bias but the nature of it.

2.4 The Bricolage: Method Considerations

The aim of this section is to clarify how reflexivity and grounded theory were combined in use and to clarify several key terms used throughout the remainder of the dissertation. Alvesson and Sköldbberg's (2000) concept of reflexivity, as four levels of interpretation, was used to bridge the epistemological gap between the method (coding) and the overall commitment to qualitative research.

What is highlighted in the discussion that follows is the decisive epistemological shift that is made when coding is situated in the context of the concept of the reflexivity. This shift has two dimensions: first, coding is used to structure the first (primary) level of interpretation. In the bricolage, coding is no longer a privileged path to the objective meaning of the texts analysed. Second, there is the shift in the object of reflection at the second level of interpretation, such that the object of reflection is no longer the text but the memos written in the coding process.

In grounded theory, one could argue that coding of written materials requires (or implies) sensitivity to language. This is because coding emphasises attention to what the author of the text intends to convey (its meaning to the author). The bricolage attempts to go beyond grounded theory by a restricted reliance on hermeneutical sensitivity. Hermeneutical sensitivity is restricted in the following ways: the

¹⁵ Hagiography is a Greek word and consists of two words: 'hagios' (silent 'h') and 'graphy' (in Greek: 'ἅγιος' and 'γραφή' respectively). It is used to refer to the writing – the story of saints; in modern Greek, it is used to refer to the portraits of saints.

underlying meaning is seen as context dependent (the meaning of a part of the text is related to the whole) and is seen to rely, at least in part, on the researcher's intuition or pre-conscious awareness of patterns in the intended meaning. Due to this, in the dissertation, when the term 'empirical materials' is used it refers to the text constructed or referenced.

The term 'representation' refers to the way events, process and purposes are described by the authors of the texts. Its correspondence to any of these is regarded as problematical. In some cases, the representation of an event, for example 'we opened an office in Moscow in 1905' is not problematical. What is problematical is the pattern of representation, the selection of which office openings to announce. Hence, the term *representation* is used to refer to the intended meaning of these texts and to the context dependency of that meaning. Thus, I use the term representation to enable me to highlight, at least with some degree of sensitivity to, the difference between the underlying meanings identified in the texts analysed and the interpretation I made.

The identification of the theoretical presuppositions underpinning the construction of the concepts of the theory forms the third level of interpretation. The fourth level of interpretation consists of reflection of the theory constructed (including the identification of the silences – boundaries of the theory constructed and an openness to alternative interpretations) and of the research process.

The discussion in this section consists of two parts. The next section (2.4.1) discusses the primary level of interpretation. It is followed by a discussion on the other levels of interpretation (section 2.4.2). The discussion in the next section (2.4.1), on primary interpretation, is quite lengthy. This length may create an impression of imbalance between the discussion of the primary level of interpretation and the other three levels. However, the length of the section on primary interpretation is not meant to indicate that it is regarded as more important than the other levels. The reason for this extended discussion is the need to clarify the use and contribution of grounded theory as a method for interpreting empirical materials

in the bricolage. For that purpose, discussion of the coding process introduced from grounded theory is considered important and thus, space is provided for its explication.

2.4.1 Coding and the First (Primary) Level of Interpretation

While I reject the presupposition in grounded theory that empirical materials provide a decisive path to knowledge, I accept its optimism regarding the theory-creation potential of empirical materials. The bricolage attempts to make use of coding to structure the first or primary level of interpretation. In this first level of interpretation, coding is used to establish the meaning intended by the authors of the empirical texts.

To do that, extensive use is made of memos. These memos range from note taking when reading an academic article to detailed compilation of quantitative representations published in practitioner journals. As much as possible, an effort was made to keep systematic records in the first reading of narratives such as the quasi-histories. It is the record keeping protocols, associated with coding, that causes me to define empirical materials as a location in the interpretive process rather than an essential feature of the materials themselves. Thus, when I reference the empirical materials or terms like representations, what I mean is the texts themselves. The memos record my interpretation of these materials and, in the second level of reflexivity, they are the text I reference. Subsequently, memos are reduced and a third stage of memo writing occurs, and these become the subject of the third level of interpretation.

The practical problem encountered was deciding when the intended meaning had been sufficiently captured. In the case of the quasi-histories, the length and complexity of the texts meant I read them several times before confidence was achieved that at least some part of the intended meaning had been captured. As a result, the shift from level one to level two is not as clearly delineated in practice as it is in this description. Despite the difficulties of communicating the process of

coding and the levels of interpretation, a brief overview of the process follows, starting with a description of the coding process from the text on grounded theory by Strauss and Corbin (1990).

Grounded Theory in Use: Coding and Memos

The bricolage adopts some of the specialised terminology used in grounded theory to describe the interpretation of empirical materials. In grounded theory, the term data refers to what I call empirical material. Data is used as a generic term and does not imply any particular characteristics (e.g. field observations, quantitative representations, archival documents, etc). Thus, data refers to whatever ‘empirical materials’ the researcher uses to create theory. This is an important strength because the method authorises flexibility in the use of multiple sources of data, as well as types of data (qualitative and quantitative) (Parker & Roffey, 1996; Alvesson & Sköldberg, 2000).¹⁶

¹⁶ As indicated earlier, the term qualitative research is quite ambiguous (Ferreira & Merchant, 1992; Strauss & Corbin, 1998). Some researchers feel that for qualitative research, both qualitative and quantitative empirical materials can be used. Others use the term to indicate any research that is not positivist, while others interpret qualitative research as qualitative *data*. Relevant to the use of multiple sources and types of data is the characterisation by Alvesson and Sköldber (2000) of grounded theory as a qualitative methodology. They, however, suggest a failure to distinguish between qualitative research and qualitative data. Both Glaser (1978, 1992) and Strauss & Corbin (1990) describe their methodology as qualitative because it is concerned with theory generation rather than verification. This implies that in the theory generation process, data is a position in the process of data analysis (coding) rather than a characteristic of the evidence. Quantitative data are not used for theory testing and verification but are seen by them to be complementary to qualitative data, and qualitative data are seen to be complementary to quantitative data. In that respect, both types of data have similar ontological features. This is why both can be “coded” in the same way. Their definition could be regarded as highly unconventional, since a great deal of accounting research makes the distinction between qualitative and quantitative research according to the type of data gathered and analysed rather than the type of methodology used. This point is extremely important in the dissertation because an entire chapter is devoted to the interpretation of quantitative representations. In the bricolage, calculation is understood as the application of formalism to the language of numbers. The interpretation made of the formalised language does not have to imply a positivist methodological stance.

Coding¹⁷ refers to the process by which concepts are identified (concepts are referred to as categories in grounded theory). These concepts are associated with data and with the continuous refinement of the emerging concepts, through a process of constant comparison.

The coding process is accompanied by memo writing. As indicated in the original version of grounded theory

“Memos are the theorizing write-up of ideas about codes and their relationships as they strike the analyst while coding” (Glaser, 1978, p. 83)

This practical advice was followed. Therefore, the process of writing memos was an integral part of the construction of the interpretations made. Reference to the memos is made in the discussion of the interpretations made in relation to each empirical materials cache, especially in the case of the quasi-histories of the firms (Chapter 5). The memos enabled me to put forward my ideas and to keep a record of these, while at the same time giving space to consider competing syntheses that were emerging.

By making explicit my thought processes related to interpretation, coding helped to provide me with ways to sharpen my theoretical sensitivity. Techniques, such as constant questioning of the variables, analysis of words, sentences and phrases used by the research or/and comparisons of these representations of different phenomena further assisted the development of theoretical sensitivity.

The process of constant comparison involves the comparison between: (a) data and concepts, (b) new data gathered with old concepts, (c) old concepts with new concepts emerging from the new data, (d) old data with newly collected data, and (e) concepts emerging from the data with concepts encountered in existing literature.¹⁸

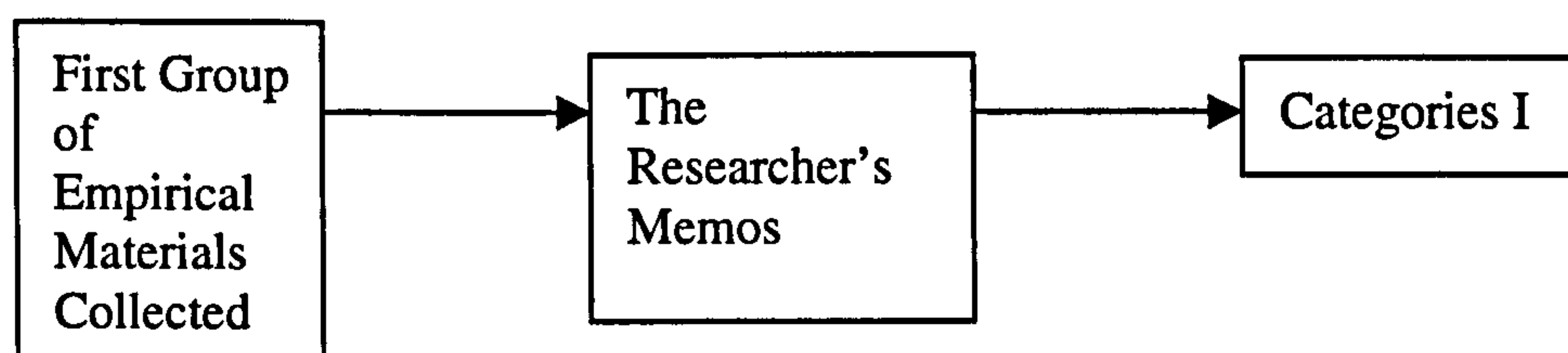
¹⁷ The discussion that follows is based on Glaser (1978; 1992; 1994; 1998); Strauss & Corbin (1990; 1998). The original books include more details on the implementation of grounded theory and on the clarification of terms than was possible or useful to include in the chapter.

¹⁸ All authors agree on the need for the constant comparison, while they disagree on the rigidity of the process followed (refer to section 2.2.2 for a discussion on the differences between Glaser (1992) and Strauss & Corbin (1990; 1998)).

In order to further clarify the specific features of the method, the next few paragraphs provide a detailed description of the process.

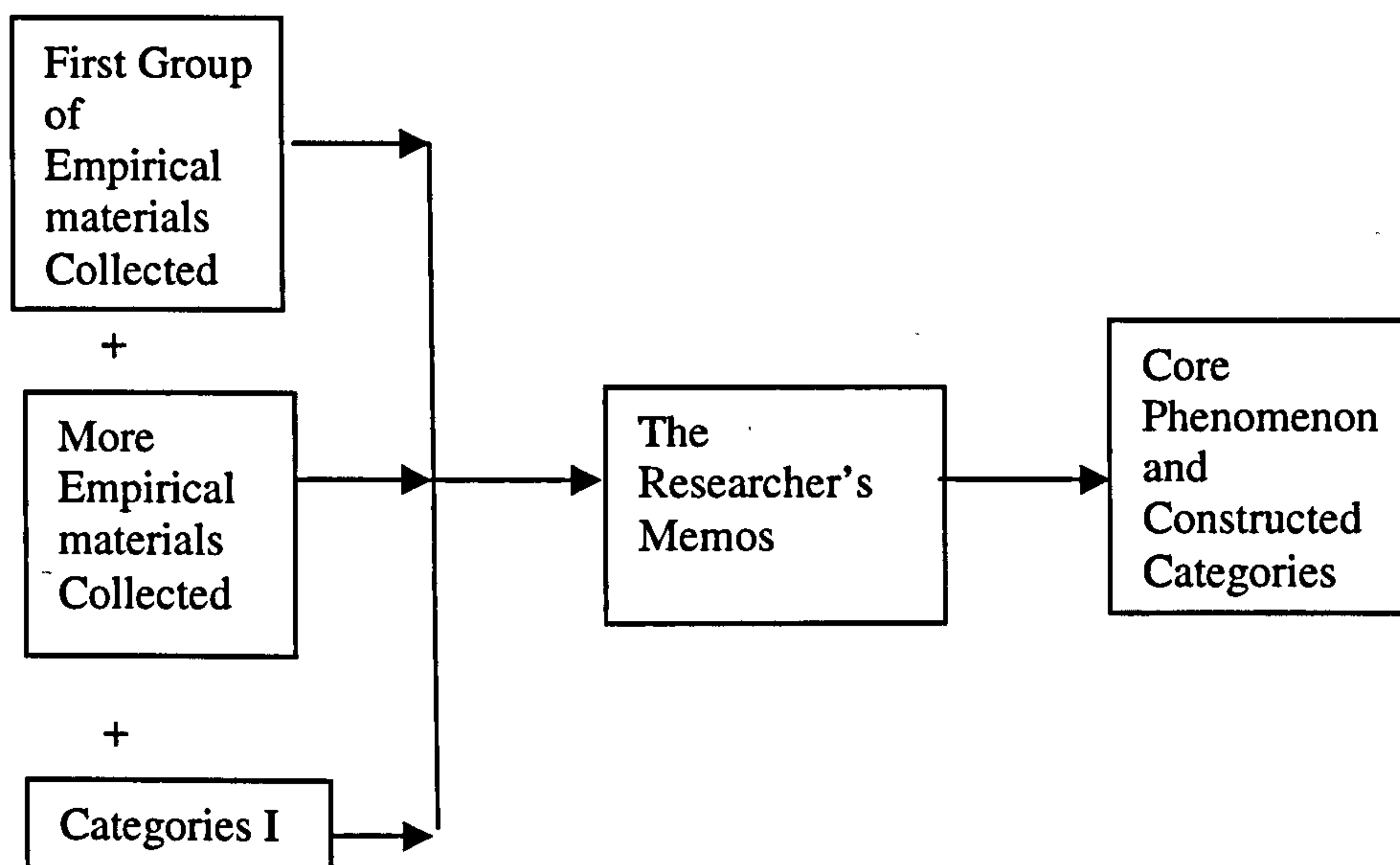
After the first stage of empirical engagement, the researcher focuses on identifying concepts emerging from the empirical materials gathered. The empirical materials and identified concepts are then revisited and compared, leading to the grouping of the empirical materials that pertain to the same phenomenon under the same concept. This process is called open coding and is schematically presented in the following figure:

Figure 2.1: Initial or Open Coding



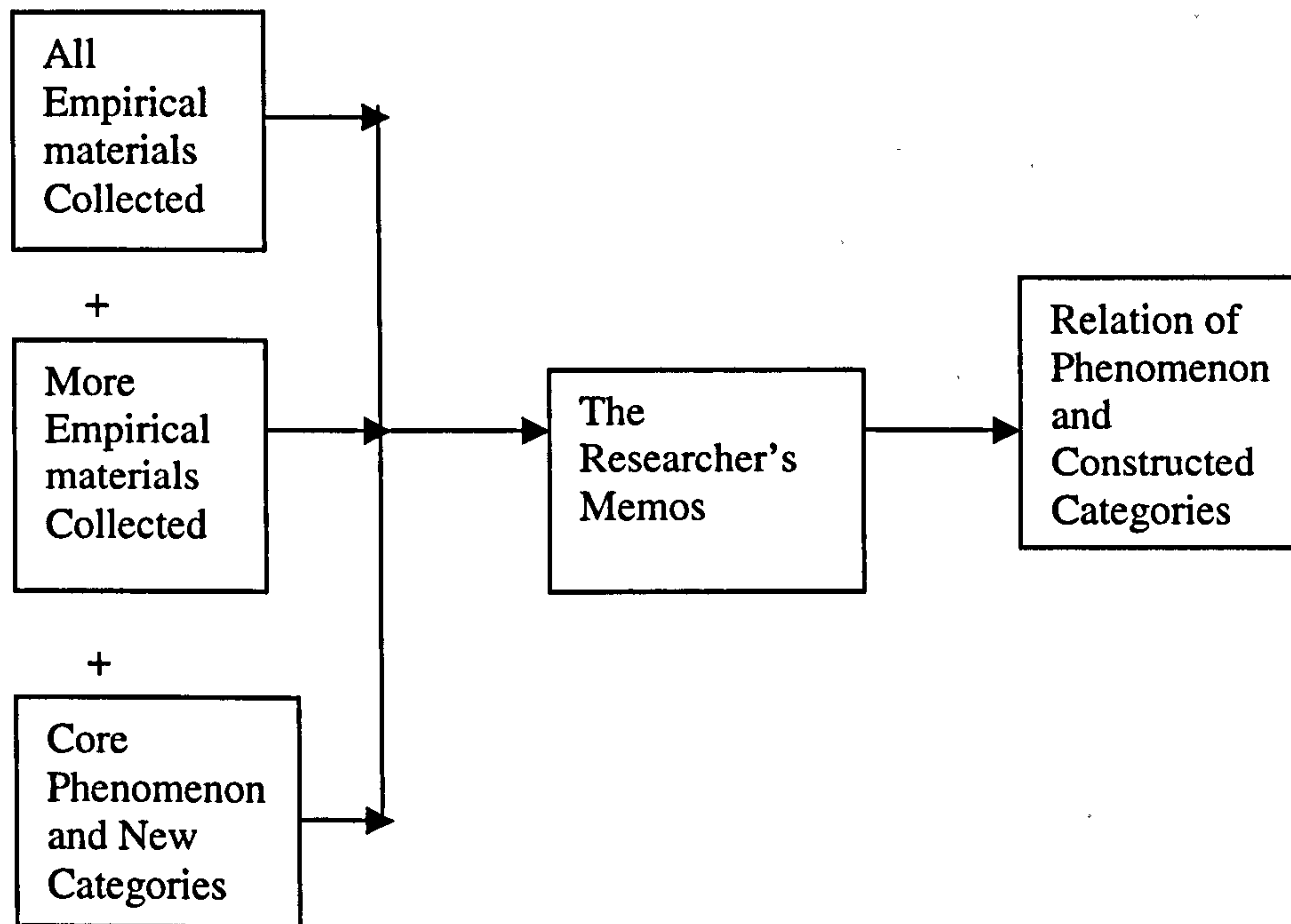
After this initial coding of empirical materials, the researcher gathers more empirical materials and a second stage of coding is embarked upon. This second stage of coding, axial coding, aims at the identification of the central idea (what I refer to as a concept). At this stage, empirical materials are categorised in new ways. Events, actions, interactions which contribute to the occurrence or development of the phenomenon are identified, along with a description of the context – the conditions within which the phenomenon occurs. Axial Coding is depicted in Figure 2.2 that follows:

Figure 2.2: Axial Coding



A third type of coding is then conducted, namely selective coding, during which the core phenomenon and its characteristics (properties) are described. The description incorporates concepts identified as well as empirical materials collected and analysed during the previous stages of coding. At this stage, along with the crystallisation of the core phenomenon, the categories and the relation between the core phenomenon and the sub-categories, as well as the relation amongst the sub-categories, are combined and finalised.

Figure 2.3: Selective Coding



Finally, the concept of social-historical process needs to be brought into the method. Process refers to the evolving nature of events and how these affect the core category, as well as the sub-categories.

While in the research all these types of coding (comparisons) are present, they did not necessarily occur in the sequence described above. The process of theory creation led me to engage in more or fewer stages of coding during the research process, depending on the materials. For example, the firms' disclosures on their commercial operations required a different type of coding than the quasi-histories of the firms. The former required more elaborate coding and different types of comparisons. However, the two central attributes of coding are: first, there is the

constant comparison of the empirical materials and second, the writing of the memos.

Coding underpins the primary interpretation and structures the process of interpretation of the representations within each data cache. The comparisons made were twofold: comparisons of the representations over time for each firm and comparisons of the representations provided by each of the firms. For example, one of the data caches consisted of the histories of the firms. Each firm's history provided representations for long time period and in this way, the element of time was introduced in the interpretation. Did coding lead to the identification of similar concepts for the late 1890s and the 1990s? Did representations in the histories of different firms lead to the identification of the same or similar concepts? Because there were nine histories of the big accounting firms, comparisons between the representations made by each were possible.

A second type of comparison was made across the data caches. This type of comparison aimed to assess whether the categories / concepts emerging from coding of the empirical materials in each data cache were the same or different and why. In other words, the purpose was to see whether the primary interpretations of the histories for example, were the same or different from the primary interpretation of the quantitative representations collected from practitioners' journals and archived.

2.4.2 Movement from Primary to Second Level of Interpretation and the Concept of Silences

The discussion in this section focuses on the movement from the primary to second level of interpretation because this clarifies the method element of the bricolage. The third level is discussed in general terms in section 2.2.2 and in specific relation to my theory in chapter 6.

In the second level of interpretation, attention is directed toward the interpretations made (and written down) by the researcher in her memos. This second move

differentiates bricolage from traditional grounded theory. In the original version, the task is to return to the text, in search of further clarification of the authors' intended meaning.¹⁹

In the bricolage, the main task of the second level of interpretation is to identify the patterns that dominate in my interpretation of the materials. Reference is made to memos but not to confirm that the primary interpretation is 'correct'. Instead, the second level focuses on what ideas or social constructions seem to dominate in the primary interpretation. The emerging or constructed concepts are those identified as dominant. In the dissertation discussion, the term constructed concept references those developed from the second level of interpretation forward. Sometimes, to distinguish the second level from the third, the second level idea is called a concept. In the theory, the terms constructed concept is always used.

For example, the quasi-histories are full of representations referring to the firms as a "success". This representation is made explicitly (the word "success" is used frequently) and implicitly (argument is directed by the effort to give evidence of their success). This representation 'success' establishes one of the underlying meanings communicated to me of the authors' intended meaning. The author wished to communicate the idea of success. My interpretation of it however is separate. I note, in my memos, how often success is mentioned. In the second level of interpretation, I reflect on and critically evaluate the representation in light of the silences in the text about materials that might undermine the representation or that might indicate social interests that prefer this representation to a different one. I reflect on my notice of the claim, and so forth.

¹⁹ This may be why some researchers seem to think that field research has an advantage over archive research. In field research, the actors can be asked questions; they can be asked to clarify what they mean. With documents, this is impossible. However, the idea that asking the actor what they mean enables the research to 'know' what they mean is clearly problematic. As a practical matter, in interviews or participant observation, the researcher constructs texts. These texts are documents. The difference between them and public archives is that there is no way to verify their existence. In my interpretation of quantitative research, the privileging of spoken text over written text is difficult to justify.

Thus, the concepts at the second level of interpretation are at a different level of abstraction. They reflect comparisons between earlier concepts and later concepts.²⁰ At the second level of interpretation, the memos compiled during the primary interpretation were the main points of reference for the identification of dominant patterns of meaning. For this purpose, different theories were sometimes referenced, including Weber (1978), Strange (1989) Dunning (1973; 1989) and Ruigrok & van Tulder (1995).²¹

The use of each of these theories was a milestone in the memo writing process, as it provided assistance in clarifying the concepts identified. Use of each of the four theories constituted a form of selective coding. This process enhanced the theoretical sensitivity of the research project, as it was a source for further questioning and thinking about the concepts arising and their relationships.²²

Moreover, at the second level of interpretation, the nature of the materials collected and analysed is reflected upon. The main question used in the dissertation to accomplish this purpose was 'what are the silences in the materials gathered'. The term 'silences' has a limited and specific meaning and use. It references two main issues. First, silences refer to the boundaries of what was read; in other words, they are seen to set the limits of the interpretation and the theory created. In Chapter 3, silences are seen to be the absences in academic research on the accounting firms as a type of capitalist firm; in Chapter 4, the silences are seen to be at the editorial level of the journal that published the disclosures, that is, the silence on what the firms disclosed and why it was published. In Chapter 5, the silences are again seen to be

²⁰ This is similar to the first step in phenomenological reduction, which is the abstraction from what is before us to our ideas about it. On this point, see Alvesson and Skoldberg (2000) pages 36-37 and Bochenski (1965).

²¹ Parts of these efforts were compiled into papers that were presented at conferences (e.g. Pastra, 1998; Ciancanelli & Pastra, 2000; 2001).

²² Some of the concepts that emerged from the memos, coding and efforts for theory elaboration were: market power, status power, knowledge power, internationalisation, partnership, multiservice production, brand name, the historical origin of the firms, bargaining power, growth. At different stages, new concepts were emerging and old concepts were abandoned or old concepts were reaffirmed and thus, maintained. This process culminated in the construction of the concepts that constitute the descriptive theory created.

related to the editorial level and concern the conditions of the production and publication of the quasi-histories. The silences follow from absences.

The second issue is that silences are the boundaries of the theory created by the overall choice of materials. In other words, the term refers to issues the theory cannot address. This understanding of silences means that discussion of them occurs differently in different chapters. Thus, silences are mainly addressed in the discussion on the primary interpretation in each of the chapters (Chapters 3, 4 and 5). Silences related to the boundaries of the theory created are discussed in Chapter 6.

Another type of silence could consist of observations about common silences – the pattern of silences (absences) across empirical material. Such a pattern is the shadowy existence of the images of the firms as profit-seeking. The project of theory creation, however, is about presences and voices, more than about silences. Thus, the aim of the research is to work with the materials at hand and that may be a reason why the type of theory created is a descriptive theory – because one has to work with what is present.

Summary

In the bricolage, coding is used in the first level of interpretation. It is a tool to establish the researcher's confidence that, at least some aspects of, the author's intended meaning is captured.²³ The second level of interpretation is where the move to reflexivity is made; instead of returning to the author's 'intended' meaning (as indicated in traditional grounded theory), the researcher begins on the path of reflection, reflecting on features and attributes of his/her own interpretation, bringing to light the material that will be referenced in the third level of interpretation.

²³ This idea is similar to the idea in traditional hermeneutics in which religious scholars sought to determine the 'authorial intent' of the 'author' of the bible (e.g., God) (Alvesson & Skoldberg, 2000, p. 53).

There is inevitably some overlap because references to text to clarify meaning and the researcher revise their interpretation of the intended meaning. The third level of interpretation consists of exploring the presuppositions underlying the interpretation and the fourth is developing a self-critical reflexive critique of both the theory created and of the research on which it relies.

2.5 Conclusion

The rest of the conclusion discussion provides the rationale for the sequencing of the chapters that follow discussing the first and second level of interpretation of the empirical materials. This is because I consider the main contribution of my bricolage to be the way it enables communication of the movement from the primary interpretation of empirical materials to their culmination in a created theory or overall interpretation. The exposition in the rest of the dissertation is structured to take advantage of this feature. Thus, the three chapters following this one (Chapters 3, 4 and 5) provide a systematic description of the movement from primary to third level interpretations of the empirical materials in each of the three empirical materials caches. The shape of the interpretation that emerged in each of these chapters is a set of constructed concepts that constitute the theory and these are brought together in Chapter 6 for elucidation and clarification, highlighting the associated theoretical presuppositions.

The description of the epistemological path of interpretation in each of the empirical materials chapters includes a discussion of the types of coding made in relation to the representations and associated social constructions that were privileged in the texts analysed. Because primary interpretation aims to establish (as best as possible) the meanings intended by the 'authors' of the text, use of these types of coding provided a means to structure (i.e. initial, axial and selective coding) the process. The main feature of primary interpretation is closeness to the actor-level representations. Obviously, even though the focus of interpretation is 'authorial intention', the results are not the author's meaning but my interpretation of it.

The discussion of primary interpretation is followed by the discussion of the second level of interpretation, focussing on the concept terms chosen to describe the patterns of meaning that dominated my primary interpretations. It is this move, from a focus on the text to a focus on the interpretation, that constitutes the essential difference between the methodology of the bricolage and that of conventional grounded theory. Whereas the latter returns to the text in an effort to establish what the 'author' means, the bricolage shifts attention to the interpretation that is emerging in my thoughts and memos. Critical reflection on the shape of the emerging interpretation then draws attention to the 'silences' in the texts on questions and puzzles associated with the emerging interpretation.

The empirical materials in the next chapter (Chapter 3) include social science research directly or indirectly related to the large accounting firms.

Chapter 3

Data Cache I:

Interdisciplinary Research on the Firms

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3.1 Introduction

“Given the influence of these “world” accountancy firms, their operations are remarkably underresearched” (Willmott & Sikka, 1997, p. 831)

This view is confirmed by Cooper *et al.* (1999) who wrote that

“The neglected focus on international accounting firms is perplexing, given their enormous importance.” (Cooper, 1999, p. 2)

The subject of this chapter is the interpretation made of the representations of the firms’ commercial operations that appeared in academic accounting and other social science research. The selection of materials reviewed was made after a targeted search (described in detail in Chapter 2) to find work in which the firms are, implicitly or explicitly, treated as important ‘actors’ in the research. Because the amount of previous research on my subject was small, as indicated in the above referenced quotes, and because of my methodology, I needed to devise a way to discuss the research selected so that I accomplished two, somewhat competing objectives.

One objective was to provide a standard review of the literature because an important convention in dissertation scholarship is the demonstration of knowledge of previous research on the subject. The other objective was to apply my methodology in a consistent way so that I interpreted these materials in relation to my overall aim of theory creation.

The first objective would be met if I organised the discussion of previous research in a way that situated my research in the overall context of previous research on my subject.¹ This convention, however, assumes that the research topic is one on which

¹ Refer to Chapter 1, Section 1.2, for a discussion on the location of my research in the context of previous research.

there is a substantial body of previous research. This was not the case for my subject. Because there is very little previous accounting research focussing on the accounting firms as a type of capitalist firm, I had to widen the boundaries of relevant research.

Since these firms are very much under-researched, the boundaries of the research subjects had to be opened very wide. This resulted in a very diverse body of material and included a wide range of social science disciplines, theoretical perspectives, and methodological commitments. For example, some of the research was economics-based and positivist in orientation; other was sociologically based and qualitative. It seemed to me that a conventional synthesis of such different approaches would be overwhelming. In addition, sometimes the firm was a minor actor in the overall research; sometimes it was at the centre; rarely was there a parallel level of interest or level of analysis. This meant to me that if I tried to present a 'conventional' review, the underlying diversity of the materials might be obscured. However, because one of the important features of previous research is its diversity, obscuring that was not something I wanted to do.

The second objective, treating this disparate body of research as a set of 'empirical materials'² and subjecting them to reflexive interpretation, as indicated by my methodology, pulled me in a different direction. Treated as empirical materials, the diversity of the previous research was an advantage. It would allow me to discuss the range of different insights and ideas that contributed to the construction of my interpretations. It would also allow me to clarify the overall pathway of interpretation, since I could organise the discussion in relation to the second level interpretive concepts that I discuss in Chapter 6, where my theory is described.

I decided that, on balance, the best way to proceed was to set aside the conventional structure and organise the chapter discussion in line with my methodology. Thus,

² In my methodology, the term 'empirical materials' refers to a location in the interpretive process rather than some inherent feature of the materials themselves. This idea is discussed in Chapter 2, Section 2.3.

the chapter discussion is organised according to the second level or intermediate concept terms that were then synthesised in the constructed concepts that constitute my theory. Treatment of the gaps and ‘silences’ in this set of materials is part of the third and fourth levels of reflexive interpretation in the bricolage and I defer discussion of it until the last two chapters because that is where those levels of interpretation are presented.

It is important to point out that this ‘data cache’ of previous research is presented first not because it is the most important of the materials that I studied. It is first because that is part of my compromise solution to the problem of the two different objectives for the chapter. Moreover, it is very important to keep in mind that the research interpreted in this chapter was read at the same time that I was reading the materials discussed in the other two data caches. How I interpreted this material affected how I interpreted the others and vice versa.

Finally, the way that the research topics are assembled in the chapter discussion reflects the central perspective or assumption of my research. I regard the big accounting firms as a type of capitalist firm, that is, in my interpretation, they are first and foremost, profit-seeking organisations. Thus, the assembly of research in this chapter reflects my perspective. I interpreted the readings in a specific way, seeking to understand how others referenced commercial action by the firms. That I privilege commercial action (production and sale) limits the importance of other aspects of the big firms actions in the social world (e.g., political action) that are arguably just as commercially important as the ones I privilege.

The overall themes in the interpretations made in this chapter emphasise four main concepts: market power, international market reach, professionalisation, and knowledge. The chapter discussion is organised in four main sections. The next section (3.2) describes previous research as a ‘data cache’ in the bricolage. In it, I identify the main actors studied in previous research and present the first or primary level of reflexive interpretation. The primary level of reflexive interpretation focuses on the concepts constructed during the initial stages of coding, when the

interpretation is close to the actor level (e.g., at this level of interpretation, the question I address is 'what does the author mean'). Sections 3.3 and 3.4 discuss the concepts constructed during the second level of interpretation, when dominant patterns of meanings are identified. The discussion of the concepts constructed during the second level of interpretation is organised according to the actor studied in the different strands of research. Due to the diversity of the research, a further, summary discussion of the concepts constructed is included at the end of each subsection. Section 3.5 offers some concluding comments and I again note that the discussion of the third and fourth levels of reflexive interpretation are deferred until the discussion in chapter 6 when the theory is presented and chapter 7, when I discuss the conclusions I have reached from the overall research effort.

3.2 Primary Interpretation

In the bricolage, previous research is an important source for the generation of concepts that enable the third level of reflexive interpretation and the construction of a descriptive theory on a subject.

The principle of the search was any research, where the firm rather than the profession was the subject (focus) or at which the firm was of interest to the same extent as the profession, including other professions considered similar, such as law. In the first group, the search was guided by an interest in the accounting firms and any research interested in internationalisation of these firms and other services' firms. All the different research assembled references either explicitly or implicitly a set of theories drawn from, *inter alia*, sociology, economics, management studies, economic geography.

The only articles that reference the firms in the US journals specifically rather than the profession begin with the publication by Schiff and Fried in 1967 in the *Accounting Review*. In the UK, the firms as the subject were referenced earlier in the work of Penney (1961).

Five refereed accounting journals were searched for the years 1967 to 2001. Two of the accounting journals cover the period 1967 to 2001. Accounting, Organisations and Society is covered from its first issue in 1976 to 2001 and Accounting, Auditing and Accountability Journal from its first issue in 1988 through to 2001. Critical Perspectives on Accounting is covered from its first issue in 1990 through to 2001. Four of the journals were manually searched (Journal of Accounting Research, The Accounting Review, Accounting, Organisations and Society and Accounting, Auditing and Accountability Journal). Critical Perspectives on Accounting was the only journal for which an electronic search of all issues was possible.

Other referred journals searched for roughly the same time period³ (i.e. 1967 to 2001), include Accounting Horizons, the International Journal of Accounting, Accounting and Business Research, the Journal of Business Finance and Accounting, the Journal of Accounting Literature, the British Accounting Review, the European Accounting Review and the Journal of Accounting and Economics.

Search was made of other social science journals using two search engines: BIDS, a service of the British Library, which references all refereed journals to which the British Library subscribes. Its main limitations are exclusion of lesser US social science journals and certain fields in business research (mainly marketing and accounting). The ABI/INFORM search engine specialises in refereed journals in the broader area of management studies, including marketing and accounting. Its main limitation is its exclusion of minor UK journals devoted to research on business and management. These search engines were used for the period 1967 to 2001.

A new search engine that is more comprehensive than ABI/INFORM became available in 2001, EBSCO HOST and the same list of keywords were used to search from 1967 through to 2001.

³ Some of these are new journals and started publication after 1967, such as the European Accounting Review, which began publication in 1992.

These materials were coded in order to produce memos on my primary or first level of interpretation. Because the materials (previous academic research) are 'interpreted' according to conventions that are, to a certain extent, made public (debates about methodology, education into how to present ideas, etc), my memos are filled with materials about different theoretical ideas, methodological problems and interpretations of how to construct knowledge.

These factors sharpened my 'theoretical' sensitivity to the difficulty in constructing a descriptive theory of the firm. There were so many different vantage points from which the firm could be (and was being) interpreted. What was surprising to me was that few seemed directly interested in what interested me (i.e. the 'whatness' of the firms); this 'absence' of interest was extremely challenging.

One question that these empirical materials raised for me was "who is 'allowed' to speak"? This is, because in academic research, permission to speak is highly organised. Thus, permission to speak is decided by the editors of referred journals, by peer review and by certain norms and conventions regarding how knowledge claims should be constructed (Lee, 1995; Reiter & Williams, 2002). The critical aspect of the authorisation seems to be independence. For example, the knowledge claims produced by paid consultancy work do not have the same authority in academic research as ones made by independent researchers whose work is referred by their peers.

In the case of accounting research, there is a very strong 'divide' between positive accounting research and critical or interdisciplinary accounting research. Each is associated with two or three journals and it seems that few researchers publish in both types of journals. The gatekeepers of the positive accounting research journals have been studied more than those of the interdisciplinary/critical perspectives journals (Lee, 1995; Williams & Rodgers, 1995, and Reiter & Williams, 2002). Their interpretations point to an unvarying set of 'circles' of controllers linked by attendance at the same universities. Their vision of what constitutes knowledge is

seen as controlling, in a very tight way, who can speak. This interpretation clarified certain aspects of positive research on the firms - mainly its focus on repeating the 'stylised' efforts in article after article.

The actors studied by previous research are the markets in which the big firms act and the accounting professionals. The firms are rarely the actors in previous research and are indirectly included and implicated in previous research due to their roles as dominant members of the audit market and as representative institutions of the accounting professionals.

Initially, the body of disparate previous research was coded by grouping together research that shared the same or similar theoretical frameworks, methodology and methods. This way, eight categories of research were identified, namely: research on the audit market structure (including both studies on national markets and comparative studies of the national markets), research on issues of management and organisational behaviour in the big firms, research on the firms' geographical reach (conducted by geographers), research on the socialisation of accountants (including both professionalisation and commercialisation), theories of internationalisation applied to the big accounting firms (e.g. Dunning, 1989; Dicken, 1992), existing collections of data on the firms' scale and scope of operations (e.g. Bavishi & Wyman, 1983; Bavishi, 1989), financial journalism and the quasi-histories of the big firms. The inclusion of the quasi-histories in the coding stage points towards the contemporaneous coding of all three data caches.

This initial interpretation pointed towards concepts arising from previous research. Some of the concepts had attracted more attention in one strand of research, whereas other concepts were shared by more than one of the streams of research identified. Some of the concepts identified at that early stage were the international market reach of the firms, their organisation as local partnerships that constitute global networks, professionalisation of the accountants and the commercial character of the firms represented by their quest for profits and growth.

Later interpretation and coding was based on the main themes and research objectives of the different strands of research. Thus, three main categories were identified: interdisciplinary research (e.g. Strange, 1996; Montagna, 1974, 1990; Stevens, 1981, 1991; Daniels *et al.*, 1989) pointed mainly to the collective power of the firms in society and economy (what could be defined as economic power). Life in the big firms was a second category of research, and during coding emphasis was put on the socialisation of accountants into professionalisation and/or commercialisation. This was because this strand of research was dominated by research on the issue of auditors' independence, the potential conflict arising between the professional and commercial duties of accountants and the role of accounting and accountants in the accumulation of capital. The third strand of research was research on audit markets; it mainly pointed to the market dominance of the firms.

Sections 3.3 and 3.4 discuss the concepts constructed during the second level of interpretation (when patterns that dominate meaning are identified). The discussion is organised according to the actor studied by each research strand. Section 3.3 discusses research about the markets in which the firms act. In section 3.4, research about life in the big accounting firms is reviewed. The discussion of this research including its use in this dissertation is delayed until section 3.5. This is because the research assembled only indirectly concerns the firms' commercial action. Thus, it is only after a review of the whole of it, that synthesis and summary critique are possible. This synthesis and summary critique consist of the synthesis of the concepts that emerge from each type of research.

3.3 Second Level of Interpretation of Research on the Markets in Which the Big Firms Act

The markets in which the firms act are considered first in a review of studies concerned with concentration on the supply side of national audit markets; this is

followed by consideration of research on concentration in the international market, including research on the territorial reach of the firms.

The bodies of research reviewed in this section have been conducted at different levels of analysis and framed in different theoretical frameworks. However, what the interpretation highlights is an effort to describe the firms' market reach⁴. The research concerned with national markets uses conventional measures of market presence that assess whether the market is competitive or not. If it is not competitive, then the firms are interpreted as having market power. This research is analysed in section 3.3.1. Another set of representations of market reach is made in the second strand of research. It concerns the degree to which the firms operate in more than one national market and draws on theories of internationalisation or globalisation. This research is analysed in section 3.3.2. Each of the sub-sections (3.3.1 and 3.3.2) ends with a discussion of the patterns that dominated in the second level of interpretation.

3.3.1 Concept of National Market Power

The exercise of assembling research led to the conclusion that studies of the so-called audit markets appear to form the largest part of accounting research on the commercial operations of the firms. In this part, a general overview of the research interests and objectives included is provided⁵, followed by summary analysis of coding and the concepts that dominated my interpretation of these materials.

Studies of the market for audit services appear to use an industrial organisation framework, a branch of microeconomics. It is therefore not macro-social in character. However, it seems to me that the overall aim of this research has been to

⁴ Market reach is a term used in the globalisation literature and it refers to the spatial dimension of a firm or industry (Dicken, 1992). In this study, it refers to data on the geographical expansion of the firms both in national and at the international market. Extension of market reach can be achieved either through direct entry in 'foreign' markets or with alliances with local firms.

⁵ Table 2.1 lists the main studies (both for the U.S. and the U.K. markets, as well as for other markets) and provides information about the sources of data used for the studies, as well as the keywords describing the research question. This is appended as annex to this chapter.

clarify the macro-social or public interest implications of the micro-level market structure. It is a coherent body of research, in a formal sense. Unlike the other research reviewed in this chapter, it shares a common methodological perspective (positivism), and a common method of data analysis (e.g. statistical). It makes use of data sets constructed from information the firms cannot avoid providing.⁶

Audit supply research studies auditor concentration, audit fees and auditor choice in order to assess the market structure in which the public accounting firms act. They use empirical proxies to assess the behaviour and performance of audit firms and to examine the factors that explain whether the observed audit market is competitive. The measure of competitiveness (or the measure of oligopoly) is the degree of concentration – a measure of market share.

There are several ways of measuring concentration, but there is a consensus that a high measured level of concentration may indicate that the market is oligopolistic. If that were so, the big firms would have the chance to collude and charge prices that were excessive.

Most studies observe a division of audit suppliers into two distinct groups: the dominant firms and the rest; the rest being medium and small size firms. In the time-period covered by the research, the number of dominant firms changed from 8, reduced through mergers to the Big 6 in 1989 and to the Big 5 in 1997⁷. The second group consists of all other accounting firms selling audit services.

Studies of the audit market structure have been conducted for several countries and the respective national market has been the focus of each. However, the majority of the work has looked at the U.S. and the U.K. markets⁵.

⁶ For example, data sets created rely on the fact that a listed firm must supply the name of the auditor of its financial statements and the audit fees paid. This enables researchers to create lists of auditors associated with various sectors of the economy.

⁷ The big five are in alphabetical order: Arthur Andersen, Deloitte & Touche, Ernst & Young, KPMG and PricewaterhouseCoopers. Now there are four, following the bankruptcy and break-up of Arthur Andersen in the wake of the Enron scandal.

Not all of the papers are discussed and presented in detail, since the picture would not be altered by doing so⁸. My interest lies in how the firms, not the markets, are characterised. Thus, only some of the industrial economics literature is relevant. However, citations to research related to the articles discussed are included for purposes of completion.

Studies of National Markets

There are three strands of research on competition in national audit markets. One is concerned with concentration, another with audit fees, and the third with interdependence between audit and non-audit services provided by the firms.

The main claim of studies of concentration is that the big accounting firms and their affiliates have had dominated national markets since the 1960s (Zeff & Fossum, 1967; Moizer & Turley, 1989; Beattie & Fearnely, 1994). Concentration has been estimated in several ways, all of them requiring the use of proxies for the size of the market. Early measures for the market size relied on measuring the proportion of listed firms audited by the large international firms and their affiliates (Zeff & Fossum, 1967; Rhode *et al.*, 1976). Others measured dominance by measuring the size of the market in terms of total revenues. Revenues were proxied by the audit fees paid by a sample of firms, on the argument that the spend of the listed companies on audit is a better measure of the size of the market than the proportion of listed firms audited by the Big 8/6/5. In spite of these efforts at improving the measures used, it is debatable whether either provides an accurate measure of the level of concentration. This is because most of the studies have used debateable proxies for the size of the audit market. If the proxies chosen are very imperfect, then the estimates of concentration will be biased.

⁸ Recent reviews of the various literatures include Yardley *et al.* (1992) who offer a literature review of the research conducted in the U.S. Walker & Johnson (1996) provide a literature review of studies outside the U.S., namely, Australia, the U.K., New Zealand, Denmark, Korea, Canada, Singapore, India, Hong-Kong and Malaysia. Moizer (1992) focuses on studies conducted in the 'common market' of the European Union.

One of the few studies that utilised direct measures of the market is that conducted by Tomczyk & Read (1989). They estimated the size of the market using the actual fees earned by the big accounting firms.⁹ Following on this, Wootton *et al.* (1994) used proxies for audit fees to measure concentration and market share. Based on their results, they supported the consensus view that the firms are dominant and the market highly concentrated. In addition, Wootton *et al.* (1994) claimed that market concentration increased regardless of whether audit fees, surrogates for audit fees, number of firms audited or client revenues were used. However, they argue, that, this result does not support any conclusions about the competitiveness of the market structure because the big firms have equal access in the market, so are equivalent rivals, making the market a contestable one.

The second strand of research focused on whether the prices charged by big firms reflect monopoly power of some type. This research takes for granted the dominance of the big firms but explores in more detail the issue of its effects.

Some of the research claims that audit fees charged by the big firms include premia (Palmrose, 1986a). There are several explanations for this, one of them being the higher audit quality provided by the big firms. Others explain premia by reference to industry specialisation, product differentiation and the firms' reputation (Simunic, 1980; Eichenseher & Danos, 1981; Danos & Eichenseher, 1982; Palmrose, 1986a). Other researchers have suggested that the firms also engage in predatory pricing in order to increase their share of the national market (Simon & Francis, 1988; Turpin, 1990). While the research is inconclusive about whether the big firms offer a higher quality service, it does associate the evidence of the price premia with the firms' reputation and brand name.

⁹ Actual fees used correspond to 'accounting and audit revenues', which is the term used by the Public Accounting Report, the source of the data used in their own study.

The last strand of research looks at the interrelation between audit and non-audit services. While some claim there are knowledge spillovers between audit and non-audit services (Simunic, 1984; Palmrose, 1986b; Beck *et al.*, 1988a and 1988b; Abdel-Khalik, 1990), others argue that its effects on audit fees and auditor independence is not clear (Solomon, 1990). After big corporate scandals in the U.S. (e.g. Enron, WorldCom), some research tested the hypothesis of the possible impairment of auditor independence due to the provision of both audit and non-audit services to the same client-firm. Their results did not falsify the 'null' hypothesis of no association between independence and the fees paid to one firm. Thus, they did not confirm the popular view that the independence of Arthur Andersen was impaired (Chaney, Kirk & Philipich, 2002; DeFond, Raghunandan & Subramanyam, 2002).

Second Level of Interpretation: Dominant Patterns and Concepts Constructed

The patterns of meanings (concepts) that dominated my interpretation of these studies included representations associated with 'market power', 'reputation' (brand name), 'knowledge' and 'multi-service production'.¹⁰ The concept of market power references the idea that dominated the interpretation of quantitative representations of the domination of national markets by the big firms. The concept of reputation references the themes and ideas associated with the importance of representations about brand name, perceptions or quality. The concept of knowledge references quantitative representations of knowledge stemming from industry specialisation, from product differentiation, and the idea that knowledge is gained from the provision of audit and non-audit services. The concept of multiservice production references representations related to the firms' provision of both audit and non-audit

¹⁰ The term multi-service production is one I invented to avoid reproducing the term 'service diversification', which is used in economics based accounting research. This is because the term 'service diversification' implies, to me, the idea that there was one or two services that somehow gave birth to a range of different services. In my interpretation, the labelling of social actions is part of their social construction. By using a different term, I wanted to highlight two aspects of my interpretation. First, that a 'service' is produced and second, that the number of different services produced can be increased by labelling elements as a new 'service' or a given service name, 'audit', comprises a number of different activities at one point in time.

services to the same client-firm and the effects this does or does not have on auditors' independence and the cost of audit (e.g. potential efficiencies, knowledge spillovers, that arise from the supply of both).

Besides the primary level concepts arising in the interpretation of this strand of research, three additional concepts or categories that can be noted relate to the silences in this research (e.g. the unstated and taken for granted assumptions): One of these is the concept 'Anglo-American identity', as a characteristic of the firms. This concept references the pattern in the overall studies, namely that these were all conducted in the U.K. and the U.S. markets, where, from the very beginning, the market share of the big firms was very high. Through time, audit market research in countries other than the U.K. and the U.S. has developed and one of the main conclusions is the growing dominance of the big firms in these markets. This is interpreted to mean that the firms have an international orientation and are engaged in efforts to expand their territorial reach and their international market dominance.

The concepts constructed, namely reputation, knowledge, multiservice production and national market (Anglo-American) dominance are interpreted as related to the concept of market power. Moreover, further overlaps between the concepts constructed can be identified. Other relations that can be derived from this strand of research but which have not been explored by it, are: firstly, the relation between socially constructed multiservice production and reputation; in other words, if the provision of both some services called audit and some services called non-audit is perceived to affect auditors' independence, then, the firms' reputation is at risk. At the same time, knowledge is related to reputation because labelling services as specialised knowledge of industries and knowledge gained from the production and sale of a range of activities labelled audit and non-audit services are represented as improving the quality of services provided by the firms and thus, their reputation.

3.3.2 *Concept of International Market Reach*

The research on the firms' international market reach is conducted from accounting and two other disciplinary perspectives: Geography (spatial organisation of the firms' commercial operations) and Human Resource Management (the allocation of human resources or labour mobility and perceptions of employees on the growth path of the firms).

The concept of international market reach of the accounting firms references mainly the interpretation of the research of the geographers. This research treats the legal form of the firms (as local partnerships) as subordinate to their 'economic substance' as the networks of partnerships, which are said to constitute the 'firms' in their study. The main contribution of this research is construction of representations of these 'firms'' geographical expansion and the consequent effects of the numbers they employ.

Daniels, Leyshon and Thrift (1988) construct a detailed portrait of the geographical (spatial) expansion of UK accounting firms. They looked at the twenty leading UK accounting firms (ranked by revenues) and evaluated a range of materials related to the firms' operations, including, *inter alia*, market dominance (concentration), internationalisation, the effects of mergers, service diversification¹¹, automation, and the increase in the number of office networks. The concepts that reference my interpretation of this paper are services' production and sale and the concept of market power.

In a later paper, the same authors (1989) examined the ways in which the accounting firms increased their market reach via entry into foreign markets. They also looked at the geographical spread of the big firms' offices. In the 1989 paper, they offer an

¹¹ By service diversification, they mean changes in the proportion of revenues from the so-called services of audit, management consultancy and other services.

interpretation of the historical evolution of the firms highlighting the change from local partnerships to international conglomerates and stressing mergers as the main mode of growth. The concept that references this work in my interpretation is the 'network of partnerships' and this relates to their representation of the network as the commercial 'actor'. Thus, from the point of view of commercial operations, their interpretation that the firms' legal form is incidental was one of the ideas that dominated my second level interpretation.

The work of Bavishi & Wyman (1983), and Bavishi (1989) consists of two empirical studies to establish more reliable (e.g. evidence-based) measures of audit-market concentration, audit fees and international organisational structure of the thirteen (13) largest accountancy firms. In both studies, the researchers rely on the answers given by the firms to detailed surveys questionnaires cross-checked with

“compil[ed] and utiliz[ed] a comprehensive data base which includes information for over 10,000 of the world's leading companies and close to 4,000 offices of the largest thirteen international auditing firms” (Bavishi & Wyman, 1983, p.3).

They also make use of information or financial statements supplied by some of the accounting firms as well as other data published in practitioner publications. In the second study (1989), sixteen accounting firms were included. The data collected consisted of information about the revenues of the firms, number of offices and partners, and about the clients of the firms.

In the first study, information refers to 1971, 1976 and 1980/81. The data they publish in the first study (1983) provides quantitative assessments of the proportion of the 10,000 multinationals audited by the big thirteen accounting firms included in the study. These thirteen firms audit upwards of three fourths of the multinationals. The proportion varies by market segments (e.g. US, U.K., Canada and Australia). Some commentary is given on their interpretation of individual differences between the firms' organisational structure. They characterise Arthur Andersen as having a 'centralised model' and Arthur Young as having a 'decentralised model'.

The second study references survey information provided by the firms for the years 1982 and 1988 and concludes that the big eight firms were dominant in the accounting industry at a worldwide scale. The greatest change they record is between 1982 and 1988 in Europe and Asia/Pacific. Some commentary is given on their interpretation of differences between the firms as to industry specialisation.

Through these two empirical studies, the dominance of the firms in local markets is highlighted, the international market reach is emphasized and as with geographers, the international networks of partnerships are treated as actors, as a coherent whole internationally, that is, their economic substance is privileged over their legal form as partnerships.

The mobility of accountants within the international arena is a topic studied by Beaverstock (1996). He emphasises what he refers to as intra-firm mobility, namely exchanges of labour, migration and/or subcontracting of professionals between different accounting firms and exchanges of labour between firms and their clients, through secondments of professional staff. The implication of this work for my interpretation is the intimacy of connections between the accounting firms (e.g. that they co-operate with each other in order to increase the skills and knowledge of their professional employees) and between the firms and their clients. The first is represented as enabling 'skills' training of professionals; the second, as enhancing knowledge of clients' operations. To me, these interpretations are interesting mainly in the context of how the proximity is seen as essential to the flow of communication.

The internationalisation of the firms (the why and how of internationalisation) has been studied from varying theoretical and methodological perspectives. Frequently, the internationalisation of accounting firms is situated within broader studies of the internationalisation of services (e.g. Clairmonte & Cavanagh, 1984; Dicken, 1998; Dunning, 1989).

Dominant Patterns and Concepts Constructed

The patterns of meaning, that dominated my interpretation of this research, reference representations of how the big accounting firms are similar in function to multinational firms¹². Therefore, research in the firms' international market reach is interpreted as related to commercial geographical orientation, and to the firms' organisation as partnership networks. Moreover, the firms' organisation as partnership networks is interpreted to be incidental and not substantial for the purposes of their study. Nonetheless, the partnership network does not cease to be one of the key characteristics of the firms, that had to be addressed by researchers who wished to study the international orientation of the firms. Some of the studies refer to the higher market power of the firms in the U.S. and the U.K. markets as compared to their power in other markets. This is interpreted to point to the Anglo-American origins of the firms.

Moreover, some of the studies touch upon what I refer to as 'multiservice production' as a feature of the firms (Daniels, Leyshon & Thrift, 1988) and the firms' emphasis on knowledge accumulation (Beaverstock, 1996). This idea that the firms function as multinational or international firms is a major theme in the research on the firms' international market reach. Other studies of internationalisation undertake research on perceived qualities of the firm, emphasising the global brand names of the firms, the reputation for the provision of high quality of services, as well as the mobility of employees. All are seen as key factors that contribute to the international orientation of the firms (e.g. Wu & Hackett, 1977; Davis, Hanlon & Kay, 1993).

Another important feature of the research on the international market reach of the firms is that the actors studied are the firms. This way the power to dominate

¹² The characterisation of large national firms with considerable foreign operations as multinational or international has been criticised by some, since it neglects the common national origins of top managers and of the majority of shareholders. The label 'transnationals' is preferred (see Ruigrok & van Tulder, 1995, for a discussion of this point). However, the conventional usage is adopted in this dissertation to avoid confusion.

national markets is interpreted to emanate from other attributes of the firms. What is observed is market presence but only by looking at the firms do we identify the actor level. On the other hand, the positive accounting, industrial economics based research on the market power of the firms is silent about the firm as the actor.

3.4 Second Level of Interpretation of Research on Accounting, Professionals and Organisational Life

Accounting research on the big firms that focused on organisational life consists mainly of case studies in which the firms are of interest mainly as sites for field research on issues raised in social science theories, mainly of organisational behaviour and identity. This is a very large body of research and only those works that were judged to bear directly on the research question are included.

The section consists of three main parts. In the first part (3.4.1), research regarding the big accounting firms and professionalisation is reviewed; interpretation of the research as a whole is discussed at the end of the sub-section. In the second part (3.4.2), research into issues of organisational behaviour and strategy is reviewed and the concepts that emerge from coding are signposted through the review and summarised at the end of the section. The third part (3.4.3) introduces the concept of power of the firms in the capitalist system.

3.4.1 Concepts of Professionalisation and Commercialisation

Accounting research on the occupation of an accountant or auditor is concerned with the individual actors (agents) in the organisational structures of the firms. As such, this research does not treat the dominant firms as the main actor but considers them as employers in the context of a focus on professionalisation. Thus, the main interest is on the role they play in the socialisation of individual accountants (the professionals), along side other structures, such as the Institutes. The firms are viewed as facilitators of professionalisation (or, in the case of Hanlon's work -- see

below -- on the commercialisation) of these actors. Issues of power (raised and explored by this stream of research) refer to the power of the accountants rather than the powers of the firms that employ them. Thus, the firms' commercial actions are only implied and not directly studied.

Another feature of this research, it seems to me, is that it attributes, directly or indirectly, a moral quality to professionals: that they are, or should be, ethical. The underlying implication of this ethical norm seems to be that accountants should not be profit seeking but public interest servicing. Since, in the research, profit seeking is seen to be opposite to serving the public interest, the concepts appear to be mutually exclusive and thus, the firms are treated as 'special' firms and the accountants as a special group of employees. Thus, from my perspective, the actor level is blurred. One level of analysis, the study of the individual actor merges with the other level of analysis, the study of the organisation within which the individuals act.

In terms of the first level of analysis, one could argue that accountants, being professionals and having accepted the role of watchdogs for the investing public, should be ethical in their conduct. In terms of the second level, my interpretation does not envision the firms to be accounting firms and questions if that ever was a particularly good description of them. However, even those who continue to refer to them as accounting firms now discuss them as multiservice firms (e.g. Montagna, 1990). This means to me that only some of the employees in the firm are required or expected to act in ethical ways. In my interpretation, the referencing of ethical injunctions associated with the profession are seen to be beside the point.

Montagna's Studies

Studies of the accounting firms by economic sociologists, such as the one by Montagna, are rare. In light of the comments cited at the beginning of this chapter (c.f. Willmott & Sikka 1997; Cooper *et al.* 1999) it is surprising that this is the only book length sociological study of the firms. This research was published in 1974,

and relies on field research (interviews and questionnaires) to explore issues within the theoretical framework of sociology of professions. Montagna wrote:

“the purpose of this book is to examine the nature and types of social structure and organisation of these eight largest public accounting firms in the United States, utilizing concepts from organisational analysis and the sociology of the professions to develop and test a theory of organisational change” (Montagna, 1974, p. 10).

There are two actors: the individual accountants and the firms. Montagna (1974) studied the subject of the professionalisation of accountants working in the Big 8 firms, and he studied the firms *per se*, as one of the factors in the professionalisation process. His empirical research consisted of interviews with public accountants and bankers¹³ in Western Europe and the U.S., and of questionnaires, which were “distributed to a representative sample of the U.S. offices of three of the nine firms” (Montagna, 1990, p. 230)¹⁴. His view of the firms therefore is a macro-sociological perspective that, I think, contributes many insights into the professionalisation of accountants.

In a change to the type of academic arguments developed in the 1974 book, Montagna, in a 1990 paper, claims that public accountants, employed with the big 8, are “gatekeepers of the capitalist ideology” (Montagna, 1990, p. 227). Thus, he developed arguments about them as political and economic actors emphasising that they protect and favour the interests of their clients at the expense of the public interest and how, at a macro-social level their decisions influence the flow of capital investment. Thus, in this paper, more clearly than in the book length sociological

¹³ 21 accountants and 14 executive bankers were interviewed in four European countries: England, France, Switzerland, and West Germany. 45 accountants and 12 bankers were interviewed in the U.S. Six out of the nine big accountancy firms were represented, namely, Coopers & Lybrand, Deloitte Haskins & Sells, KMG, Peat Marwick Mitchell, Price Waterhouse, and Touche Ross. Five banks were visited in Europe and four in the U.S. There were 179 questionnaires, “which represents an 86 percent return” (Montagna, 1990, p. 255).

¹⁴ These interviews serve the general purposes of his research. However, the data he uses to estimate the scale and scope of the operations of the firms are quite basic. They come from several published and unpublished sources, such as The Fortune Directory, Poor’s Register of Corporation, Directors and Executives, Bavishi & Wyman (1983), and Lafferty & Cairns, “Financial Times World Survey of Annual Reports” (1980) and unpublished statistics by two of the nine firms.

study, he treats each firm as an actor and as a factor in the socialisation of individual accountants.

The focus of positivist research on audit market structure implies that the relationship between the big accounting firms is a market relation and whilst Montagna considers the firms as economic actors, he does not treat them as market actors. He, however, considers the firms as economic actors at an aggregate social level and this underpins his statements that the firms have a determining role in (aggregate) capital allocation. Thus, I conclude that for Montagna the firms at the aggregate level is an actor level.

Montagna argues that accountants – auditors cannot and do not provide objective, independent, fair and unbiased audit reports and information to the public, despite the professionals' claim for the opposite. Thus, he refers to the capacity of the big 8 to act on a global scale both as the dispersed 'local' accounting partnerships and as large commercial operations. Thus according to him,

“Public accountants see themselves as the monitors of world economic order” (p. 227)

His interpretation emphasizes how concentration of the audit market has meant that a small number of private firms have acquired a sort of knowledge power that is easily converted into political and economic power. However, what is of concern to him is not the auditors' or the firms' possible use of inside information gained in the audit of one client. Rather he regards their knowledge 'base' as constituting a significant commercial resource available should the firms ever decide to pool their separate data bases. This possibility, according to Montagna, endows the firms with the power to shape capital allocation decisions at the highest levels. In this sense, one could interpret Montagna's work as assigning structural power to the firms as an aggregate; he is attributing a weight to their collective presence in the overall economic system.

Hanlon's Study

Hanlon (1994), in a book-long study considered, what he refers to as the commercialisation of accountants. He looked at the organisation of audit and the socialisation of accountants in the big accounting firms, focusing on the socialisation of professional accountants in the Irish division of one of the Big 6 accountancy firms.

In this study, as with Montagna's, the firms are treated as a media for the socialisation of accountants, rather than as actors in their own right. The difference between his study and that of Montanga is that the socialisation is not into professionalisation or professional ethics but into commercialisation. The commercialisation thesis, itself, is placed within a broader framework of his particular theoretical vision of the accumulation of capital. The international accounting firms and accountants are viewed both as media of socialisation and outcomes of the accumulation of capital.

“Accountancy has become a preeminent qualification for business in the Anglo-American world. This is not because it has some inherent quality rendering it absolutely essential to the planners and strategists of modern business, rather it has to do with the historical development of Anglo-American capitalism” (Hanlon, 1994, p. 35).

This is a bold and intriguing claim. However, the work itself has attracted criticism because many think it lacks sufficient empirical depth to support it. For example, Willmott and Sikka (1997) point out in their review of Hanlon's book that a better understanding of the commercial operations of the firms is required before such bold arguments can be agreed.

Similarly, Dezalay (1997) calls for more research into the particular issues raised by Hanlon's thesis. Dezalay stresses, amongst other issues, the knowledge of the firms as a resource enabling their entry into new markets, such as the management consultancy market.

My interpretation of Hanlon's work leads me to a somewhat different set of criticisms. One aspect of his work that troubles me is its assumption that it is possible to 'insert' interviews from one branch of one of the big six into the overall assessment of large-scale changes in the political economy (i.e. flexible accumulation) without some attention to what mediated between the larger processes and the local effects he 'observes'. The other problem I have is that he assumes that similar changes in the work process are occurring at all the other firms. Perhaps they are; I am inclined to think they are. However, I would be more comfortable with his interpretation if it referenced interviews with employees of other firms or with others who those employees deal with, such as clients.

My criticism has points in common with that of Dezalay (1997) when he queries the thinness of Hanlon's empirical materials and asks why Hanlon's work should be considered as dealing with accounting professional practices, since there are so few references in Hanlon's work on the subject.

Matthews's Study

Matthews, Anderson and Edwards (1998) offer, what I interpret as an economic determinist perspective on the professionalisation of accountants. They have produced a book-length study of the professionalisation process in the U.K. The authors see the development of accounting and accountants as "responding" to the market and the market's needs. Thus, they offer an historical account of the development of the firms and argue that

"[t]he most important institutions driving the development of the accountancy profession have been the firms within which individual members of the profession plied their trade" (Matthews *et al.*, p. 38).

They privilege the firms as market actors, arguing that (against the 'ethics' oriented research) "in reality, firms chased business" (Matthews *et al.*, 1998, p. 10). The actions of the firms, therefore, are seen as shaping the profession as one initiative to utilize opportunities in the market place and to get 'rich'.

They argue that accountants have risen to their present privileged social (and economic) status because of society's demand for the services they sold. Thus, they state

“The evidence presented in this history suggests that the degree of monopoly power achieved by accountants in public practice was not the product of State conferment, nor does it appear to have been principally driven by the professional bodies' endeavour to raise the status of the accountant in the public's esteem.” (Matthews *et al.*, 1998, p. 13).

Indeed, according to their analysis, autonomous 'market' demand for accounting established an economic basis for commercial success. Their approach is quite different to the one proposed not only by Hanlon (1994, 1996) but also by most of the critical accounting research on professionalisation. In that research, the social demand for accounting has been extensively critiqued. The commercial success of accountants is mainly attributed to the same “degree of monopoly power” (Matthews *et al.*, 1998, p. 13) that Matthews *et al.* dismiss.

For the purposes of this study, however, the emphasis Matthews *et al.* give to the commercial aspirations of the firms is quite important. Whether or not accounting is, in some way, functional for capitalism or not, the rise to dominance of the firms seems to indicate some connection between economic life and commercial success.

McKee and Garner (1992), writing from an economic development perspective, looked initially at the growth of the big firms, from their origins to the present day. These authors were concerned with the evolution of accounting and of the profession, aiming to assess the impact of the firms on emerging economies and to identify the public policy implications of that impact. Their research determined that audit firms' income growth in developing countries was heavily reliant on the growth of management advisory services that were marketed under the global brand name of the big firms. This work is the only study to offer quantitative assessments of the extent of the commercial operations of the Big 6 in developing countries.

Dominant Patterns and Concepts Constructed

The research on the professionalisation of accountants reveals important insights into the characteristics of the big accountancy firms. Underlying this strand of research is the notion of the 'power' that accountancy and accountants are deemed to have; it is a power that extends to the big accounting firms. For example, Montagna states:

“Because they dominate the auditing and related financial services of multinational corporations (MNCs) and because of their influence in all aspects of their profession’s development, the Big Nine are the focus for this empirical research. ... Since the 1960s the firms have come to play an increasingly important role in providing financial advice across a broad range of services to the managements of major companies” (Montagna, 1990, p. 230).

However, the sources of this power are not the explicit subject of Montagna’s study. Nonetheless, several characteristics that I interpreted to be related to the firms’ commercial action (and thus, at least partly related to Montagna’s concept of power) are addressed. One of these concepts is ‘prestige’ – the reputation and social esteem that accrues to the firms because of their association with the profession. The second concept is ‘knowledge’ as something the firms ‘possess’ about the big players in the economic system. It is something that functions (potentially, at least) as technical power at a macro-social level. Knowledge also references the firms’ preferential access to, or creation of, through their participation in professional institutes. Thus, for example, Sikka, Willmott & Lowe (1991) report that the Auditing Practices Committee (APC), which was formed due to a number of audit failures

“has been populated by major accountancy firms which, paradoxically, have been closely associated with audit failures” (Sikka, Willmott & Lowe 1991, p. 50).

The authors also report that while the results of working parties is supposed to be made available to the public, they were denied information even though the big accounting firms received the reports of the working parties as a matter of routine (Sikka, Willmott & Lowe, 1991).

The third concept identified in this strand of research is the multiservice production of the firms and, in particular, the firms' emphasis on the provision of non-accounting services, which many believe are more profitable (Hanlon, 1996).

3.4.2 Concepts of Knowledge and Partnership Network Management

This strand of research consists mainly of case studies based on interviews and questionnaires and makes a range of interesting representations about the organisational structure of the firms. These studies are conducted within theoretical frameworks from management and organisational behaviour. The insights offered by them were important to me because they are seen to shed light on the "black box" of the firms' internal operations. However, because most of these studies had a micro-organisational perspective in which the actor was the individual and because they use the case study method, I found it difficult to draw generalisations about the commercial operations of the firms.

Some of these studies reference differences in the organisational structures of the firms and what I found interesting and relevant to my subject was discussion of the number and range of internal management control systems operated simultaneously at the firm (Dirsmith & Covalski, 1985; Dirsmith, Heian & Covalski, 1997). Some studies addressed the effects of mergers on organisational life (Greenwood, Hinings & Brown, 1994; Ashkanasy & Holmes, 1995) and these were interesting because of their discussions considered differences in organisational structures to create difficulties for the new firm created by the merger.

Other studies also included questions on the strategies utilised by the firms to achieve international / global reach (Kullberg & Hanson, 1989; Post, 1996; Sluyterman, 1998), and those discussing multiservice production (Sieber & Griese, 1998). Finally, some research on the possible importance of the firms' image was interesting (Baker, 1977; Daily & Schuler, 1998). Soeters & Shreuder (1998), in a study of the Big 8 in the Netherlands, did not reach a conclusion on whether the national structure of the parent firm dominates the local organisational structure. However, they found

pronounced effects of the U.S. culture on the organisational structure. They pointed to the possible importance of the Anglo-American origins of the firms in explaining the culture of the Big 8 in the Netherlands.

Brown and Cooper (1996) develop ideas of the firm as a strategic alliance. By this they mean, a web of interrelations between local practices. They argue that the nature of these interrelations is changing, under the pressure of globalisation processes. For my interpretation, the metaphor 'web of interrelations' seems very pertinent. This is because I envision the firms in a similar way. Where I disagree with the authors is the emphasis placed on globalisation processes as causing the interrelations to change. In my interpretation, 'the partnership network' was a flexible and fluid organisation form that was throughout the firms' histories sensitive and dynamic. Thus, this web of interrelations is something that I envision to be a quality of the partnership form from the beginning.

Cooper *et al.* (1998) develop "theories of identity and nationalism in explaining the detailed mechanisms of imperialism" (Cooper *et al.*, 1998, p. 531) through a case study of the entry of one of the Big Six into the former Soviet Union market. Their research challenges ideas of a global strategy and emphasises two developments related to the governance of the firm studied: a tendency towards centralisation (for the achievement of better coordination between practices) and the creation of an investment fund to which all members contribute proportionately to enable international expansion. For my subject, the value of this research lies in the insights it offers into the mechanics of coordination across the partnership. I include issues of identity as part of the mechanics of coordination in a sense that national identity seems to be important in the development of trust between decision makers. The other piece of the mechanics that attracts my interest is the discussion of the investment fund, since it opens up the area of risk taking by the network and how it is shared.

In a later study, Cooper *et al.* (1999) frame their study of the firms within the context of globalisation processes. Their discussion focuses on degrees of centralisation

across partnerships (in organisational terms) and the understanding of what 'international' means to members in different firms. The insight into differences between the firms, offered by the research helped me clarify my interest in their similarities. That is, I found it interesting to reflect on what common attributes were revealed by differences about the firms discussed in this research.

In a study published during the same year by Greenwood *et al.* (1999) research focused on whether the firms ought to be regarded as 'global firms' by looking at two of the big accountancy firms. Although they found that the firms' organisational structures do not correspond to the models of global management practices suggested by Bartlett and Ghoshal (1989); and that the two firms have a lot of differences in their management practices, the authors identify some similarities. These include the concepts that I privilege in my interpretation e.g. partnership networks, international orientation, focus on knowledge and knowledge management, and one that I find very interesting. This is their discussion of the impact on the firms of their "administrative heritage" (Greenwood *et al.*, 1999, p. 270). The last one is seen to have affected their growth, development and management.

The partnership form and profit sharing are studied by Burrows & Black (1998) through interviews with partners from each of the Big 6 in Australia. Their paper provides very interesting information about the firms in Australia, including issues not widely studied by researchers, such as corporate governance and the financing of the firms. The research sheds light on the difficulties of managing profit sharing in a partnership and is suggestive of the management control issues that arise.

Knowledge as a key characteristic of accounting (and consulting) firms is studied by Morris and Empson (1998), who look at how accounting and consulting firms manage knowledge. They treat knowledge as an asset of the companies that needs to be managed. Their empirical information comes from a case study of one accounting firm, (one of the Big 6) and one consultancy firm in the U.K. They found that the accounting firm internalises all knowledge gained from client companies in different industry sectors. The knowledge is captured in manuals and databases, which are

shared by all the employees of the firm. The aim is knowledge dissemination and knowledge creation. The firm also has a think tank for the creation of new knowledge, composed only of partners, containing information on new products. The firm is argued to be “one of the most highly leveraged organisational structures in the U.K. accounting industry, with 15 professional staff to every partner” (Morris & Empson, 1998, p. 617)¹⁵. The knowledge management practices of the firm are said to enable the firm’s high organisational leverage. This is one of very few pieces of research to consider leverage (a proxy for profitability). This issue is analysed in Chapter 6.

This strand of research focuses on the management and growth of the firms and deems reputation, knowledge, multiservice production, international orientation, and the firms’ organisation in partnership networks. The national identity of the partners and the ‘administrative heritage’ of the firms both point toward national origins as a characteristic that may be important.

The international orientation / market reach of the firms is seen to be indicated. Finally, the Anglo-American origins of these firms is an important theme, especially evidenced in Hanlon’s statement

“Accountancy has become a preeminent qualification for business in the Anglo-American world.” (Hanlon, 1994, p. 35).

In the paper by Cooper *et al.* (1998), there is a discussion of globalisation and the national identity of partners. The authors concluded that national identity was privileged, thereby undermining the idea that the firms had a global identity.

3.4.3 Concept of Power in the Capitalist System

This small body of research situates the firms in the context of the concept of power in the capitalist system. Strange (1996) emphasizes the size of the firms and the

¹⁵ According to the information and data gathered for this study, the most highly leveraged firm among the big 6 was and still is Arthur Andersen. Therefore, there is a high chance that ‘Sun Accounting’, which is the name the authors have given to the firm, is Arthur Andersen.

importance of the scale of their operations in the overall power structure of the capitalist system. She informs the reader that the aggregate income of the big firms in 1996 was equal to the GDP of Ireland, a factual reference that I could not verify. Her study examined the big accounting firms from a political economy perspective and included references to histories of the firms. She did not, however, consider empirical descriptions of the scale of the firms (such as, that of Daniels, Thrift & Leyshon, 1989). After an historical review of the factors that she identified as “the retreat of the state”, she argues the latter enabled the internationalisation of the big accountancy firms. This is because, the firms gained government contracts for not only privatisation work but a host of other public sector management projects. She concludes that the firms were employed by governments because of their corporate connections and that they gained more power because corporations and governments employ them. She claims also that the allegiance of the big firms is to their big corporate clients and not to the public interest, which she argues, implies that they benefit more from government contracts for accounting services than does the public.

Dicken (1998) and Dunning (1989) show interest in the internationalisation of the accounting firms within the framework of the internationalisation of services. Dicken (1998) identifies accounting firms as one of the major types of professional services firms (business services). However, he only provides limited information about the internationalisation of the firms, despite the wealth of information and the in-depth analysis he provides for financial services (mainly banks). Similarly, Dunning (1989) having developed the eclectic theory to theorize the internationalisation of services, only briefly refers to the accounting firms.

Stevens (1981; 1991), a financial journalist, also views the firms as commercial entities and describes the scale and scope of operations of the firms and how they grew. However, he does not do so in a systematic way. Nonetheless, for sheer drama, his claims seem to me closer to the mark, than some of the academic research cited previously.

Stevens' approach and style are captured in the lengthy quote that follows. In it, he partly summarises a view of the firms that is widely held but rarely expressed. He wrote:

“Who are the Big Eight? For starters, they are huge multinational business organisations, the largest professional firms in the world, and some of the most influential financial powers on earth. ... Working through an intricate network of high-level contacts and special relationships, they operate at the seat of power and yet are often removed from the public eye. ... Even those who know of - or even work for - the Big Eight do not fully recognize the enormity of their presence. ... The Big Eight are, among other things, auditors, accountants, executive headhunters, merger-makers, tax specialists, consultants, attorneys, lobbyists, expert witnesses, financial planners, actuaries, engineers. They do everything from planning urban medical centres to designing Third World transportation systems. Name a white-collar service and chances are The Big Eight provide it or will find a way to do so.”

(Stevens, M., 1981, pp. 2-3).

In other words, public service and professionalism should be interpreted as a shroud or veil over the firms' diverse commercial operations. Whilst sensationalist, Stevens's account was filled with details about the operations of the firms, taken mainly from interviews with the people who worked for or with them. The value of these books for me was their truly alternate perspective on the firm. They are among the few writings that proposed a vision of the firms as something other than accounting firms.

The main concept developed in this strand of research is the concept of power in the capitalist system. In my interpretation of the firms, this concept does not enter directly or indirectly. However, many of the ideas discussed were influential in shaping my stance toward the firms and confirming my vision that an alternate perspective on the firms was plausible.

3.5 Concluding Remarks

The research discussed in this chapter is one of the data caches I constructed to give coherence to the disparate academic research that I coded to develop the primary

level of interpretation and the second level of interpretation. The research I referenced in this chapter is quite diverse, framed in a range of (sometimes conflicting) frameworks and guided by different research perspectives. In my interpretation, the research discussed the firms' commercial operations in two main contexts: one is, the markets in which the Big firms act and the other is, the firm as a medium for socialising accounting professionals. With the exceptions highlighted in the discussion of partnership network management (e.g. Kullberg, 1981; Hanson, 1989; Post, 1996; Sluyterman, 1998; Cooper *et al.*, 1998; Cooper *et al.*, 1999; Greenwood *et al.*, 1999) the firms as actors were not the direct object of investigation.

In addition, the small body of research that treats the firms as a political actor in the system raises many issues of interest, but the level of analysis is not the one with which this study engages.

The reflexive interpretation of interdisciplinary research on the firms highlights that with few exceptions the firms as commercial actors were not the direct object of investigation. However, at the second level of interpretation a number of concepts were identified as dominating my interpretation of these materials. These concepts were 'national market power', 'international market reach', 'professionalisation and commercialisation', 'knowledge and partnership network management'. The other concept discussed, 'power in the capitalist system' I did not consider it to be directly related to my subject.

Of the concepts identified at the second level of interpretation, the ones that seemed most developed in this body of research were those related to 'international market reach', and 'professionalisation and commercialisation'. Other concepts of interest, but not developed in my theory, are the concepts of 'power in the capitalist system' and 'national market power'. This is because the idea of market power and political power are ones that influence my orientation towards the firms. While I do not develop the idea of commerce as the basis of power, my presuppositions are that

there is a connection. This is why I limit my theoretical presuppositions to describing the firms as capitalist firms.

The main concepts identified are summarised in Table 3.1 that follows.

Table 3.1: Overview of Comparison of Second Level Concept Terms and Primary Level Concepts

Second Level of Reflexive Interpretation (Concept Terms)	Primary Level of Reflexive Interpretation (Concepts)
National Market Power	Audit Market Structure
International Market Reach	Firms' Geographical Reach Internationalisation Theories
Professionalisation and commercialisation	Socialisation of Accountants Life in the Big Firms
Knowledge and Partnership Network Management	Management of Organisational Behaviour Socialisation of Accountants Life in the Big Firms
Power in the Capitalist System	Theories of Internationalisation and Power

Annex to Chapter 3

Table 3.1: Studies from an Industrial Economics Framework

Year of Publication	Authors	Market	Data Source(s)	Research Question / Object
1967	Zeff, S. A. & Fossum, R. L.	U.S.	Client Firms	Audit Market: Large CPA Firms
1974	Rhode, J. G., Whitsell, G. M., & Kelsey, R. L.	U.S.	Client Firms	Audit Market: Large CPA Firms
1976	Schiff, A., & Fried, D.	U.S.	Client Firms	Audit Market: Large CPA Firms
1980	Firth, M.	U.K.	Questionnaire to clients and accountants	Auditor independence Perceptions
1980	Simunic, D. A.	U.S.	Client Firms	Audit Market
1981a	De Angelo, L. E.	U.S.	Client Firms	Audit pricing
1981b	De Angelo, L. E.	U.S.	Client Firms	Audit Market
1981	Eichenseher, J. W., & Danos, P.	U.S.	Client Firms	Audit Market
1982	Danos, P., & Eichenseher, J. W.	U.S.	Client Firms	Audit Market
1982	De Angelo, L. E.	U.S.	Client Firms	Audit Market
1984	Francis, J. R.	Australia	Client Firms	Audit Market
1984	Simunic, D. A.	U.S.	Client Firms	Auditor independence: Non audit Services
1986	Francis, J. R. & Stokes, D. J.	Australia	Client Firms	Audit Market
1986 Spring	Palmrose, Z-V	U.S.	Client Firms	Audit pricing
1986 Autumn	Palmrose, Z-V	U.S.	Client Firms	Auditor independence
1987	Moizer, P. & Turley, S.	U.K.	Client Firms	Non audit Services
1988a	Beck, P. J., Frecka, T. J., & Solomon, I.	U.S.	Modelling	Audit Market
1988b	Beck, P. J., Frecka, T. J., & Solomon, I.	U.S.	Client Firms	Auditor independence Non audit Services
1988	Dopuch, N	U.S.	Discussion paper	Auditor independence Non audit Services

Table 3.1: Studies from an Industrial Economics Framework

Year of Publication	Authors	Market	Data Source(s)	Research Question / Object
1988	Francis, J. R. & Wilson, E. R.	U.S.	Client Firms	Audit Market Audity Quality
1988	Graham, L. E.	U.S.	Discussion paper	Auditor independence Non audit Services
1988	Pany, K. & Reckers, P. M. J.	U.S.	Questionnaire to users of Financial Statements	Auditor independence Non audit Services
1988	Read, W. J. & Tomczyk, S.	U.S.	Previous studies	Argument for Financial Disclosure by CPA firms
1988	Simon, D. T. & Francis, J. R.	U.S.	Client Firms	Audit Pricing & Auditor independence
1989	Moizer, P. & Turley, S.	U.K.	Client Firms	Audit Market
1989	Tomczyk, S., & Read, W. J.	U.S.	28 largest audit firms	Audit Market
1989	Zind, R. G., & Zéghal, D.	Canada	Client Firms	Audit Market
1990	Abdel-Khalik, A. R.	U.S.	Client Firms	Audit Pricing Non audit Services
1990	Kaplan, S. E., Menon, K., & Williams, D. D.	U.S.	Client Firms	Audit Market Product Differentiation
1990	Solomon, I.	U.S.	Discussion paper	Audit Pricing Non audit Services
1991	Tonge, S. D., & Wootton, C. W.	U.S.	Client Firms	Audit Market Mergers
1992	Christiansen, M. & Loft, A.	Denmark	Client Firms	Audit Market
1992	Moizer, P.	Europe	Literature Review	Focus on Europe
1992	Raman, K. K. & Wilson, E. R.	U.S.	Client Firms	Single audit & audit fees
1992	Read, W. J. & Tomczyk, S.	U.S.	21 Public Accounting Firms	Scope of services by CPA firms: Non-audit
1992	Yardley, J., Kauffman, N. L., Cairney, T. D., & Albrecht, W. D.	U.S.	Literature Review	Audit Market
1993	Davis, L. R., Rigghiute D. N., & Trompeter, G.	U.S.	One public Accounting Firm, ten offices	Audit Pricing & Non-audit Services

Table 3.1: Studies from an Industrial Economics Framework

Year of Publication	Authors	Market	Data Source(s)	Research Question / Object
1994	Anderson, T. & Zéghal, D.	Canada	Client Firms	Audit Market Audit Pricing
1994	Barkess, L. & Simnett, R.	Australia	Client Firms	Auditor independence Non audit Services
1994	Beattie, V., & Fearnley, S.	U.K.	Client Firms	Audit Market
1994	Han, S.	U.S.	Client Firms	Audit Market
1994	Pearson, T. & Trompeter, G.	U.S.	Client Firms	Audit Market Audit Pricing
1994	Schatzberg, J. W. & Sevcik, G. R.	U.S.	Client Firms	Auditor independence Lowballing
1994	Wootton, C. W., Tonge, S. D., & Wolk, C. M.	U.S.	Client Firms & 24 largest audit firms	Audit Market - Mergers
1995	Beattie, V., & Fearnley, S.	U.K.	Client Firms	Audit Market
1995	Craswell, A. T., Francis, J. R., & Taylor, S. L.	Australia	Client Firms	Audit Firm Characteristics Audit Market Audit Pricing
1995	Maijoor, S., Buijink, W., van Witteloostuijn, A., & Zinken, M.	Netherlands	Number of auditors with audit firms	Audit Market
1995	Simon, D. T.	S. Africa	Client Firms	Audit Market Audit Pricing
1996	Lee, S. D.	Hong-Kong	Client Firms	Audit Market
1996	Walker, K. B., & Johnson, E. N.	NON-U.S.	Literature Review	Audit Pricing Audit Market
1997	Firth, M.	U.K.	Client Firms	Motivation for Purchase of Non audit Services from Auditor
1997	Langendijk, H.	Netherlands	Client Firms	Audit Market
1997	Weets, V., & Jegers, M.	Belgium	Client Firms	Audit Market
1999	Choi, M. S., & Zéghal, D.	Comparative	Client Firms	Accounting Services Market Mergers

Chapter 4

Data Cache II:

Aspects of Commercial Operations, 1983 to 1997

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4.1 Introduction

The subject of this chapter is my interpretation of the firms' representations of their revenues, foreign operations, revenue sources, market reach, and employment. In the bricolage, quantitative and qualitative empirical materials are regarded as equally valid, once it is understood that quantitative data do not have primacy of emphasis in theory construction. In the bricolage, these materials are seen to be supplementary giving the researcher access to a range of representations by the actors studied.¹ The chapter discussion highlights the qualities of quantitative representations in the overall interpretation. Specifically, it describes my construction of trends in quantitative change in aspects of commercial operations that bear on the firms as profit seeking firms. Thus, the chapter aims to elucidate the meaning of this supplement on the firms as profit seeking firms.

In the chapter discussion, the 'actor who speaks' (Alvesson & Sköldbberg, 2000) is all of the firms as a type of capitalist firm. This actor speaks through the disclosures made by all of the firms over the fifteen-year period (1983-1997). In other words, I see the quantitative representations as a language that is interpreted (Bochenski, 1965). The data cache was constructed from what the editors of the IAB decided to publish from what the accounting firms decided to disclose. It is an open question who between them decided what. The effect however is to limit the kinds of quantitative stories I could construct.

Four levels of social construction are identifiable in the constructed trends. The first level concerns the construction of the data by the firms – the methods and meanings they attach to the data disclosed. The second level of social construction relates to the firms' choice as to which types of data to disclose. The third level of social

construction relates to the journals publishing the data. The fourth level of social construction relates to the coding of the disclosures in light of the researcher's interpretation of the source publication.

In the chapter discussion, there are a number of tables in which specific firms are referenced by commonly used abbreviations. For purposes of clarification, the list below indicates the abbreviation and the full name of the firm.

Table 4.1: List of Abbreviations for the Full Name of the Accounting Firms

Abbreviations	Full Name
AA	Arthur Andersen
AY	Arthur Young
CL	Coopers & Lybrand
DHS	Delloitte, Haskins & Sells
DT	Delloitte & Touche
EW	Ernst & Whinney
EY	Ernst & Young
KMG	KMG Main Hurdman
KPMG	KPMG Peat Marwick
PMM	Peat Marwick Mitchel
PW	Price Waterhouse
TR	Touche Ross

At the beginning of the fifteen-year period analysed, there were nine big firms. The merger between KMG and Peat Marwick Mitchel in 1986 reduced the number of dominant firms to eight (8). Two more mergers, in 1989, resulted the number to six (6). In 1998, the merger between Price Waterhouse and Coopers and Lybrand reduced the number of firms to five (5). In 2000, the corporate scandals, involving Arthur Andersen and leading to its collapse, reduced the number to four (4). Further details on the mergers and the predecessor firms of the big accounting firms, prior to 1983, are provided in Chapter 5.

¹ Other supplementary empirical materials could include, for example, logos, graphical representations, advertising pamphlets, photographs and so forth.

The next section, Section 4.2 describes the primary level of interpretation, highlighting sources of the disclosures, and methods used for compiling and constructing trends. The next main section (4.3) presents the second level of interpretation. This level of interpretation consists of constructed trends of aspects of commercial operations including trends in revenue, foreign operations and offices, revenue sources, and what are called performance resources related mainly to quantitative measures related to knowledge and partnership management. In the last section (4.4), what the firms chose not to reveal is subjected to interpretation focusing on the concepts of silences as defined in the bricolage.

4.2 Primary Interpretation

A large part of this chapter is devoted to a discussion of the primary interpretation and the quantitative representations of the firms' commercial operations. I think, that this discussion is very important, because, otherwise, the constructed trends would not be read in a context of interpretation, nor would they be read in the context of the effort required to construct quantitative images of aspects of the firms commercial operations. This latter point aims to highlight that the way the firms disclosures were published creates enormous problems for anyone seeking to interpret the images of quantity that are part of the standard communication made by corporate actors to the public. This section discusses coding and the primary interpretation of the materials.

The collection and subsequent treatment of the voluntary disclosures of the firms enabled construction of a number of concepts related to profit seeking. This construction was facilitated by comparisons of the constructed trends (time series) for each of the firms, as well as through comparisons across the constructed trends for each firm. The trends were also compared to concepts developed in the interpretation of the two other data caches – academic literature and the quasi-histories of the firms (Chapters 3 and 5 respectively). The tables constructed formed the memos of this data cache.

The data disclosed include some that is conventionally used by business analysts to assess commercial operations. Thus, it can be used in comparing the firms to other industries (c.f. Pepall, Richards and Norman, 1999; Dunning, 1989; Dicken, 1992; Hitt *et al*, 2001, Fortune, Financial Times, Forbes). The disclosures were compiled in tables like that given below (Table 4.2):

Table 4.2: Pro Forma Used in Constructing Trends

Years	Total Revenue	Sources of Income: Accounting and Non-Accounting Revenue	Number of Partners	Number of Professionals	Number of Offices	Number of Countries
$t_1=1983$						Applicable only for the worldwide market
.						
.						
$t_n=1997$						

The data cache compiled disclosures for three markets as given in the source journal. These were the worldwide market (WW), the US and the UK. Data on the number of countries was collected and compiled to construct the worldwide market. Definitions of the items in the data cache are as follows:

1. **Total Revenue** is the total revenue of each of the firms.² The revenues of the firms consist of the fees they charge for all of the services they provide (e.g. accounting, audit, consultancy). In information about the U.K., this variable is frequently named “fee income” (e.g. Accountancy), and in information about the U.S., it is named “revenues” (e.g. International Accounting Bulletin). The income is disclosed in GBP (U.K.£) and USD (U.S.\$) respectively. Exchange

rates have been applied for the conversion of the disclosed (published) total income when converting GBP to USD and vice versa.³ Revenue values were converted from current dollars to constant dollars by including adjustment for inflation.⁴

Revenue trends construction involved calculation of the annual growth rate of revenue for each firm and for the aggregate. Growth rates were calculated for the fifteen-year period and for two sub-periods: the pre-merger period (1983-1989) and the post-merger period (1990-1997). Further details on the construction of the trend are provided in section A1.4.1 in the Appendix.

2. **Sources of Revenue** is constructed from disclosed Accounting Revenue as a percentage (%) of Total Revenue and Non-Accounting Revenue as a percentage (%) of Total Revenue. The Accounting Revenue disclosed is described by the practitioner journals as the revenues of the firms from the provision of audit and other accounting services. The Non-Accounting Revenue is the residual and I constructed it to indicate how much of the firms' total revenue is generated from the provision of all other services (including corporate finance, management advisory services, information technology consultancy, taxation, insolvencies). Annual changes in both were calculated to construct a trend illustrating changes in sources of revenue from 1983 to 1997.

² Sources of information about UK firms frequently refer to revenue as "fee income" (e.g., Accountancy), but sources use the term revenue when discussing US firms (e.g., International Accounting Bulletin). In this study, the term 'revenues' is used, for two reasons. The first reason is consistency and the second reason is that the term 'revenue' highlights that costs (any kind of costs) have not been deducted.

³ The exchange rate used is the average exchange rate for the year indicated as provided by Global Financial Data (2000, April). This was deemed sufficient for the purposes of the analysis in this research. Obviously, were these constructed trends to be used in supporting quantitative assessments much more attention would be required to the technical measurement issues related to choice of exchange rate date, use of different sources on the same exchange rates, underlying trends in the movement of exchange rates and so forth. All these bear on technical measures of the value of revenue when converting from one currency to another.

⁴ Source for inflation rates Global Financial Data (2000, April). The same principles referenced in footnote 3 apply to inflation adjustments of revenue values over time.

3. **Partners** refers to the number of partners in the firms disclosed in the practitioner journals. Partners include partners from audit and accountancy, management consultancy and all other services. Annual changes in partner numbers were calculated to construct a trend illustrating changes in numbers from 1983 to 1997.
4. **Professionals** is the number of professionals working in the big firms and excludes the number of partners, as disclosed in the practitioner journals. The number of professionals excludes other professionals in the administrative staff and only includes chartered accountants (in the U.K.), certified public accountants (CPAs – in the U.S.) and other professionals such as consultants, tax specialists, information technology specialists and so on.
5. **Offices** is the number of offices reported for each of the three markets in which each of the firms operates. It is based on the information disclosed given in the practitioner journals.
6. **Number of countries** refers to the number of countries in which the firms report having offices. This number according to the practitioner journals includes only those countries where member firms report they are located. Thus, the countries in which the firms have correspondent relations are not included.

The remainder of this section is organised in three main parts. First, the primary interpretation made of the firms' own representations of their commercial operations is discussed; this is followed by a discussion of the sources of data collected and coded. Finally, the methods of data compilation and analysis are presented.

The Initial Orientation to the Research Problem

Having initially decided to construct quantitative illustrations of the firms' commercial operations, the aim was the construction of trends that could be compared to those available for other industries. The aim was to make them comparable, not only because the data were directly given by the firms but also because the items included were of a similar type. Thus, the pro-forma use to collate data was informed by conventional practices in economics and financial analysis.⁵

On the question of partnership and size, one change occurring in the interval between those prior efforts of Daniels *et al.* (1989), Bavishi and Wyman (1983) and Bavishi (1989) and my own was the emergence of the Internet. Corporations had come to rely on this electronic facility to disseminate information. Thus, search for the firms' Internet sites was the first port of call. This seemed the most direct way of locating a description of the firms, by the firms themselves.

I spent about a month wandering in the Internet maze (at times getting lost in it), navigating my way through the Internet sites of the big accountancy firms and the 'hyperlinks' they posted to other sites. Some of the firms' Internet sites were well structured and organized; others were confusing and opaque. What emerged from this effort was a list of key words that I thought summarised their self-representation, including their efforts to project various images of themselves.

The list that emerged included some surprises. Although I thought of the firms as national partnerships, (perhaps having been influenced by the financial press and some of the academic research) the terms used by the firms to represent themselves as commercial actors were not 'local'. They referenced themselves as commercial

⁵ The main difficulty faced in constructing the trends is the firms' immunity from legal requirements to publish audited annual accounts. Indeed, previous research attempting similar constructions has emphasised the difficulty encountered (Daniels *et al.*, 1989; Bavishi & Wyman, 1983; Bavishi, 1989).

actors with such terms as global reach, international presence and co-operation, and international teamwork. Other terms, such as high quality of services, knowledge, and long lists of business services other than audit and accountancy services made me wonder whether, in fact, all the services they listed were of equal commercial importance. It also made me think about the possible interrelation between these diverse sources and possible focus. Finally, the twelve or so terms emerging from the analysis of the Internet sites struck me because they were so different from or were used differently by academic researchers using similar terms and concepts. Thus, the firms' self-representation seemed to me to be quite different from the ways they were represented in academic research.

For example, while the Internet sites referred to global reach as an established fact or attribute, it was treated by the geographers as something emergent (Dicken, 1992; Dunning, 1989). While international presence and co-operation was presented by the firms as another established facility or attribute they could offer their clients, academic research problematised its achievement (Cooper *et al.*, 1998; Greenwood *et al.*, 1999). More strikingly, the firms' represented the production of diverse services as advantageous to the client-firms whereas academic research emphasised how such production could impair auditor independence. As Briloff put it, did the firms have the right to "rid[e] two horses in one saddle" (1972, p. 175)?

Another contribution from the Internet search was the identification of a web site created by and for the big firms' alumni (<http://www.iBig5.com>)⁶. This site publishes information on each of the big firm's revenues, number of professionals employed, number of partners, number of offices and perhaps most importantly, their annual profit. Except for annual profit, the sources referenced by this website for these data were the International Accounting Bulletin and the Public Accounting Report, two practitioners' journals.⁷ Thus, the only disclosure that lacked a source

⁶ Following Arthur Andersen's collapse, the site was renamed www.iBig4.com. This site no longer publishes profit information about the firms.

⁷ Discussion on these sources is found in the pages that follow.

referenced was profit. This omission of reference is interesting and let me to doubt the usefulness of the data for my research. This is because, unlike the other data, I could not compare it to disclosures published in other sources. In addition, the profits' numbers are given only for the years 1995 to 2000 and my interest was in constructing longer-term trend patterns.

Other Sources of the Firms' Voluntary Disclosures

Previous research pointed to other sources that published the firms' disclosures and these were available as an archive in the public domain. Included in these are all the issues of the International Accounting Bulletin (IAB). IAB is a journal whose target audience is accounting and audit practitioners. It specializes in publishing news about accounting firms that relate to local, regional, and international levels of operations. This source describes itself in the following way:

“International Accounting Bulletin is a monthly publication designed to satisfy the information needs of top accountants throughout the world, both in industry and in the practicing profession. It provides global coverage of developments in financial reporting, the regulatory environment and *the business of accounting*”⁸ (Cairns & Lafferty, 1984, Publishers' Preface, emphasis added).

In 1984, IAB published its first “Survey of Accounts and Accountants”. The publishers represented this as the “first in a new series produced on behalf of the International Accounting Bulletin” whose purpose is “to make some small contribution towards raising the level of debate and understanding” on issues related to the firms and to other transnational business activity (Cairns & Lafferty, 1984, Publishers' Preface).

A second source is the practitioners' journal, Accountancy. It published similar disclosures to those appearing in IAB. This facilitated the comparison between the two in order to assess consistency in the data disclosed to each. Accountancy often

⁸ This is the only practitioner publication to characterise accounting as a commercial activity.

cited the Public Accounting Report (PAR) as its source for the data it published for the firms' international and U.S. operations.

It is important to note that the disclosures published in IAB and Accountancy cannot be checked against the firms' financial statements or other sources because there are no audited disclosures by the firms or any government compilations on the subject. This problem does not prevent their use because, in the bricolage, these sources have two attributes that are important. First, they are in the public domain. Second, they constitute the representations of commercial operations the firms are willing to make public. This means the researcher can use them for purposes of interpretation, the researcher knows the source of the disclosures, and the researcher can document where they got the material. These are features of considerable importance in scholarship as indicated by Alvesson and Sköldbberg (2000, pp. 262-263).

Methods of Compilation and Coding

The sources used to construct trend patterns of commercial operations are summarised in Table 4.3 below. This table indicates the issue numbers consulted for each of the two practitioner journals and the related dates of publication. In the case of IAB, this is coverage of all the issues published up to January 1999 when the research on this point stopped. The issue numbers for Accountancy, reference those years during which similar data were published; Accountancy only began publishing disclosures on commercial operations in 1986.

Table 4.3: Sources of Firms' Voluntary Disclosures

Title of Journal	Dates	Issue Number
International Accounting Bulletin	July 1983 – January 1999	1 - 241
Accountancy	1986 - 1999	97 - 123

It is essential to emphasise that the source journals published items for the 'current' year only. They did not publish trends. Nor, with the exception of revenue, did they publish these data items in relation to previous years' data.⁹ It is interesting that they chose to place the revenue number in the context of the previous year's revenue number but saw no need to place any other item in a similar context. From a research standpoint, this feature of the source material is the single most important constraint on knowledge construction regarding patterns or trends in the firms' conduct over time. It is plausible, that, this constraint helps one understand the extremely limited reflection in previous research on commercial development over time. It helps one understand, the excessive reliance on cross-sectional representations, since these are obviously much easier to compile.¹⁰

In the research for the dissertation, this feature of intermittency in the publication of data items imposed enormous demands for record keeping including the time for processing the representations and the time required to travel to the National Library of Scotland which was the only public library that contained all copies of the journal.

⁹ Bavishi and Wyman (1983) had compiled data for the years 1971, 1976 and 1980/81. Bavishi (1989) had compiled data for 1982 and 1988. These studies did not include the construction of trends. Although I created a paper archive with the data, I did not rely on it to any great extent because their materials 'suffered' from many problems. Moreover, the years 'covered' by those studies did not fully correspond to the publications in *International Accounting Bulletin* and the *Accountancy*. I compared the 1988 data published by Bavishi (1989), in order to crosscheck with the data published in the IAB and the *Accountancy*. There were small differences. From the point of view of constructing the trends, these differences were not important. I did find it surprising, however, that there were such small differences. Bavishi's (1989) data were collected from surveys of the firms conducted by him, whereas the *International Accounting Bulletin* publishes the quantitative disclosures that the firms provide.

¹⁰ This over-reliance on limited cross-sectional analysis is most evident in positive accounting research. However, it permeates other accounting research of a more qualitative and critical nature. For example, one does not find in the work of Hanlon (1994) any constructions of long-term trends in revenues or employee numbers or office numbers. This might be surprising, considering his preoccupation with longer-term trends in capital accumulation, which, in his own words, refers to events occurring "in the past decade or more" (Hanlon, 1994, pxiii). In light of the difficulties I encountered, it is not surprising to me that he does not construct them. However, what is surprising to me is that this omission attracts so little attention in the criticisms of his work. This last point underscores my view that it is important and valuable for qualitative researchers to consider the possible value of quantitative representations in their research, even though it is difficult to do so.

In the following pages, I describe the details of the work imposed by the features of data publication in the sources. The details in this description are important because they reveal the extent of difficulty created by the secrecy that surrounds the firms' commercial operations and the extent to which the firms are able to exercise control over the information available in the public domain. As I hope to make clear, I interpreted this control to consist not only over what is published but control over what is present in the public domain and on what questions there is silence.

Compilation to create a paper archive involved a manual search of all the issues of IAB and Accountancy in order to locate the details sought. This was followed by manual recording onto a pro-forma developed for that purpose (see Table 4.4 below). The next step was creation of a digital archive of the handwritten archive. Table 4.4 below indicates the main types of compilations I was working to achieve:

**Table 4.4: Pro Forma Used in the Compilation of Data for Year t
(where $t = 1983$ through 1997 inclusive)**

Firm	Total Income	Accounting Income	Non Accounting Income	Number of Professionals	Number of Partners	Number of Offices	Number of Countries
Data for Individual Firms summed to construct aggregate (Total)							

Table 4.4 indicates the main items that I compiled and how they were described.

The construction of the paper archive was extremely time consuming, more so than the time required to digitalise it. This is because of obstacles encountered during the manual search. For example, it could not be determined why (for any given year), a disclosure had not been made. Either there was no information for all of the items sought or there was no information for all the markets targeted. Two patterns of omissions revealed themselves once the paper archive was constructed: (a) there

were no disclosures of data for the year following a mega-merger and (b) Deloitte & Touche and Coopers & Lybrand were disclosing the least. The first point might explain the omissions by Deloitte & Touche, who were involved in a mega-merger but it does not explain the omissions for Coopers & Lybrand, who were not involved in a mega-merger.

This last point suggests that the journals were at the mercy of the firms' decisions on whether to disclose or withhold bits of information. Thus, the nature of the disclosures creates a fundamental irregularity in the overall pattern of what was published. Disclosures differed by firm creating gaps in information. Some of these gaps were filled in by referencing information published in both the IAB and Accountancy journals but many of the gaps could not be filled. The effect of this was to constrain the constructions of some trends.

The data were compiled in three main ways: (a) tables were constructed for each year, for each market, (b) tables for each firm, in each market and (c) tables for each item for each firm and each market. The initial coding of the data sought to establish patterns of changes in the commercial operations of the firms over time. The coding process also required further treatment, distinguishing between financial and non-financial variables. A fuller analysis of the detailed description of the methods of compilation and estimations made to fill in gaps in order to construct trend patterns is found in section A1 of the Appendix¹¹.

Details of the Construction of Trends

The first step of constructing a trend was digitalisation of the paper archive. Because the source journals published information for only the current year and by market categories (e.g. US, UK, worldwide) the paper archive followed this structure. This

¹¹ The appendix contains the results of the process of collection, compilation and construction and provides consistent tables giving consistent and comparable estimates of the items analysed.

resulted in the production of fifteen (15) tables for each market (one for each year), and three markets, adding up to a total of forty-five (45) tables.

The digitalisation of the paper archive enabled construction of a database providing details of items indicated in Table 4.4. The database was used to construct various trends. Aggregates were constructed in the following way: for the dominant firm as a type of firm, each of the items (revenues, professionals employed, partners, offices) was aggregated for each year, for each market. This produced four tables, each representing the trend for the aggregate of the firms in the UK, the US, worldwide and a new category, the Rest of the World (ROW)¹². The ROW category is the residual of the worldwide market less the home markets.

The four tables of aggregate trends were used to provide overall guidance on the path of developments in commercial operations of the firms, as a group. For example, it was possible to consider differences in trends related to commercial operations in each of the markets studied and to consider differences across the markets. This had the benefit of enabling analysis in which mergers could be ignored. It could be argued that the aggregate trend is not a guide to the trend of any firm. However, for the purposes of this research, inferring from the aggregate period did not produce much distortion because differences between it and those for the individual firms were not great enough to change the focus of interpretation on common or shared characteristics.

The creation of the digitalised database facilitated construction of additional tables of trends related to the commercial operations of the individual firm. This resulted in four (3) tables for each firm, one for each of the markets published in the sources and a fourth market called Rest of the World (ROW). As in the case of the aggregate, the ROW market was estimated as the residual of the worldwide market less the US and

the UK markets. The construction of the ROW market proved helpful in discussion of the firms' operations outside the UK and the US.

Mergers during the period under analysis resulted in changes in the number of firms; the number of tables produced was forty-eight (48). For example, in light of the merger between Arthur Young and Ernst and Whinney in 1989, twelve tables had to be constructed: separate tables for Ernst and Whinney from 1983 to 1989 (four tables), four tables for Arthur Young from 1983 to 1989 (eight tables) and four tables for Ernst and Young from 1989 to 1997 (twelve tables). Table 4.5 illustrates the items included in the trend constructed for each firm.¹³

Table 4.5: Pro Forma Used in the Compilation of Data for Firm X, in Market Y

Year t	Total Income	Accounting Income	Non Accounting Income	Number of Professionals	Number of Partners	Number of Offices	Number of Countries
t ₁ =1983							(applicable only for worldwide market)
.							
t _n =1997							

The various constructions made using the database facilitated interpretation from different perspectives. For example, it was possible to consider differences between firms in trends related to commercial operations in each of the markets studied and to consider differences across the markets for each of the firms. Thus, it was possible to reflect on differences and similarities in long-term behaviour with respect to foreign market entry and expansion.

In addition, the database was used to construct trends for each item both in the aggregate and for each firm. Constructions involving aggregate resulted in four tables, one for each item. For each firm, trends for items (e.g. revenues, partners,

¹² The tables of constructed aggregates are found in section A2 of the Appendix of the dissertation (pp. A-25 to A-29). In the Appendix, the data on revenues include the aggregate in current dollars and an index of changes in revenues over the fifteen-year period. Further details of the construction of these tables are given in section A1 of the Appendix.

professionals, offices) were constructed for each market. This effort highlighted changes in the sources of income over the fifteen-year period. These trends were used to consider two comparisons: first, changes in each firm over the fifteen-year period in each market and second, comparisons of the items and its trend across firms in each market. Table 4.6 indicates the type of constructions produced.

Table 4.6: Pro Forma Used in Constructing Comparisons in Trends for Item X, in Market Y

Year t	Arthur Andersen	Ernst & Young	Price Waterhouse
t ₁ =1983			
•			
•			
•			
t _n =1997			

To summarise: the data cache analysed in this chapter was created by manually recording intermittent publications of items the firms chose to disclose. This manual recording resulted in production of a paper-based archive. This hand written archive was digitalised, so as to create a database. The database was used to construct a series of tables that were used as memos. From these data tables various representations were made of the commercial operations of the firms. Some of these were:

1. Comparisons of changes in the commercial operations of each firm in each of the markets over time.
2. Comparisons of changes in the commercial operations of each firm across the markets over time .
3. Comparisons of changes in the aggregate profile of the commercial operations for each market over time.
4. Comparisons of changes in the aggregate of commercial operations in different markets over time.

¹³ The database permitted construction of trends that were firm focused rather than market focused. These are found in section A3 of the Appendix.

5. Benchmarking of changes in commercial operations for each firm to the aggregate for different points in time.

One needs to keep in mind that these constructions were not created in isolation from the analysis of other material. Furthermore, the process of interpretation was not sequential. That is the interpretations were not produced by first collecting and analysing previous research, then moving on to the analysis of quasi-histories and then to the analysis of the voluntary disclosures. Rather, the interpretation of this set of empirical materials was concurrent with the analysis of all the other empirical materials used in theory construction.

Two types of concepts emerged in the primary interpretation: those emerging directly from the constructed trends and those concepts emerging from the overall picture created by the trends. In other words, the primary interpretation consists of the numerous tables produced (memos) including specific trends used in the analysis at the second level of interpretation.

4.3 Second Level of Interpretation: Constructed Trends on Aspects of Commercial Operations

This section discusses the concepts associated with a set of trends constructed in the primary level of interpretation. The discussion is organised in four sections, each devoted to a particular set of constructed concepts. Section 4.3.1 interprets constructed trends on revenue and changes in revenue over time in relation to the concept of revenue growth. In section 4.3.2, the concept 'changing market reach' is discussed in relation to constructed trends on the number of countries in which each of the firms operated during the fifteen-year period and changes in the number of offices in the US and the UK markets and in the ROW. Changes in the sources of the firms' revenue are related to the concept 'service diversification' and are discussed in section 4.3.3. In section 4.3.4 constructed trends in the number of professionals,

number of partners and related items are associated with the concept 'knowledge and partnership management'.

I do not discuss the concepts of leverage and profitability in the chapter even though it would be possible to do so, given a more positivist reading of my constructed trends than I would be willing to give them. The reasons I have for setting these concepts aside is that I find them highly problematic and more so, in relation to issues of management control in accounting firms.

First, the concept of organisational leverage is used in some research to construct a ratio (e.g. professionals per partner). From a measurement standpoint, this ratio is quite crude because there is no discussion of the underlying issues of what criteria apply to those classified as a professional and those classified as a partner. In the context of the accounting firms, where both labels are ambiguous (see the discussion on this point in section 4.2), the meaning of the measure is not at all clear. Secondly, the concept of 'profitability' is one of those loose concepts in financial analysis (Ciancanelli, 2002). In this discussion, profitability is defined mainly as a judgement about future events that may or may not rely on quantitative representations. It is not the same idea as profit, or profit margin, both of which are tightly constructed concepts in financial analysis and refer to past events. Thus, at best, the concept of 'profitability' is a decision heuristic and one that is highly contestable because it relies on estimations about future possibilities.

With respect to the use of 'profitability' as a guide to decision-making, the question is: who uses it. In the case of private investors, individuals (or their fund managers) make the judgement about the future prospects (and expected profitability) of a firm. In the case of large business organisations, managers make judgements about future profitability and these judgements are likely to be contested by those in the organisation that are adversely affected. Thus, the judgment might be contested by current shareholders or by groups within the organisation who dispute the assessment made by the 'controllers.'

In the case of the accounting firms, as complicated webs of contractual arrangements, who judges future profitability and how, is much murkier. Thus, when both concepts are brought into discussions of the accounting firms, it seems to me quite clear that the underlying complexity of their organisational arrangements would defeat even the most committed positivist. This complexity must surely mediate contesting judgements about 'profitability' by the partners and the 'controllers' (who may be several hundred in number). Furthermore, the efficiency consequences (and their effects on profits) of shifts in the ratio of professional per partner are not at all straightforward. Thus, I have come to regard the debates on organisational leverage and profitability in professional services firms to be misguided (Pastra, 2003).¹⁴

4.3.1 The Concept of Revenue Growth

Revenue growth is discussed with respect to the size of revenue and the growth of revenue over the period 1983 to 1997. The revenues of the firms are interpreted to mean the fees they charge for the services they sell. Revenue trends' construction involved calculation of the annual growth rate of revenue for each firm and for the aggregate. Moreover, the size and growth of revenue in services' firms is correlated with the expansion in the number of employees and the number of offices (Dicken, 1992).

This discussion refers to trends for individual firms, the aggregate of the firms and the estimated ROW market. The aggregate aims to portray the growth path of the firms, on average, for the period 1983 to 1997. This fifteen-year period is divided into two sub-periods, in order to, at least partially, accommodate the mega-mergers that took place in 1989 (and were effective in 1990), that is, to maintain consistency

¹⁴ This is a working paper that makes further effort to come to grips with the concepts of leverage and profitability, following on a paper, Organisational Leverage and the Big 5 Accounting firms (with P., Ciancanelli) given at 4th Biennial Workshop on Professional Service Firms, University of Alberta, Edmonton, Alberta, Canada, August 15-17, 2002.

of measures in the face of the mega-mergers¹⁵ that took place in 1989 (effective 1990).¹⁶ The first sub-period, 1983 to 1989, is referred to as the pre-merger period and the second sub-period, 1990 to 1997, is referred to as the post-merger period. Unless otherwise stipulated, materials in all the tables are constructed from the primary interpretation as presented in the Appendix. Detail of the calculation of index numbers is provided in section A1 of the Appendix.

The discussion of revenue size for individual firms begins by benchmarking it to similar data published about large multinational firms. It then moves to consideration of the trend in revenue growth for the individual accounting firms. Analysis of aggregate revenue trend is done last. The growth in aggregate revenue is compared to GDP growth in some of the countries in which the big firms have commercial operations.

Revenue Size Benchmarked to Large Multinational Firms

My interpretation of the firms is clarified by benchmarking their revenues to those reported by large multinational firms. The results of this are displayed in Table 4.7. This table provides benchmarks of the 1999 revenues of the accounting firms to the revenues reported for the same year by a range of Fortune Global 500 firms. The Global 500 firms, were chosen at random from the 200 firms that had revenue similar to that of the Big 5.

¹⁵ One merger was between Arthur Young and Ernst & Whinney; the other was between Deloitte, Haskins & Sells and Touche Ross.

¹⁶ There is a time difference in the dates when the mergers became effective, in each of the three markets. In the U.S. and Worldwide, the mergers were effective in 1989 whereas in the U.K., the mergers were effective in 1990. This difference is mainly due to differences in the financial year-end for the U.S. firms and the U.K. firms. The financial year-end for U.S. firms is August / September and for the U.K. firms, March / April. Worldwide, the financial year-end is the same as in the U.S.

Table 4.7: Benchmarking of Revenues of the Big 5 in 1999*

Big 5	Revenues	Fortune 500	Revenues
	USD\$		USD\$
	Billions		Billions
Arthur Andersen	16.2	British Airways	14.4
Deloitte & Touche	10.8	McDonalds	13.2
Ernst & Young	12.5	Halifax	14.4
KPMG	12.2	Royal Bank of Canada	13.1
PriceWaterhouse Coopers	17.3	Toys "R" Us	11.2

* Sources: For the Big 5, <http://www.ibig5.com>; for the Fortune Global 500, Fortune, (2001).

Arthur Andersen and Price Waterhouse disclosed the highest revenue in 1999, followed by British Airways and Halifax. Deloitte & Touche disclosed the lowest revenue. This benchmarking exercise suggests that all of the Big 5 are similar in size to large multinationals, which have easily recognisable, international brand names. This may explain why many refer to the Big 5 as multinational firms. The problem with describing them in this way is that the term is associated with a particular theoretical analysis in which the multinational firm is regarded as a distinctive type of firm. In the main, it is regarded as distinctive because it is a national firm with international operations, rather than a multicultural firm with diverse geographical locations. This throws up a question about whether researchers wish to suggest that the Big 5 are national firms with international operations. If they are so regarded, what is the nation that should be regarded as their home? Is it the US? Is it the UK? Is it some other country? It is not clear.

Individual Firms' Revenue Growth

Three of the firms were chosen to illustrate the trend in revenue growth in the worldwide market. The base year for the trend is 1997. As indicated in Table 4.8 below, the trend for all three firms is one of year-on-year revenue growth.

Table 4.8: Index of Revenue Growth in the Worldwide Market for Three Firms (Base Year 1997=100)

YEARS	AA	EY¹⁷	PW
1983	18		29
1984	19		32
1985	21		33
1986	25		38
1987	29		46
1988	34		54
1989	39	65	58
1990	47	69	64
1991	52	70	76
1992	57	72	77
1993	60	72	77
1994	64	72	77
1995	76	80	84
1996	87	89	92
1997	100	100	100

Based on these index numbers the average annual growth rate for the post-merger period (1989-1997) is 12% for Arthur Andersen, 6% and 7% for Ernst & Young and Price Waterhouse respectively. Although Arthur Andersen disclosed the highest average annual growth rate, the growth rates of the two other firms compares favourably to that for many large commercial operations.

¹⁷ The networks of Ernst & Whinney and Arthur Young merged in 1989 to form a new network called Ernst & Young. Thus, data available for the period 1983-1988 concern the two predecessor networks and are excluded from the table.

Aggregate Revenue Growth

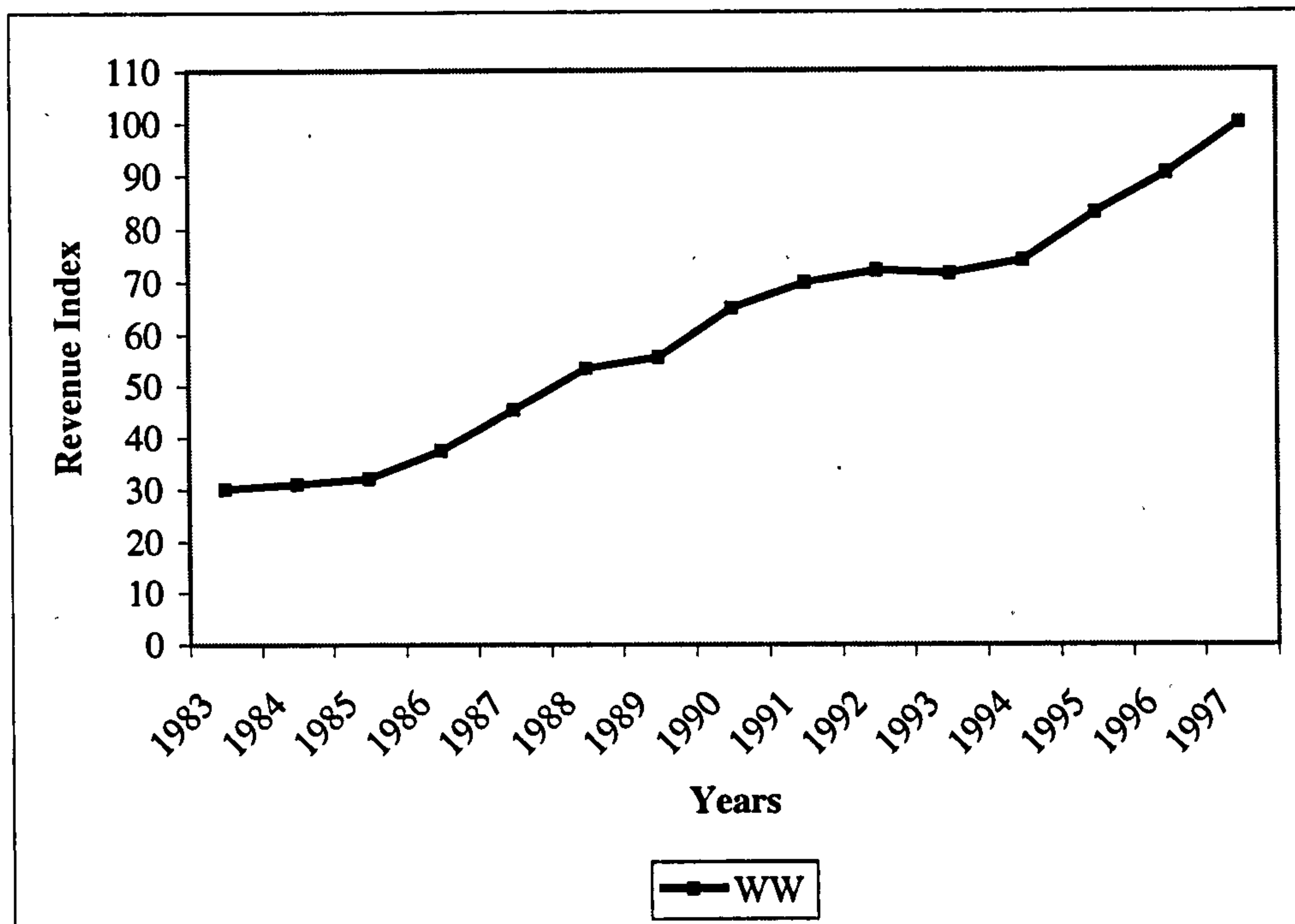
The trend of aggregate revenue growth is similar to that of the individual firms. Aggregate revenue increased steadily in all four markets. Comparable aggregate revenue increased in all four markets. Table 4.9 provides details on the growth rate of aggregate revenue for the entire period and for the two sub-periods, before the mergers (1983 – 1989) and after (1990 – 1997). As indicated in the table, aggregate revenue grew, on average, by 8.5% per annum over the 15-year period.¹⁸

Given the nature of this type of firm, revenue growth is interpreted as signalling an increase in production. This is because services cannot be stored; they must be produced at the point of sale. The highest increase was in the U.K. market (10% per annum) followed by the Rest of World market (9.1% per annum) and then by the US market (6.85% per annum).

Table 4.9: Annual Growth Rate of Aggregate Revenue in Four Market Segments, 1983 – 1997

	WW	USA	U.K.	ROW
1983 - 1997	8.5%	6.85%	10%	9.1%
1983 - 1989	9.5%	8%	14%	9%
1990 - 1997	5.55%	5.6%	4.5%	6.15%

A point of interest is that the average annual growth before the mega-mergers was higher than after the mergers. Annual growth in the worldwide market in the pre-merger period was almost double than in the post-merger period. In the UK market, pre-merger growth was almost three times higher than post merger growth. A graphical representation of the trend in the worldwide market is depicted in the Figure 4.1 that follows:

Figure 4.1: Aggregate Revenues in the Worldwide Market Segment, 1983-1997

What Figure 4.1 reveals is the steady upward trend in revenues (adjusted for inflation). Revenues appear to have grown threefold over the period 1983 to 1997. This trend far outpaced that reported for the economies in which the firms operated, a subject discussed in the next section.

Revenue Growth Benchmarked with GDP Growth

In every market segment, the big firms grew faster than the main economies in which they operated. Worldwide revenues of the big 5 grew faster than the GDP of many individual countries, including members of the Group of Eight, where the firms have most of their operations. Revenue grew faster than the US and the UK markets of the

¹⁸ This increase is interpreted as reflecting an actual increase in actual values, because the values disclosed were adjusted for inflation.

big 5. The faster growth of the firms, compared to their home economies, is a consistent trend in both the pre-merger and the post-merger period.

Table 4.10 provides a comparison of revenue growth of the big accounting firms to GDP growth of selected OECD countries, for both the pre-merger and the post-merger periods. The countries defined in the comparison were chosen because they are the main markets into which the firms sell services.

Table 4.10: Benchmark of Accounting Firms' Revenue Growth to GDP Growth of Various Countries, 1983 – 1989 and 1990 – 1997

	Pre-merger (1983 – 1989) Annual rate of growth* (%)	Post-merger (1990 – 1997) Annual rate of growth** (%)
Accounting Firms:		
WW	9.5	5.55
U.S.	8	5.6
U.K.	14	4.5
ROW	9	6.15
GDP Growth:		
U.S.	2.9	2.4
U.K.	2.6	1.6
Other Main Markets, GDP Growth:		
Germany	2.2	2.8
France	2.4	1.1
Canada	2.9	1.9
Japan	4.1	1.4

* GDP Growth Source: <http://www.odci.gov/cia/publications/hies97/c/tab8.htm>

** GDP Growth Source: <http://www.economist.com>

Overall, GDP growth may disguise the higher growth rates reported for the service sector of each of these economies (Dicken, 1992; Dunning, 1989). However, the gap between economic performance of these key countries and revenue growth by the firms is large enough to suggest that firms' revenue growth outpaced the higher growth rate of the service sector. Over the period, the firms appear to have been

more successful in the pre-merger period than in the post-merger period. In the case of the U.K., it is reasonable to suppose that the large number of privatisations occurring in Britain, in the pre-merger period, may account for the exceptional growth in revenue reported by the firms. It is interesting that in the post-merger period, the firms' revenue growth is lower than in the pre-merger period but still exceeds GDP growth by a considerable margin. Once this is made the context for interpretation of changes in revenue sources, it may be possible to consider some of the issues raised in the debates on the possible conflict of interest arising from the sale of non-accounting services to one's audit clients. This discussion is deferred to section 4.3.3 where the constructed trends on the revenue split are discussed.

The overall pattern suggests that the firms 'outperformed' the economies in which they operate. This is interpreted to mean that each firm's capital probably increased over the fifteen-year period. If nothing else, the growth of revenue would have enhanced their ability to invest in order to increase growth further. The main constructed concept to develop in the analysis of revenue trends is the concept 'revenue growth'. This describes the pattern of the firms' behaviour over the period under review.

4.3.2 Foreign Operations and Offices: The Concept of Market Reach

The concept 'market reach' is associated with constructed trends on the number of offices and their spatial distribution. The term 'market reach' is widely used in the globalisation literature (e.g. Daniels *et al.*, 1989; Dunning, 1989) and refers to the spatial dimensions of a firm's commercial operations. Changes in these items over time are often used in the globalisation literature to support interpretations of the longer-term strategies of a firm or an industry segment (Dicken, 1992; Daniels *et al.*, 1989; Ruigrok & van Tulder, 1995). In this section, the constructed trends on the number of countries in which each big accounting firm operates will be discussed first. This is followed by the analysis of constructed trends of the number of offices and the growth in the number of offices, both for individual firms and in aggregate.

Number of Countries

Spatial distribution can be measured by the number of countries in which the firms operated during the fifteen-year period. Table 4.11 provides this information for four of the big firms:

Table 4.11: Number of Countries Where Four of the Firms Operated, 1983 – 1998

YEAR	AA	AY	EW	PW
1983	45	68	72	95
1984	45	67	75	95
1985	47	68	77	95
1986	47	68	77	95
1987	49	72	77	100
1988	49	74	86	97
1989	54	106 ¹⁹		100
1990	66	107		108
1991	67	107		105
1992	72	113		110
1993	72	118		114
1994	74	121		114
1995	76	132		119
1996	76	130		119
1997	78	130		121

As indicated in Table 4.11, Arthur Andersen operated in fewer countries than the other firms in both the pre-merger and the post-merger period. In contrast, Price Waterhouse operated in the largest number of countries, more than twice as many as Arthur Andersen. During the pre-merger period, spatial expansion was not considerable, however this changed in the post merger period when special expansion increased rapidly during the years 1989 to 1997.

¹⁹ The merger between Arthur Young and Ernst & Whinney that resulted in Ernst & Young became effective in 1989.

The merger between Arthur Young and Ernst & Whinney that resulted in Ernst & Young became effective in 1989. The merger resulted in a firm that had operations in more countries than either of the firms had singly. Obviously, in those countries where both firms had offices prior to the merger, some of these offices were closed. One may argue that there was not much overlap in the foreign operations of these firms. In this case, it is possible to interpret the main effect of the merger was to create a firm whose market reach was greater than that of the pre-existing firm.

During the same year, 1989, Arthur Andersen increased the number of countries in which it operated by five (5), and Price Waterhouse by three (3).

During the post-war period, all three firms increased their market reach by similar amounts. From 1990 to the end of the period, both Arthur Andersen and Ernst and Young added twenty-four (24) countries to their portfolio and Price Waterhouse nineteen (19). However, by 1997, Ernst and Young had the greatest market reach, having increased the number of countries in which it operated from 106 in 1989 to 130 in 1997.

Number of Offices

The concept of market reach can also be related to the number of offices and changes in the number of offices of the firms, both in national markets and in international markets. In this section, constructed trends on this item are discussed first and then there is a discussion of the aggregate. Details of trends in offices are given in Table 4.12 that follows.

Table 4.12: Worldwide Number of Offices for Four of the Firms

	AA	AY	EW	PW
1983	176	328	330	346
1984	176	360	345	363
1985	191	370	359	378
1986	220	375	406	381
1987	226	407	421	400
1988	231	423	472	409
1989	243	N/A ²⁰		417
1990	299	642		448
1991	307	673		452
1992	318	660		450
1993	350	663		450
1994	358	682		450
1995	361	680		434
1996	381	660		420
1997	389	676		414

The sources published disclosures indicating an increase in the individual firms' number of offices in the worldwide market from 1983 to 1997. Arthur Andersen reported the fewest offices throughout the period. Ernst and Young reported the highest number of offices. One of the arguments for merger is that it enables greater market reach. The increase in the number of offices of the merged firm suggests that greater market reach was achieved through merger. Price Waterhouse had an intermediate market reach.

In the years 1983 to 1997, both Arthur Andersen and Ernst & Young almost doubled their number of offices worldwide. In contrast, Price Waterhouse increased the number of its offices by roughly 15%. Thus, the worldwide market reach of Price Waterhouse remained larger than that of Arthur Andersen but the gap between its

²⁰ The merger between Arthur Young and Ernst & Whinney that resulted in Ernst & Young became effective in 1989.

market reach and that of Arthur Andersen had closed significantly. Meanwhile, the market reach of the newly merged firm, Ernst & Young, was roughly 50% greater than that of either Price Waterhouse or Arthur Andersen, thus creating a significant gap between the market reach of its commercial operations and that of its closest competitors.

Trends in the international market reach of individual firms are not as striking as the aggregate trend. Aggregate trends, for all four markets, are provided in Table 4.13:

Table 4.13: Aggregate Number of Offices in Four Market Segments, 1983 – 1997

YEARS	WW	U.S.	U.K.	ROW
1983	3,262	803	217	2,242
1984	3,374	825	216	2,333
1985	3,535	855	234	2,446
1986	3,686	818	233	2,635
1987	3,822	824	209	2,789
1988	3,735	831	215	2,689
1989	3,207	661	221	2,325
1990	3,499	686	184	2,629
1991	3,614	663	212	2,739
1992	3,642	669	176	2,797
1993	3,693	676	170	2,847
1994	3,761	654	166	2,941
1995	3,726	639	167	2,920
1996	3,730	525	152	3,053
1997	3,771	n/a	150	n/a

The fifteen-year trend for the aggregate is interpreted as a pattern of little or no increase in market reach. This interpretation, however, changes when changes in spatial distribution of operations are considered. While the number of offices increased slowly, increase was concentrated in countries outwith the home countries of the firms (e.g., the U.S. and U.K.). Thus, offices located in the US decreased by roughly 25% whereas offices in the ROW increased by roughly the same proportion. In absolute terms, the number of offices in the US and in the UK fell from 1,020 to 677, a decrease of 343 offices, whereas the number of offices in the ROW increased

from 2,242 to 3,053, an increase of 811 offices. This means the entire focus of the increase in number of offices is in the ROW market.

This pattern is indicated in Table 4.14 below, which provides details of the average annual increase / decrease in the number of offices in the four market segments.

Table 4.14: Average Annual Percent (%) Change in Aggregate Number of Offices in Four Market Segments, 1983 – 1997

	WW	U.S.A	U.K.	ROW
1983 – 1997	0.97	-3.1	-2.6	2.23
1983 – 1989	-0.25	-2.8	0.3	0.52
1990 - 1997	0.93	-3.9	-2.8	2.16

When constructed as average annual percent change, the lack of change in worldwide operations is more visible. Moreover, the decrease in the number of offices in the U.S. and the U.K. is highlighted. What seems clear is that the rate at which offices are decreasing in the US and the UK markets is almost exactly counter balanced by the rate of increase in offices in the ROW. This is interpreted to reflect an overall pattern of investment in which gains from home office closures fund expansion into additional countries in the ROW. An important implication of this for the research is that a decreasing number of home offices, where most of the firms' headquarters are located suggests that fewer headquarters' offices are required to 'govern' an increasing number of non-home offices. What underlying changes in management control have made this possible are not clear.

The changes in the number of offices are more striking in the post-merger period. The number of offices in the ROW, increased at a faster rate during the post-merger period. The number of offices in the US and the UK decreased faster in the post-merger period. Part of the decrease in the number of offices in the US and the UK markets could be explained by the mergers, since the merged firms would wish to close offices in these home country cities where both had operations. However, the decrease is too great to be explained in this way. Moreover, the explanation does not

address the pattern that office numbers fall dramatically over the entire period. The average annual decrease for the fifteen-year period is 3% in the US and over 2.5% in the UK.

One interpretation that is made of this overall pattern is that the main outlines of international market reach appear to have been in place prior to 1983. This interpretation relies on the overall pattern suggested by the trends constructed especially those provided in Table 4.13. This is because there were a substantial number of offices in the ROW by 1983. When the constructed trend on number of countries and number of offices are considered together, the overall pattern from 1983 to 1997 appears to be more of a filling in than a sudden and sharp change in the strategic orientation of these firms. What this interpretation does is problematise the focus of recent advertising and press reports on the globalisation / internationalisation of these firms as a quite recent aspect of the firms' commercial operations (from perhaps the end of the cold war, from say 1990). Their international market reach is not new; it is a feature of their operations for at least forty years; the increase in international market reach has been steady rather than concentrated in the last few years.

4.3.3 Revenue Sources: The Concept of Service Diversification

The concept 'service diversification' is associated with the constructed trends related to sources of revenue. These trends are interpreted as undermining claims that the firms are primarily audit or public accounting firms. In constructing the trends, the concept 'service diversification' highlights the change in sources of revenue such that the proportion of each firm's revenue from the sale of non-accounting services has increased substantially in the period 1983 to 1987.

In the discussion, the meaning of the terms accounting and non-accounting revenue are not entirely clear. This is because the source journals published the firms' disclosures in several categories that were not consistent across the issues of the

journals. The definition of what each category included was not provided. For example, the interpretation assumes that accounting revenues include audit, however the contribution of audit services to accounting revenues is not disclosed. The category of non-accounting revenues is the constructed category. To construct it I assumed that any service labelled other was a non-accounting service. I further assumed that accounting revenues included audit. Then I created the category non-accounting services as a residual of overall revenues less accounting revenues. This should make clear that the contribution of audit services to revenue is not indicated but that it is assumed that revenue from audit is an important part of overall accounting revenue.

Again, the pattern of disclosure and publication imposed constraints on how I could use the constructed trends. In the discussion that follows, the interpretation focuses on changes in the proportion of overall revenue derived from non-accounting services, as defined in this dissertation. The category of non-accounting services relies on theoretical presuppositions drawn from a range of research emphasising service diversification (e.g. Montagna, 1990; Hanlon, 1994; Strange, 1996). In these sources, service diversification references a very wide range of specific service products, including business services, information technology services, management consultancy services. From the primary interpretations made in relation to the firms' quasi-histories (see especially Jones, 1981, 1995; Allen & McDermotte, 1993) it was noted that the representations in these quasi-histories reference such terms as 'helping the client' (solving the clients problems) and other social constructions that I associate with firms whose prime objective is not profit but service.

In light of these disparate representations of what constitutes non-accounting services, the discussion in this chapter uses the simpler distinction adopted in constructing the trends. That is, the discussion concerns changes in the proportion of revenues attributed to either accounting services or non-accounting services.

The first discussion point considers the constructed trend in revenues from non-accounting services, as a percent of total revenue over the period 1983-1988. Table 4.15 below provides details of the trend for the nine dominant firms in the period 1983-1988.

**Table 4.15: Revenues from Non-accounting Services
as a Percent (%) of Total Revenues, 1983-1988**

Firm	1983	1984	1985	1986	1987	1988
AA	48	49	51	53	57	60
DHS	26	27	26	33	35	39
TR	30	30	40	41	41	43
AY		32			42	41
EW	31	34	36	38	41	42
KMG	24	25	29	37		
PMM	23	36	38	38		
CL	30	35				
PW	31	32	34	41	42	45

The blank cells in the table indicate that no data was published by the firm for that particular year. The merger of Peat Marwick Mitchel and KMG in 1986 meant that a new firm emerged in 1987. Whilst details were disclosed for this new firm in 1987 and 1988, they are excluded from the table in order to focus on the main trends in the pre-merger period. The general trend over the period is interpreted to indicate more reliance on non-accounting sources of revenue. However, with the exception of Arthur Andersen, all firms seem to gain most of their revenue from the sale of accounting services. Thus, the share of revenue earned from the sale of non-accounting revenues for Deloitte Haskins & Sells increased from 26% to 39%; that for Ernst & Whinney increased from 31% to 42%. Moreover, even though the share of revenue from non-accounting services for Arthur Andersen was much higher throughout, in the pre-merger period it increased at about the same rate as that of the other firms.

The second discussion point considers the constructed trend of non-accounting sources of revenue in the post-merger period, from 1989 to 1997. The details are presented in Table 4.16 below.

**Table 4.16: Revenues from Non-accounting Services
as a Percent (%) of Total Revenues, 1989-1997**

Firm	1989	1990	1991	1992	1993	1994	1995	1996	1997
AA	63		63		64	64	64	52	76
EY	42		44	46	46	49	52	55	56
KPMG	35		49	48					
CL				44	45	44	45	57	
PW	45		49	50	50	49	51	53	54

In the post-merger period, less information was disclosed regarding the fee split and this is indicated in the table by more blank cells. One explanation for this could be the mergers in 1990 between Arthur Young and Ernst & Whinney to create Ernst & Young; and, the merger between Deloitte, Haskins & Sells and Touche Ross to create Deloitte & Touche. Because these mergers became effective in different years in each of the market segments it is possible this created difficulties for consolidation of such information across the offices of the newly merged firms.

The general trend over the period is interpreted to indicate more reliance on non-accounting sources of revenue. Moreover, with the exception of Arthur Andersen, toward the end of the period, nearly all gain more of their revenue from the sale of non-accounting services than the sale of accounting services. Thus, the share of revenue earned from the sale of non-accounting revenues for Ernst & Young increases from 42% in 1989 to 56% in 1997; that for Price Waterhouse increased from 45% in 1989 to 54% in 1997.

Moreover, even though the share of revenue from non-accounting services for Arthur Andersen was much higher throughout, in the post-merger period it increased from

63% in 1989 to 76% in 1997. At this point the trend overall is interpreted to indicate that Arthur Andersen may have become, during the post-merger period, a qualitatively different kind of firm. This is because its overall reliance on the sale of accounting services by 1997 was extraordinary by comparison to all other firms. The subsequent break-up of Arthur Andersen into two different companies, one, Arthur Andersen, the accounting partnership and the other, Accenture, the management consultancy company, suggests to me the interpretation that internal organisational tensions are created at some threshold in the fee split.

In summary, the interpretation of these trends highlights the general shift in sources of revenue from the sale of accounting to the sale of non-accounting services.

Contribution to Revenue Growth: Case Study

Some insight into contrasting market strategies by the firms can be gained by comparing constructed trends in the sources of revenue for Arthur Andersen and Price Waterhouse over the period 1983 to 1987. These two firms were chosen because primary interpretations associated with the quasi-histories suggested that these firms had quite different commercial strategies (see Chapter 5). Arthur Andersen relied mainly upon foreign direct investment for its expansion outside the US and the UK markets. Moreover, it appears to have developed internal controls for managing its management consultancy production by the 1950s (Stevens, 1991).

In contrast, Price Waterhouse was involved in a large number of acquisitions (mergers) dating back to the early 20th century (Jones, 1995; Allen & McDermotte, 1993). Jones (1995) represents Price Waterhouse as one of the most conservative of the big firms because his interpretation of their stance toward management consultancy services production. Thus, he argues that historically, Price Waterhouse's strategic priority was the sale of audit and accounting services. Only recently, according to Jones (1995) did Price Waterhouse adopt a strategy of expanding production and marketing of non-accounting services. In addition, Jones

(1995) argues that Price Waterhouse relied less on foreign direct investment and more on alliances to extent its market reach. This overall picture is interpreted as indicating the possible existence of quite different commercial strategies as between Arthur Andersen and Price Waterhouse.

The constructed trends presented in Tables 4.17 and 4.18 (below) enable some reflection on the points advanced by Jones (1995) and Stevens (1991). Table 4.17 provides details of the average annual growth of revenues for Arthur Andersen by market and source. Table 4.18 provides details of the average annual growth of revenues for Price Waterhouse by market and source.

**Table 4.17: Trend for Arthur Andersen:
Average Annual Growth of Revenue from the Sale of Accounting
and Non-Accounting Services by Market Segment, 1983 – 1997**

Market Segment	Accounting Revenue (%)				Non-Accounting Revenue (%)			
	WW	USA	UK	ROW	WW	USA	UK	ROW
1983 – 1997	6.5	5.8	13.5	18.0	16.0	11.4	19.4	22.1
1983 – 1989	6.7	3.9	8.2	13.2	10.5	12.2	23.0	25.0
1990 - 1997	6.0	7.1	15.3	20.2	18.5	9.1	13.0	17.8

**Table 4.18: Trend for Price Waterhouse:
Average Annual Growth of Revenue from the Sale of Accounting
and Non-Accounting Services by Market Segment, 1983 – 1997**

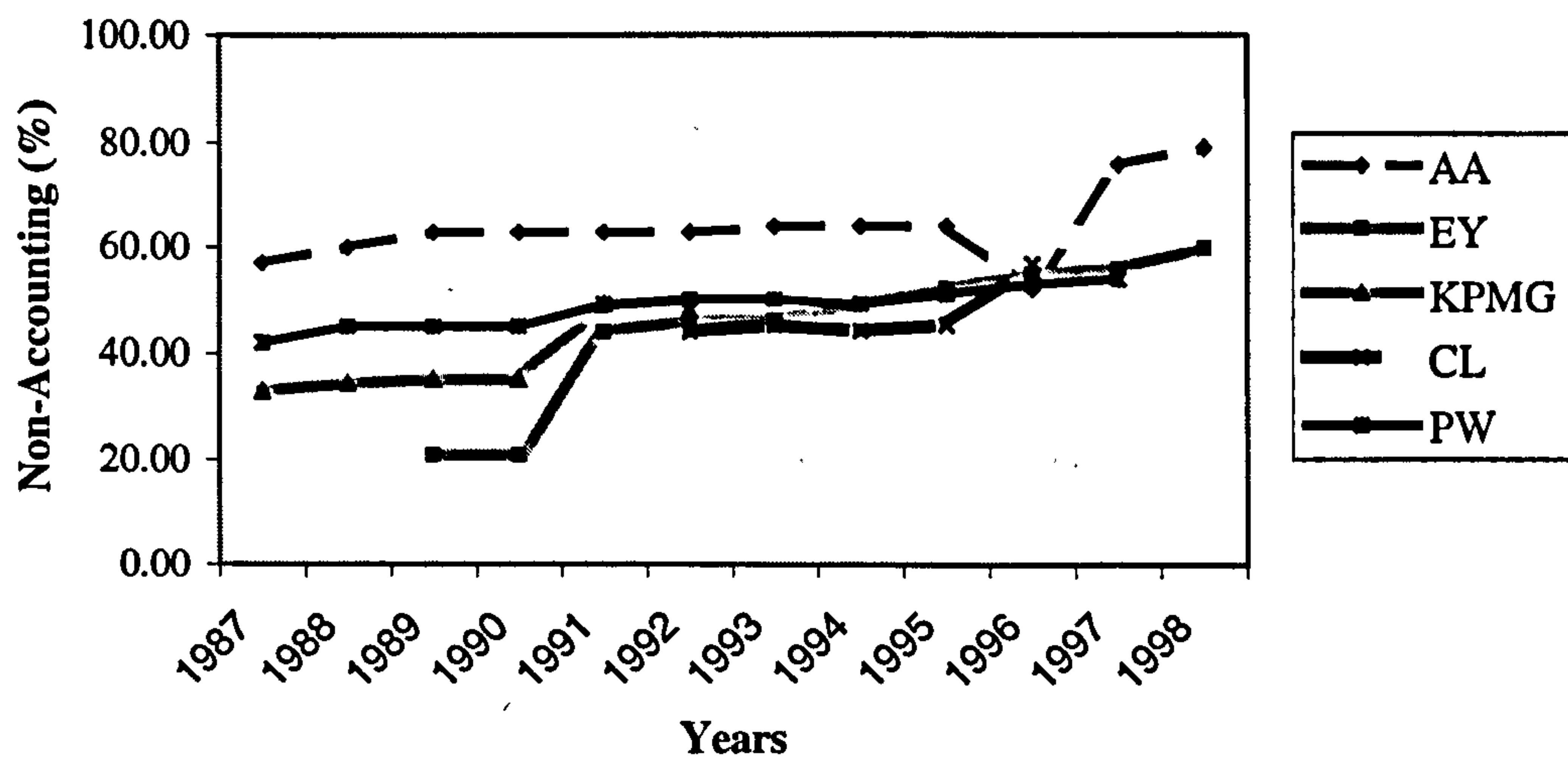
Market Segment	Accounting Revenue (%)				Non-Accounting Revenue (%)			
	WW	U.S.A	U.K.	ROW	WW	U.S.A	U.K.	ROW
1983 – 1997	5.7	3.5	6.7	6.9	12.5	11.8	15.2	12.1
1983 – 1989	6.7	4.6	9.8	7.5	16.0	14.9	23.4	14.0
1990 - 1997	5.3	2.4	2.0	4.8	8.0	8.0	5.0	11.8

Several points of contrast emerge in the interpretation of these trends. First, the growth rate of non-accounting revenue is substantially higher than that of accounting

revenue. Secondly, the growth rate of non-accounting revenue is higher in the post-merger period than in the pre-merger period. Third, the growth rate in revenues from either source is highest in the ROW segment but overall the growth rate in that segment is highest for non-accounting revenues.

I interpret these overall trends to mean that the behaviour of the other firms falls more or less between the two polar extremes set by Arthur Andersen, on the one hand, and Price Waterhouse, on the other. This suggests the general interpretation that during the pre-merger period, the firms are increasing their reliance on non-accounting revenue. Even so, the sale of accounting services, such as audit, remains an important source of revenue over the entire period. This view is summarised in Figure 4.2, which provides a graphical representation of the trend in the percent of revenue from the sale of non-accounting services, worldwide, 1987 to 1999.²¹

Figure 4.2: Trend in Percent of Revenue from Sale of Non-Accounting Services, Worldwide, 1987-1999



4.3.4 Performance Resources: The Concepts of Knowledge and Partnership Management

The concepts of 'knowledge management' and 'partnership management' are associated with constructed trends related to the composition of human resources and changes in that composition over time. These concepts reference theoretical presuppositions embodied in analysis of professional services firms. 'Knowledge management' references the general presupposition that the so-called human capital employed in services producing firms is the bearer of the firms' knowledge (e.g. Maister, 1982; Sherer, 1995; Boxall & Steeneveld, 1999; Hitt *et al.*, 2001).

The concept 'partnership management' references an organisation structure perspective; it focuses on the complex organisation structure of the firms as networks of partnerships and the need for the management of human resources in the organisation (Brown & Cooper, 1996; Greenwood & Empson, 2003; Beaverstock, 1996). Thus, the interpretation emphasises that the composition of human resources and the management of the partnership are separate but interrelated references to management control and are important in the overall success of commercial operations. Specifically, the interpretation relies on a general presupposition that the human capital structure and the network structure of the organisation shape the possibilities for making profits from services' production.

Moreover, the interpretation of the constructed trends referenced in this section relies on a general presupposition that knowledge management and partnership management rely on abilities within these organisations to reduce costs of monitoring services' quality and that this is especially important when there is interdependency between services or when services are jointly produced for sale to the same client.

²¹ During the period represented at Figure 4.2, the big firms were six. The graph includes five of the firms, as Deloitte & Touche did not disclose any data on non-accounting revenue during this period.

Thus, the interpretation of the constructed trends references presuppositions that human resources are both the main asset and the main cost in accounting firms. In a discussion of other firms having similar attributes to accounting firms, Maister (1982) argues that revenues are generated

“only in part from the high rates that top professionals can charge their clients. Partners rewards are also derived, in large part, from the firm’s ability through its project team structure, to leverage the professional skills of the seniors with the efforts of juniors” (Maister, 1982, p. 18).

This is interpreted to mean that the management of human resources including the management of the composition of these sources can affect the efficiency of the accounting firms.

In the discussion that follows the focus is on constructed trends related to changes in the numbers of professionals employed, the number of partners (owners), and these are compared in relation to revenue growth and to changes in the composition (leverage) of employment in these firms.

Constructed Trends of Professionals Employed

In the discussion that follows the focus is on constructed trends related to changes in the number of professionals²², and the association of these trends with trends in revenue growth.

The constructed trends rely on disclosure of the source professional journals. These gave the number of professionals employed by the firms in various years. The primary interpretation resulted in a paper archive, subsequently digitalised, in which it was possible to construct trends in numbers of professionals employed by four of the firms in the year 1983 through 1997 and to construct trends for the aggregate of

²² The overwhelming majority of big accounting firms’ employees are professionals. Therefore, one would expect that the ratio of professionals to employees would not be revealing regarding the knowledge base of the firms. However, the change in the number of professionals employed could be regarded as an indication of the firms’ investment in knowledge.

professionals employed in each market segment for the years 1983 to 1997. The source of the disclosures provided no details of how the term 'professional' was defined. In light of the trends discussed in the previous section, it seems possible to interpret the term as one including both accounting and non-accounting professionals. This is because at the beginning of the period all the firms gained a significant share of their overall revenue from the sale of non-accounting services. In the discussion that follows, I use the term 'professionals' in the same way they were presented in the sources. This means, no attempt has been made to distinguish between accountancy and non-accountancy professionals.

The discussion begins with the trends reported in Table 4.19, which provided the constructed trend for the number of professionals employed worldwide for four of the dominant firms, Arthur Andersen, Coopers & Lybrand, Ernst & Young and Price Waterhouse.

Table 4.19: Number of Professionals Worldwide for Four of the Firms, 1983, 1992 and 1997

Year	AA	CL	EY	PW	
			AY	EW	
1983	17,322	19,929	15,440	14,900	17,417
1992	44,995	46,000	44,278		33,298
1997	79,313	59,500	55,400		43,669

The details in the table indicate that in 1983 there were five firms with Coopers & Lybrand having the most professional employees worldwide and Ernst & Whinney having the fewest. The merger of Arthur Young and Ernst & Whinney created a larger firm and when one looks at the number of professionals employed a few years later (1992) the pattern has altered from that in the previous decade. In 1992, Price Waterhouse had roughly one third fewer employees than Arthur Andersen, Coopers & Lybrand and Ernst & Young. Thus, from the point of comparable size as measured by the number of professionals, three of the firms were comparable rivals in 1992 and one of the firms, Price Waterhouse, was smaller. By 1997, the pattern

changes again. The number of professionals employed by Arthur Andersen is roughly a third larger than that of the other three firms. From the point of view of size, as measured by the number of professionals, Arthur Andersen is clearly the largest, with Coopers & Lybrand the second largest, Ernst & Young the third, and Price Waterhouse the smallest of the four firms. The overall pattern is similar for trends constructed for the US and the UK markets of each of these firms.²³

In the US, Arthur Andersen employed the largest number of professionals in 1983 and 1997. In the UK, Arthur Andersen employed the smallest number of professionals in 1983 but employed the smallest number of professionals in 1997. Thus, overall, Arthur Andersen expanded more than the other firms, even though all the firms grew significantly from 1983 to 1997. One minor interpretation is related to the mergers that created Ernst & Young and Deloitte & Touche. One of the possible motives for these mergers was the objective of increasing their size so that the gap between them and the rest of the big firms was reduced.

The next discussion point concerns constructed trends for the aggregate. These trends enable discussion of the overall increase in the number of professionals employed by the firms. Table 4.20 below provides details of these trends. The number of professionals employed increased in all four-market segments, during the fifteen-year period. The annual rate of increase, for the period 1983 to 1997, was 5.5%; the growth rate was highest outside the US and the UK markets, averaging 6.8% per year. In contrast, the number of professionals employed increased by only 3.8% per annum in the U.S. and by 4.6% in the U.K.

²³ Full details can be found in section A3 of the Appendix. Here the reader can find constructed numbers of employees (by type) in all the firms, for all the years (52 tables).

Table 4.20: Growth Rate of Professionals Employed by Market Segment (1983 – 1997)

	WW	U.S.A	U.K.	ROW
1983 – 1997	5.5%	3.8%	4.6%	6.85%
1983 – 1989	6.2%	5.3%	6.8%	6.65%
1990 - 1997	3.55%	3.5%	1.7%	3.95%

During the post-merger period (1990-1997), the growth rate was lower than in the pre-merger period (1983-1989). The most striking changes are in the U.K., where the number of professionals employed grew at 6.8% before the mergers and only 1.7% per year, after the mergers.²⁴

The interpretation of the decrease in the growth rate is that during the pre-merger period, firms may have expanded the portfolio of services they marketed. If so, they would have required professionals in non-accounting services. However, by the post-merger period, they would have had the organisational capacity to cope with growth in clients' demands for such services. At the same time, if we assume that the mergers created synergies and complementarities in production, then the merged firm would have less need to hire additional professionals after the merger.

The next point of interpretation concerns the constructed trends of revenue growth and employee growth. It is now possible to compare the growth in revenue to the growth in employees. Table 4.21 provides a comparison of the average annual growth rate in employment and revenues in three market segments. This comparison is highly relevant to discussions of the profits earned by these firms.

Table 4.21: The Average Annual Percent Increase (Growth Rate) of Revenues and Professionals Employed in Three Market Segments

	Pre-merger Period (1983-1989) (%)			Post-merger Period (1990-1997) (%)		
	U.S.	U.K.	ROW	U.S.	U.K.	ROW
Revenue	8.0	14.0	9.0	5.6	4.5	6.1
Employment	5.3	6.8	6.6	3.5	1.7	3.9

In the interpretation that follows, what is highlighted is that revenue grew faster than employment. This pattern is interpreted to suggest that profits increase steadily over the entire period, 1983 to 1997. In services firms, the main cost drivers are employee numbers (Dunning, 1989). If annual revenue grows at the same rate as the growth in professionals employed, one could argue, *ceteris paribus*, that overall profits would remain more or less constant. If, on the other hand, revenue grew more slowly than employment, then one might conclude that overall profits would decline. Finally, if revenue grows more quickly than employment, one might conclude that overall profits would be increasing.

In the pre-merger period, overall employment grew more slowly than revenue, by about 3% less per annum. The same general trend found in the post-merger period but revenue growth exceeded employment growth by only 2% per annum. This leads me to interpret the trends as indicating the possibility of efficiency gains by the firms over the entire period. There are differences from this general picture for each of the market segments. The interpretation of these differences focuses on the possibility that the gap between employment growth and revenue growth indicates increasing profits. Because the gap between revenue and employment is sustained throughout, I interpret this to indicate that profits might have been increasing in all market segments over the entire period (1983-1997). Profits may have been greater in the

²⁴ It is possible that the constructed trends, for the U.K., capture some of the effects of privatisations occurring in the pre-merger period. Presumably, as this was a once and for all source of work, when

pre-merger period. Because the gap is greatest in the UK, I interpret this as suggesting the possibility that the UK was the most profitable market segment in both periods. I connect this possibility with the opportunities that may have been created by privatisation.

Constructed Trends in Number of Partners

In the discussion that follows the focus is on constructed trends related to changes in the number of partners, and the association of these trends with trends in revenue growth.

The constructed trends rely on disclosures of the professional journals. These gave the number of partners for the firms in all the years. The primary interpretation resulted in a paper archive, subsequently digitalised, in which it was possible to construct trends in numbers of partners for four of the firms in the year 1983 through 1997 and to construct trends for the aggregate of partners in each market segment for the years 1983 to 1997.²⁵ The source of the disclosures provided no details of how the term 'partner' was defined. In light of the trends discussed in the previous section it seems possible to interpret the term as one including both accounting and non-accounting partners. This is because at the beginning of the period all the firms gained a significant share of their overall revenue from the sale of non-accounting services. In the discussion that follows, I use the term 'partners' in the same way they were presented in the sources. This means, no attempt has been made to distinguish partners between accountancy and non-accountancy. Moreover, there are no distinction referencing a hierarchy amongst partners relating to direction, control, and remuneration.

privatisations seized the need to hire additional staff was reduced.

²⁵ Full details can be found in section A3 of the Appendix. Here the reader can find constructed trends on the number of partners for all the firms for all the years (52 tables).

The discussion begins with the trends constructed and reported in Table 4.22, which provides the constructed trend for the number of partners worldwide for four of the dominant firms, Arthur Andersen, Coopers & Lybrand, Ernst & Young and Price Waterhouse. These are the same firms discussed in the previous section.

Table 4.22: The Number of Partners Worldwide, for Four Firms, 1983, 1992 and 1997

	AA	CL	EY	PW	
			AY EW		
1983	1,477	2,404	2,250	1,900	1,751
1992	2,454	5,100	5,318		3,221
1997	2,651	5,450	5,900		3,528

In 1983, the overall pattern is interpreted to indicate some differences in size, such that Arthur Andersen has the fewest number of partners and Coopers & Lybrand the most. The details for Arthur Young and Ernst & Whinney (who were separate firms in 1983) indicate that in relative terms Arthur Young had the second highest partnership number while Ernst & Whinney had the third highest numbers. Significant changes occur in the pattern in 1992. Arthur Andersen continues to have the fewest number of partners but the gap between it and those with the largest number of partners (CL and EY) is much greater than in 1983. By 1997, the gap has increased between Arthur Andersen and all the other firms.

In relation to the interpretations made in the previous section, an interesting point emerges. It was noted in the previous section, that the number of professionals employed by Arthur Andersen had increased much more rapidly than employment by the other firms. Over the same period, the increase in the number of partners was much less. This suggests the interpretation that many of the professionals hired by Arthur Andersen in the period 1983 to 1992 did not become partners. The pattern is different for the other firms, where the increase in the number of professionals is associated with the increase in the number of partners. This point is further supplemented by discussion of constructed trends of the average annual percent

increase in the number of partners for all the firms in each of the four markets during the period 1983 to 1997. The details of these constructed trends are presented in Table 4.23 below.

Table 4.23: Average Annual Percent Increase (Growth) in the Number of Partners for All Firms in Each of the Four Markets, 1983 – 1997

	WW	U.S.	U.K.	ROW
1983 – 1997	2.65%	1.45%	3.7%	3.23%
1983 – 1989	3.15%	2.4%	5.7%	3.3%
1990 - 1997	1.02%	0.65%	1.05%	1.25%

As indicated in Table 4.23, the average annual percent increase in the number of partners from 1983 to 1997 was 2.65%. The highest growth rate was in the U.K. market (3.7%), followed by the Rest of the World market segment (3.23%). The lowest rate of increase is in the U.S. market (1.45%).

The average annual growth rate in the number of partners was much higher in the pre-merger period (circa 3%) than the post-merger period. This is especially evident in the firms' US and UK markets, where the increase was less than 1%. Worldwide, the number of partners grew at about 3% per annum in the period 1983 to 1989. During the pre-merger period, the number of partners in the U.K. grew by 5.7% per annum. This is a surprisingly high growth rate when compared to that of the Rest of the World market (3.3%) and that of the U.S. market (2.4%).

During the post-merger period, the growth rate decreased substantially in all markets. Reflecting the trend overall, the number of partners in the worldwide market increased by 1% per year. The greatest change took place in the U.K., where growth in the number of partners fell from 5.7% per annum to 1% per year. In the Rest of World, the growth rate fell from 3.3% to 1.25% per year; that in the U.S. fell from 2.4% to a mere 0.65% per year.

The interpretation made of these constructed trends focuses on the possibility that, in the post-merger period, the rate at which professionals were promoted to partners decreased. This interpretation relates to some ideas in research on professional services firms about organisational leverage.²⁶ I do not consider this concept a useful one, for my purposes, however, it seems to me that these constructed trends do provide some images about changes in the span of control and the possibility of some changes in the revenues per partner.²⁷

I am struck by the fact that these constructed trends reference the same period that Hanlon (1994) interprets as the commercialisation of accountancy. My interpretation of these trends suggests that the processes that preoccupy him may reflect possible changes in the conditions of professional employment, especially that the possibility that becoming a partner is more difficult. For accounting professionals, the promise of partnership must certainly be regarded as important. My interpretations of the trends points to the possibility that it might be becoming more difficult to be promoted to partner; this could produce tension between the honouring of a promise of partnership and more short term pecuniary incentives.

Management of tensions related to the promise of partnership is interpreted as a central issue for the accounting firms (Hanlon, 1996). Related to this is management of professionals from diverse technical backgrounds. In describing the management of this type of firm, there are two elements that dominate in the primary interpretations. One is the management of the partnership form and the other is the management of knowledge. By knowledge management, I mean the management of professional employees who are the bearers of the knowledge required to produce the

²⁶ The concept of organisational leverage is an extremely messy one and no attempt is made to tidy it up. In general terms, the concept refers to the ratio of professionals per partner. In some work, this is associated with control in others with profitability. For a full discussion on this, see Maister (1982), Greenwood & Empson (2003), Greenwood *et al.* (2002), Hitt *et al.* (2001), Sherer (1995), Ciancanelli (2002), Pastra (2002).

²⁷ This is because the surplus available for distribution to partner should increase with increase in revenues arising from expansion and given the implied decrease in professionals being made partners imply an increase in the income per partner.

services that are sold. By partnership, management is meant the management of the human resources in the context of the complex organisation structure of these firms as networks of partnerships. Management of the partnership references the constructed trends related to changes in revenues, market reach, and numbers of partners. Management of knowledge references the constructed trends related to changes in the number of professionals employed, in the number of partners, and in the sources of revenue. The characterisation of the management problem in the accounting firms in this way is not very satisfactory.

4.4 Concluding Remarks

The concluding remarks include a brief, overview summarising the main concepts developed at the second level of interpretation of the materials in this chapter. This is followed by a discussion Comments on social construction and the quantitative representations, after which follows a discussion of the main points highlighted in this chapter.

This chapter discussed the interpretation of the firms' trends constructed using the firms' intermittent disclosures on their commercial operations in the period 1983 - 1997. The interpretation of the data cache was presented in the chapter in three main steps: in the first step (primary interpretation), the initial construction of trends was discussed (Section 4.2). In the second step (second level of interpretation), the constructed trends and the concepts they are interpreted to represent were discussed (Sections 4.3).

These are summarised in Table 4.24 that follows.

Table 4.24: Overview of Comparisons of Second Level Concept Terms and Primary Level Representations

Second Level of Interpretation (Concept Terms)	Primary Level of Interpretation (Constructed Trends on Representations):
Revenue Growth	Revenue
Market Reach	Number of countries and size measures in the Rest Of the World (ROW) market (particularly the number of offices) and Trends in changes.
Service Diversification	Revenue Split (accounting versus non-accounting) and Trends in changes.
Management of Knowledge Management of the Partnerships	Professionals Employed Partners

Comments on social construction and the quantitative representations

I think it would be useful to supplement the discussion of the sources in section 4.1 with a short discussion of how I interpreted the types of social constructions at work in the quantitative representations about aspects of the firms commercial operations. This is done in the discussion that follows.

One type of social constructions, relates to the sources of the data – the practitioners journals. One of the questions that arises is why these journals disclose this information and who is the target readers? Moreover, as mentioned in section 4.2, where the sources were discussed, the disclosures of data are by market. Accountancy mainly includes publications for the U.K. market, whereas publications for the worldwide and the U.S. market were less frequent. This would be expected, as the Accountancy is a U.K. publication. In the IAB, another U.K. publication, the worldwide, the U.K. and the U.S. markets are consistently found in the publications year-after-year. Disclosures for other markets are less frequent. Therefore, market disclosures could be divided in two categories: those that were standard features of

the journal every year and intermittent ones. Regarding the intermittent ones, some markets appear more frequently than others. Some of the G5 countries are almost a regular feature, whereas countries like Brazil, Mexico, Greece, China, Singapore, Indonesia appear less frequently.

Thus, the worldwide, the U.K. and the U.S. markets appear every year during all fifteen years, France and Germany come next with eleven appearances, Canada and Italy with ten, Japan and Australia with nine, Spain and Sweden with eight and seven appearances respectively, and so on. One could argue that this is an artefact of the size of the economy or of the size of the accounting services' market. However, despite these possible justifications and explanations, what is puzzling is that countries that have always been bigger and financially stronger than the U.K. (e.g. Germany) seem to appear less frequently than the U.K. Moreover, countries with similar laws and accounting traditions, for example Canada and Australia, very sporadically appear in the disclosures and their disclosures become more systematic from 1991 onwards. Besides being an artefact of the economic system or the market, the very presence of the U.K. and the U.S. markets year-after-year could be interpreted as an indication of the firms' Anglo-American origins and identity²⁸.

Another type of social construction relates to the firms' willingness and/or unwillingness to disclose. One of the questions that arise is why the firms are willing to disclose this type of information. The firms in these publications are ranked by revenue, and the big firms always ranked top with great differences in size (measured by revenue and number of professionals and partners) from the rest of the accounting firms. This observation is true for all the markets studied. Thus, a potential answer is that these disclosures are another mechanism through which the firms get the opportunity to illustrate their success and trustworthiness to interested parties (e.g. client-firms, prospective trainees, the public), using the disclosures as promotion material. This way, the firms seem to be able to orchestrate their public image. They

have the choice to publish the type of information they want, pushing into the shadow their profit making objective and foregrounding their public interest duty. The lack of published information on profit and on partners' profit sharing is indicative of the firms' ability to censor and control published information.

Moreover, although the data disclosed could be used to benchmark the big firms' operations and growth with other firms in the industry, the result of this exercise seems to be predetermined and in that sense, there is little value to it. In other words, the conclusion of such a benchmarking exercise would establish and promote the big firms' dominance in the audit and non-audit markets. However, such a result would not add to the existing information and image of the firms as it is a market position that has been achieved since the early 1930s (McGee & Garner, 1992; Matthews *et al.*, 1998) and has been confirmed over the years by numerous studies (c.f. Yardley *et al.*, 1992). The disclosures emphasise the growing size of the big firms as compared to all other firms, as if size is a proxy for high quality of services offered. Notably, information on cases of litigation or out-of-court settlements for each firm in the industry is not disclosed. Such information could be interpreted to represent the quality of services offered by the firms and therefore, it could be a more useful benchmark for the services they provide than revenues or the number of professionals employed by the firms.

Another type of social construction relates to the construction of the data disclosed. For example, the worldwide revenues of the firms are reported in U.S. dollars²⁹, a practice that could be interpreted to point to the dominance of the American offices over the international practices of the firms, thus it indicates that the headquarters of the firms are the U.S. partnerships³⁰. Moreover, I interpret the very existence of disclosures on the worldwide operations of the firms that they also consider the

²⁸ The IAB in a report on changes in the French market also indicated the importance of Anglo-Saxon firms in that market (IAB 1983; 1986).

²⁹ Disclosures of revenues for local markets (countries) are reported in the local currencies.

³⁰ Or was this practice followed because the US\$ is the international currency, widely used for business transactions and thus, understood more easily than for example French Francs.

substance of their operations more important than the legal form. In other words, although the firms legally operate as independent national practices, at the same time the economic and managerial operations are represented as ones of a multinational firm.

The existence of the disclosures raises the question of what type of information there is missing from the public domain, information that other types of firms of a similar size to that of the big accounting firms are required to disclose and are audited for the verification that they disclose a fair and true view of their financial performance and position. The list could be quite long, depending on each researcher's interests. Profit figures are not disclosed. Cost information is not disclosed; this information would be useful for the assessment of the firms' profitability. Moreover, information on costs for marketing would be revealing about the firms' expenditure on their promotion and investment in their brand name. Information on assets and liabilities would be enlightening, especially information about any contingent liabilities arising through litigation – information quite relevant in view of the audit failures and scandals. Information on partnership capital and profit sharing between the partners would also be revealing for the operations and the organisation of the firms both at national and at the international level. Information on the social responsibility of the firms would also be of interest, especially since the firms are seen, at least by critical accounting research, to be part of a profession, which in effect means that they have an ethical responsibility towards the public.

Main points highlighted in the chapter

The main points highlighted in this chapter are as follows. Firstly, in the bricolage quantitative materials can be used in qualitative research if they are treated as a supplement to the overall interpretation, rather than assuming a privileged position in the interpretation. Thus, I do not privilege the quantitative representations referenced in this chapter over narratives that I developed in this chapter and other chapters. I do not regard them as better or more accurate representations of the real.

Further to that, as a separate point, using the bricolage was a means to treat them as the equivalent of a narrative in which the 'story-teller' represents events and processes by reference to quantity. Since the particular story-tellers in this chapter (the big accounting firms) told their stories to a publisher who then published what he said they said,³¹ whose story these quantities were (as a set of items) and how they were constructed was never clear.

A third point is that I subjected these quantitative representations to interpretation but because there were quantitative social constructions this gave me a different set of interpretive options than I would have had with a qualitative narrative (e.g. the chairmen's report in the financial statements of a publicly listed corporation).

Following on from this is a fourth point about what I chose to do with these representations of quantity. Since they were intermittently published and suffered from silences on the technical aspects of their social construction and absences of representation from one firm or another, I decided to compile them into an overall 'exposition' (e.g. the data base) and use this to construct images of the overall 'story' that was told. These images are referred to as constructed trends and constituted memos used in the second level of interpretation.

A fifth point concerns how I used the constructed memos. I used them as images of aspects of the firm's commercial operations and as images of the aggregate of the firms, as a type of capitalist firm. This supplemented my interpretation of the narrative representations in chapters 3 and 5.

³¹ This may sound like a version of the children's game called 'gossip' where we sit around in circles and I tell a story to the person on my right who then tells it to the person on their right and so on until the circle is completed in the telling of the story to the person who made it up. Usually, this leads to a lot of laughter because of how the story changes, as it passes from one person to another—this being the subject of discussion once the circle is completed. The difference, of course, is that I was in the middle of an unknown 'circle' and had no idea who was on my left or how many 'chairs' there were between the firms and the publishers, between the publishers and the editors and between the editors and me, the person reading what was in the source publication.

As one criteria for assessing qualitative research is reflexivity, the sixth point I would make is that my treatment of these images of 'quantity' may not persuade those qualitative researchers who think that quantitative materials have no place in qualitative research. I, of course, dispute that position and one of the reasons I do is that my research area is accounting. It seems to me valuable at least to try to develop ways to make use of our understanding of 'quantity' to enrich our interpretations of social reality.

This brings me to the last point I will make. My use of images of 'quantity' to develop my interpretation of the firms led me to focus on those constructed trends (revenue growth, market reach, services diversification and management of knowledge and partnership networks) that referenced aspects of commercial operations that I associated with my overall presuppositions about capitalist firms. I privileged these trends because my presupposition was that as capitalist firms, the big accounting firms would need (or want) to tell quantitative stories about a restricted range of things and that from these stories, I could make some interpretations about aspects of the firms, such as the management control problematic, on which, other narrative, stories could be found in the empirical materials referenced in Chapters 3 and 5.

Chapter 5

Data Cache III:

The Firms' Own Stories

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5.1 Introduction

The subject of this chapter is my interpretation of the representations made by the authors in the quasi-histories of the firms. The chapter discussion focuses on the main elements of the second level of interpretation. This is for three reasons. First, unlike the empirical materials discussed in Chapter 4, those analysed in this chapter were easier to assemble, second, the writing of memos was more straightforward, and, third, discussion of the primary level of interpretation does not require detailed description.

Section 5.2 that follows provides information on the construction of this 'data cache' and the coding process by which the primary interpretation was developed. The second level of interpretation is the subject of sections 5.3 and 5.4. This includes discussion of two sets of concepts that dominated in the primary interpretation, those grouped as 'intangible capital assets' and those grouped as 'commercial operations'. The last section (5.5) provides concluding remarks on the main discussion points of this chapter.

5.2 Primary Interpretation

Coding of these materials involved reading the histories and note-taking, which, through a series of steps, resulted in the memos that guided exposition about the concepts, developed. The initial note taking had mainly two levels of interpretation: the primary level (many pages of writing to note details in the written texts) and some aspects of the third level. Subsequent compilation of these notes enabled me to establish the elements that dominated my interpretation of what the authors' of these texts 'meant.'

The events, conjunctures, and structures represented in the histories are the substance of the primary interpretations I made. Most of the histories were funded by the firms or written by members of the firms. For this reason, they are referred to as quasi-histories. The main feature of this source material is that these histories are not what I would regard proper histories. This is because they were not produced by independent researchers. In my view, the distinction between a proper history (of whatever quality) and a quasi-history is not only the independence of the author but also the presence of what I will call an historical perspective. According to Abbot (2001)

“If there is any one idea central to historical ways of thinking, it is that the order of things makes a difference, that reality occurs not as time – bounded snap – shots within which ‘causes’ affect one another ... but as stories, cascades of events. And events, in this sense are not simple properties, or simple things, but complex conjunctures in which complex actors encounter complex structures.” (*ibid.*, p. 117).

In other words, the ‘order of things’ matters but the stance towards that order has to reflect the complexity of dependence between what came before and what comes after. This perspective is what the quasi-histories lack. To some degree, the documents could be regarded as biographies of the firms, since the central actor in the stories that are told is the firm itself. However, I think that defining them as *chronicles* is a more precise way to characterise them. This is because, in a formal sense, a chronicle is defined as an historical account of events, arranged in order of time, but without reflection or historical perspective.¹ In the quasi-histories, events and personalities are discussed in an episodic, intermittent, decontextualised and indicative manner. For this reason, they could be called chronicles of the firm. However, in the discussion in this chapter, I adopt the term ‘quasi-history’ because that term is closer to the name given by the authors of the text but one that references my interpretation that the name they have chosen is not the one I would have given.

¹ This is a paraphrase of the definition given by Merriam-Webster Dictionary (2003). Supporting this definition, is the etymology of the words chronicle and history. The word chronicle comes from the Greek word *chronika* (in Greek, χρονικά), which means ‘about a time’ (and usually refers to a book). In contrast, the word history comes from the Greek *historein* (in Greek, ιστορειν), which means ‘inquire’ (akin to the Greek word *eidenai* – εἰδέναι, which means to know).

Nonetheless, these chronicles or quasi-histories are seen to constitute a valid source of empirical material for knowledge constructions on the firms' commercial operations. Their shortcomings as history are seen to offer some advantages in the bricolage. There are two main advantages. First, these quasi-histories are the firms' 'own stories'; that is, they are the authorised representations of the firms have chosen to make about themselves. Second, they include detailed representations about what I would call strategy, organisational behaviour, decision-making, commercial aims and objectives. These details were treated as representations that were noted and integrated into the primary or first level of interpretation. In the project of theory creation, these representations constituted a rich source that I could use in conjunction with the other types of empirical materials collected.

Nine histories of the big firms were analysed. Four of them were commissioned by the firms and written by outside authors; the other five were written by partners of the subject firm. The motivation given for publishing each (and all) of the histories was the celebration of an important 'birthday' of the firm.

As all were written by U.K. or U.S. authors, a particular perspective on events dominates. In other words, one of the first elements of primary interpretation is the view that these quasi-histories tell the story of the firm from the perspective of the home office. Thus, the stories convey an ideas and taken-for-granted social perspectives of authors from the UK and the US. All the chronicles were written after the Second World War. The earliest is the 1954 quasi-history of Cooper Brothers & Co. and the most recent is the history of Price Waterhouse published in 1995. Table 5.1 provides details of the quasi-histories referenced in this chapter.

Table 5.1: Partner-Written and Commissioned Quasi-Histories

Big Firm Studied	Title of History	Date Published	Author
Cooper Brothers & Co.	A History of Cooper Brothers & Co., 1854 to 1954	1954	Cooper Brothers & Co.
Deloitte & Co.	Deloitte & Co., 1845 - 1956	1958	Kettle, R.
Arthur Andersen	The First Fifty Years: 1913 - 1963	1963	Arthur Andersen & Co.
Thomson McLintock & Co.	Thomson McLintock & Co.: The First Hundred Years	1977	Winsbury, R.
Touche Ross & Co.	Touche Ross & Co., 1899 - 1981	1981	Richards, A. B.
Ernst & Whinney	Accountancy and the British Economy 1840 - 1980: The Evolution of Ernst & Whinney	1981	Jones, E.
Coopers & Lybrand	The Early History of Coopers & Lybrand	1984	Coopers & Lybrand
Price Waterhouse	Accounting for Success: A History of Price Waterhouse.	1993	Allen, D. G. and McDermotte, K.
Price Waterhouse	True & Fair: A History of Price Waterhouse	1995	Jones, E.

Regarding the quasi-histories written by the partners of the firms, no information is provided about the editorial process. Moreover, the sources of information relied (e.g., documents or types of documents; named archives, and so on) were not clearly or comprehensively referenced. Sometimes the authors referenced interviews with other (usually anonymous) partners of the firm and sometimes the firm's archives, about which little was said. I inferred that the research for these quasi-histories involved a combination of field and archival research. However, there is no indication of the types of questions asked, nor is there a description of the types of

documents consulted, or what documents were sought but not found. In addition, no academic accounting research is mentioned in the discussions.

In the case of Richards' history of Touche Ross (Richards, 1981), an effort is made to be more explicit in referencing the sources. Interviews are mentioned but no details are provided as to the number of persons interviewed, the type of questions asked, or the types of people interviewed (e.g. partners, retired partners, professionals, staff or alumni of the firm). What is surprising in Richards' book (Richards, 1981) is that he references documents that are available in the public domain, such as the firm's house magazines and various professional publications such as the *Journal of Accountancy*. From the record, it would appear that even Richards was denied access to the firm's archive. This led me to believe that perhaps there are no archives; from the state of the references given in these quasi-histories, it is impossible to say. I rejected this conclusion because there was so much detail in the stories told about the early period, including details of names, places, events, 'local colour' and so forth.

The commissioned histories provide more information on the editorial process, however it is still quite limited. The history of Thomson McLintock, written by a senior member of staff of the *Financial Times* (Winsbury, 1977), refers only to the fact that the process of gathering the materials for the book had been started earlier by two "old friends and clients of the Glasgow office" (Winsbury, 1977, p. ii). One of these old friends is described as an academic, however, beyond that no information is provided.

In the case of the two commissioned histories, written by Jones (Jones, 1981; Jones, 1995) reference is made to the 'History Committees' of both firms. However, the formation and role of these committees is not detailed; there is only a vague discussion of their members having an advisory role. No details are given as to what type of advice they were meant to provide. Moreover, in both books, reference is

made to only one person from each of the firms.² Jones (1981) describes their role as related to the initiation of the project and the provision of 'guidance'. One can only speculate about the research process because there is so little description of the actual process and the extent to which the research was guided in one direction or another.³

Both of Jones' books were reviewed in the journal *Business History*; the first review in 1982 (Edwards, 1982), the second in 1997 (Thomas, 1997). The reviews offer an interesting contrast in style adopted. The earlier review offers an interpretation of the book referencing its context in British history. The second review is a fairly mechanical summary of the book's contents. The open interpretation of the first reflects on certain shortcomings of the book related to factual errors in respect of the broader historical context. Furthermore, mention is made that

"the chronological presentations of the material ellipses ... is probably appropriate for a narrow house history but less effective when the aim is to assess influences on professional and economic development."
(Edwards, 1982, p. 317).

In contrast, the most recent review praises the work but offers no reason for doing so, other than its readability and skilful mixture of detail. In other words, the second review unlike the first offers little comment on the scholarship and whether it escapes the confines of a house history. In my opinion, there is not much difference between these books. Both are narrow house histories rather than histories of the firms. In addition, I have scepticism about the strategy of crowding the history of the firms in references to the development of the profession.

In the case of the commissioned history of Price Waterhouse in the US (Allen & McDermotte, 1993), the authors refer to the role of an advisory committee, comprised of members of the firm. However, there is no explicit description of who served on this committee or to their exact advisory role. The authors, themselves described as management consultants, mention that an expert in business history sat

² In the case of Price Waterhouse it was a partner and in the case of Ernst & Whinney it was a partnership secretary.

³ Efforts were made to contact the authors, especially Jones, but these were not successful. This is a limitation of the research that is discussed in Chapter 7, conclusions.

on the committee. However, they do not give a description of his role in guiding the project. For example, did he assist in authenticating documents? Did he help in the editorial process? Did he provide expert assistance in defining the historical context of the events described? It is impossible to say from the references.

This is one of three of the histories to have been formally reviewed. The book was reviewed in the *Accounting Review*, the journal of the American Accounting Association and was written by a professor of Accounting at a US University and apparently co-authored with the then editor of the *Accounting Review*. The review provides a concise summary of the contents and ends on the following note

“This well-written, well-researched history provides a wealth of information about Price Waterhouse & Company and the development of public accounting in the United States.” (Berryman & Moriarity, 1993, p. 958).

The reviewers note in a curious aside that “Human interest aspects are generally excluded” (Berryman & Moriarity, 1993, p. 958). I would agree with the reviewers’ assessment that the book has a scholarly air. Certainly, in contrast to the Coopers & Lybrand history, this one is professionally written, references documents in the public domain and offers something of an historical perspective on the firms. However, its lack of “human interest aspects” is important because it reveals a silence that I regard as essential to the overall portrayal of the firms as a success. This is because, in a partnership, management control problematic necessarily involves important aspects of human relationships, namely trust, unlimited liability for another partners conduct, disputes about future plans and so forth. In this type of firm, the interest must lie in the human relations since the main part of the capital assets are professionals rather than machines. Thus, along with the reviewers, I note the silence on human relations but, unlike them, I see it as a fatal shortcoming of the book.

None of the histories referenced academic research on subjects related to the firms. Thus, even though Jones (1981), Jones (1995), Allen & McDermotte (1993) wrote their histories after the publication of a great deal of academic research on the firms

(e.g. Zeff & Fossum, 1967; Penney, 1961; Montagna, 1974; Francis, 1984; Yardley *et al.*, 1992; Christiansen & Loft, 1992, Wu & Hackett, 1977; Zind & Zéghal, 1989; McKee & Garner, 1992), these histories do not mention any of it. Indeed, from my standpoint, the most peculiar characteristic of these quasi-histories is their neglect of academic research and seeming indifference to the most minimal requirements of scholarship. I can only speculate on this point but it seems to me that the firms did not want to produce a history, in a conventional sense. What exactly, they *wanted* to produce is not clear to me. I interpret what was produced as the 'story' of success.

All of the authors situate their histories in the framework referred to as the development of the profession. A stated aim of the author's is to illustrate how the firm contributed its development. The stated audiences of the histories are "the past, present and future members of the firms (partners and professionals employed), their clients and other associates" (Richards, 1981, p. i). The authors interpret the stated as meaning they will document the growth and achievements of the firm.

Some of the histories place a great deal of emphasis on the growth of the profession, although, to me, the subtext is the growth of the firm. For example, in the commissioned history of Price Waterhouse in the U.S. (Allen & McDermotte, 1993), the first part of the books title is "Accounting for Success". This choice of title references the profession, the technique of accounting, and thereby, evokes social constructions related to both.

In the title, this is followed, by the phrase "A History of Price Waterhouse", thereby linking the history of the firms with social constructions related to accounting and to success. In this manner, the authors seem to wish to situate the history in the context of the profession rather than the context of business history. Indeed, only the title of the book by Jones in 1981 links the firm to broader developments in the economy. All the rest provide either a neutral or a positive title whose entire focus is the firm and its name. The underlying assumption in this pattern of representation is interpreted as an effort to both associate the name of the firm with scholarship whilst disassociating the name of the firm from commerce, business, or the wider economy.

The main theme to emerge in the primary interpretation is that the point of all the stories is to underscore that the history of their 'hero' firm is a story of success. In so doing, the attributes of success that dominated by interpretation, are mainly associated mid-to late twentieth century ideas of success. Thus, success and ideas of success were associated with professionalism, public service and service to the client. Notably, the word used is client rather than the word customer. Also, the stories use words like 'provide services' rather than sell services; meet the needs of the client rather than market products to the customer. The stories referenced professional and professionalism repeatedly instead of management and control of production. Thus when constructing the exposition of my research, I realised that a separate dissertation could be devoted to an hermeneutical study of these texts, looking in a more systematic way than I did, at the way language was used and how it contributed to a construction of an image of their activities as public service rather than commerce.

In the bricolage, the management of this type of empirical material is done by coding in a series of steps. The first step was chronological. Following the flow of the history presented, primary interpretations were identified within each time period. This process led to the identification of primary interpretations that seem to capture representations referencing the overall time period covered by the history.

Comparison of these primary interpretations for each of the firms, led to the development of interpretations that seemed to capture what was common to all of the firms' representations of themselves, past and present. The broadness or specificity of these interpretations, as well as the level of abstraction, varied during the research process. Thus, during the research process, the quasi-histories were read along side academic research and my construction of paper archives from the journals publishing disclosures of quantitative representations of the firms commercial operations. In my view, this simultaneous (rather than sequential) engagement with the empirical materials enriched the development of my primary interpretation. However, it also resulted in an, at times, almost unmanageable number of theoretical

memo's. I developed systems for keeping these papers so that the memos for the different levels of interpretation were distinguished.

The discussion in the next two sections brings together the main elements that dominated in the memos written in the coding of the nine quasi-histories. Working from them, I was able to identify five concepts (national identity, partnership networks, prestige, international orientation, multi-service production) that were dominant in my interpretation of these materials. Once articulated, the first step in reflection on their meaning to me began. It seemed to me they could be grouped into two types (intangible capital assets and commercial operations). The first one related to assets, something all profit-seeking firms require and the other to operations, another feature of profit-seeking activity. Other possible groupings were considered (e.g. into production and marketing). I rely on these groupings in the exposition in this chapter but, subsequently, in the construction of the theory concepts, these categories were dropped because they no longer seemed pertinent.

5.3 Second Level of Interpretation: Intangible Capital Assets

The discussion in this section focuses on those concepts grouped under the term 'intangible capital assets'. This grouping referenced conventional definitions of intangible assets – those assets that do not have a physical existence but are resources that the firm 'owns'⁴ or controls that are used in the generations of revenue. Thus, at the second level of interpretation, the concepts, 'national identity', 'partnership networks' and 'prestige' are understood as assets of the firm, whose use generates revenues. This is not without problems. The concept, 'national identity', could be interpreted as a characteristic of partners/owners rather than an asset of the firm (Cooper, et. al., 1998). However, in my second level of interpretation, the concept of

⁴ It is customary to talk about the 'human resources' or 'human capital' of the firm. I am not comfortable with this because people are not 'owned' and what they personally know (e.g. their professional expertise) is not 'owned' by the firm. I put small quotes around the term 'owns' mainly in relation to the concept of prestige because it is associated in the interpretation with the accounting knowledge (professionalism) of the employees of the firm.

'national identity' refers to the association between origins (i.e. lineage) and the broader social context in which the firms operated (specifically, first the British Empire and then the so-called American century) that is made in the representations in the quasi-histories

The concept of partnership networks could also be interpreted as a legal convenience rather than an asset. However, in my second level of interpretation, this concept of it as an asset crystallised many references in the memos that associated it with enabling commercial action. The concept 'prestige' is one that is sometimes connected to 'brand names' and these are conventionally clarified as intangible assets in Marketing or Accounting. My concept is not the same as 'brand name'; it is broader and attempts to incorporate more of the ideas about status as conferring some economic benefit (Ciancanelli & Pastra, 2000). This may explain why it becomes one of the six concepts in the theory. However, at my second level of interpretation, I thought of 'prestige' as an asset and only later, considered it in a broader way.

In the remainder of this section, I discuss each of the concepts that constitute my second (reflexive) level of interpretation of the quasi-histories. The discussion is organised in three main sections. Each of these sections describes an intangible capital asset that dominated the primary interpretation. Thus, the concept of 'national identity' is discussed in section 5.3.1. In section 5.3.2 there is a discussion of the concepts of 'organisation and management of the firms in partnerships of networks'. The concept of 'prestige' is discussed in sub-section 5.3.3.

5.3.1 The Concept of National Identity

The subject of this section is the concept 'national identity' and references representations in the histories about the separate national origins of the firms and the strong ties between the U.K. and the U.S. firms. The interpretation relies on some presuppositions associated with different theories of internationalisation that emphasises it as highly relevant for understanding a firm's commercial operations (Dicken, 1992; Dunning, 1989, 1973; Strange, 1989; on the accounting firms, see

Cooper *et al.*, 1998). In particular, the work of Ruigrok and van Tulder (1995) emphasise that, what they call, a firm's domestic bargaining arena (the institutional matrix of a given national economy) shapes its commercial strategy and operations.

They argue that

“The nature of a firm's domestic bargaining arena is at the root of its internationalization strategy. Hence a company's internationalization strategy can only be understood as a direct extension of the nature of the bargaining relations within its domestic industrial complex” (Ruigrok & van Tulder, 1995, p. 169)

In the second level of interpretation, the national origin of the firms is privileged. Their nationality is seen to affect many aspects of their commercial operations. Thus, in discussing the interpretations, I regarded it as important to present some of the representations made in the source texts so as to illustrate the elements that contributed to my interpretation. The discussion that follows highlights the close ties between the founding or predecessor firms to the dominant US and the UK firms and from which the idea of a 'hybrid' national identity emerged in my thinking.

Origins and Early Ties between the U.K. firms and the U.S. firms

The analysis of the lineage of the big accounting firms aims to highlight what I refer to as the hybrid (e.g., Anglo-American) nationality of the firms. For example, the names of some of the big accounting firms are the names of the partners who first opened offices in the US and the UK. Table 5.2 that follows provides details on the lineage of today's big accounting firms.

Table 5.2: The Predecessor Firms

Year of Establishment	Founding Firms		Big 9, 1987	Big 8, 1989	Big 6, 1998	Big 5, 2001
	UK	US				
1913		Andersen Delany & Co.	Arthur Andersen	AA	AA	AA
1845	Deloitte		Deloitte, Haskins & Sells	DHS	DT	DT
1886		Haskins				
1889	George A. Touche		Touche Ross	TR		
1850	Niven & Co					
1900		Touche, Niven & Co.				
1858		Philip S. Ross				
1848	Harding & Pukin		Ernst & Whinney	EW	EY	EY
1850	Turquand & Edwards					
1840	Young & Co.					
1903		Ernst & Ernst				
1894		Stuart & Young	Arthur Young	AY		
			KMG			
1867	Robert Fletcher & Co.		Peat Marwick Mitchell			
1877	Thomson McLintock					
1891	Peat & Co.					
1887		Walker & Marwick				
1849	Samuel Lowell Price		Price Waterhouse	PW	PW	PwC
1892		Price Waterhouse				
1854	William Cooper		Coopers & Lybrand	CL	CL	
1898		Lybrand, Ross Bros. & Montgomery				
		McDonald, Currie & Co.				

The details in Table 5.2 enable one to trace the main lines of development. Arthur Andersen, founded in the US in 1913, is strongly associated with the US. According to Ruigrok and van Tulder's (1995) perspective, it is best described as a national firm with international operations.

The other dominant accounting firms have a hybrid nationality. Thus, Deloitte & Touche Tohmatsu was formed out of the merger of Deloitte Haskins & Sells and Touche Ross. Deloitte Haskins & Sells had its origins in a UK partnership (formed in 1899) and a US partnership (formed in 1900). Touche Ross had its origins in two UK firms (George Touche and Niven & Co.), a US firm (Touche, Niven & Co.), a Canadian firm (Philip Ross) and a Japanese firm (Tohmatsu). Ernst & Young was formed by the merger of Ernst & Whinney and Arthur Young. Ernst & Whinney had its origins in three UK firms and one US firm. Arthur Young had its origins in one US firm.

KPMG was formed as the merger of KMG and Peat Marwick Mitchel (PMM). PMM had its origins in three UK firms and one US firm. The genealogy of Price WaterhouseCoopers is simpler. Price Waterhouse has its origins in one UK and one US firm; Coopers & Lybrand has its origins in one UK firm, one US firm and a Canadian firm.

It is noteworthy, that the common language of these networks was originally and has remained the English language.

The interpretation of a strong hybrid national character can be understood better by referencing their position in the US and the UK in the early 1930s. Table 5.3 that follows provides details of the largest accounting firms in the UK and the US in the early 1930s.

Table 5.3: The Top 10 U.K. and U.S. Accountancy Firms in the Early 1930s

1931: TOP 10 U.K.		1932: TOP 10 U.S.	
ACCOUNTANCY FIRMS		ACCOUNTANCY FIRMS	
1	Annan, Dexter		Arthur Andersen & Co.
2	Cooper Brothers		Arthur Young & Co.
3	Deloitte, Plender, Griffith & Co.		Barrow Wade, Guthrie & Co.
4	Ford, Rhodes & Ford		Deloitte, Plender, Griffith & Co.
5	Jackson, Pixley		Ernst & Ernst
6	Kemp, Chatteris, Nichols, Sendell		Haskins & Sells
7	McAuliffe Davis & Hope		Lybrand, Ross Bros & Montgomery
8	Peat Marwick Mitchel		Peat Marwick Mitchel & Co.
9	Price Waterhouse		Price Waterhouse & Co.
10	Turquand, Youngs		Touche, Niven & Co.

The sources for this table are Edwards *et al.* (1998) and McKee and Garner (1992). Their representation of the top ten firms brings to light many of the names present in today's dominant firms. The names ranked are familiar even though the ranking is not well known and rarely referenced.

Of the ten dominant firms in the U.K., three (Deloitte Plender Griffith & Co., Peat Marwick Mitchel, Price Waterhouse) were closely linked to the dominant firms in the U.S. (Deloitte Plender Griffith & Co., Peat Marwick Mitchel, Price Waterhouse & Co).

As the discussion of lineage makes clear, the predecessor firms to the big 5 were in close relationship with each other from the early part of the twentieth century. All were from either the US or the UK, all chose, by the 1930s, to maintain names for the firms that were associated with their founding firms. My interpretation of this hybrid national identity references some of the common features of the broader culture and society of the US and the UK. These include a common language, a

common legal system and a similar type of economy (particularly the importance in each of capital market based corporate finance) (Whitley, 2000). It is difficult to say which of these enabled hybridisation. Nonetheless, at the second level of interpretation, the representations that dominated include those connected with the lineage of the dominant firms and a national identity.

5.3.2 The Concept of Partnership Networks

The concept discussed in this section is 'partnership network'. It references representations in the histories associated with organisational structure, particularly their character as a network of unlimited liability partnerships and the management control issues arising. I interpreted this to mean that, on the one hand, each of the Big 5 is constituted by independent partnerships but, on the other, they are integrated by a commercial strategy (marketing campaign, and perhaps service-level requirements to assure the quality of the services offered).

Three main interpretive items are developed in the discussion of partnership networks. Each is related to ideas that dominated in the memos, including co-ordination and control of members of the network, its organisational structure, management of knowledge. My focus on the firms as profit-seeking entities meant that the themes identified reflect my presuppositions that management for profit, of a partnership network, must throw up some of the same problems encountered by any large organisation. At the same time, the themes reflect presuppositions that this type of capitalist firm faces different management problems. Thus, the emphasis in my interpretation is on the patterns of meaning that were dominant in the memos. These were crystallised in the three concepts: co-ordination and control, organisational structure and knowledge.

The concept of 'co-ordination and control' aims to incorporate my interpretation of representations of events and activities related co-ordination or control as a management problem the partnerships tried to address. The concept of 'organisational structure' aims to incorporate my interpretation of representations

related to production, especially those indicating different orientations to, or strategies for, managing production across the network. The concept 'knowledge' aims to crystallise representations related to my interpretation of what the firms sell. This last concept is seen to be much more problematic than the other two. 'Co-ordination and control' and 'organisational structure' are conventional terms, routinely used in management studies. While they are 'loose' concepts (i.e. in the sense that different specific meanings are attached to them in different schools of thought), they, nonetheless, communicate a basic idea of what is being discussed.

It is otherwise with the concept 'knowledge'. Firstly, the word itself is usually associated with individuals. Until recently, profit-seeking firms were not thought of as possessing 'knowledge'. Knowledge was (and still can be) considered something that is possessed by individuals and 'shared' (however imperfectly) by groups of individuals. Thus, I would not expect the authors of the quasi-histories to have relied on the new academic concept of 'knowledge', either implicitly or explicitly, in their construction of the stories of success.

Instead, I think that the concept of knowledge is another presupposition of the overall research effort, second only to the presupposition that commercial motive, or profit-seeking, decisively shaped the actions taken by the 'controllers' of the accounting firms. This limits what can be said here, by way of introduction to the concept. What I can note here is that in my interpretation of the problems of managing partnerships, I privilege the management of knowledge because I view it as constituting the core 'production' and 'marketing' problematic.

In the discussion that follows, the partnership network concept is clarified by illustrations from the memos of some similarities noted in the methods by which the individual units were co-ordinated and controlled. This is followed by an illustration of differences in organisational structure. The last section discusses the concept of knowledge and problems in its management.

Methods of Co-ordination and Control

The second level of interpretation identifies 'co-ordination and control' as one of the management problems privileged in the memos. This was because the quasi-histories seemed to privilege merger, as the main means by which the firms grew or that in growing through merger, the co-ordination and control of the two different firms created problems. Some ways in which these problems were addressed seem to have been efforts to ensure that the most well known names were retained in order to present a coherent international presence to their clients (Jones, 1981).

It should be noted at this point that sometimes the firms who merged did not use the 'new' name of the merged firm but their local names. The memos note the mention made in the histories that merger involved new agreements about administration of partnership units and the establishment of common quality standards. In addition, emphasis was given to issue related to communication across the network. The interpretation notes that whilst those were the general features referenced in all the empirical materials, there were some differences in the details discussed regarding how they were implemented. The next few paragraphs provide some illustrations of entries in the memos that highlight differences in how the issues of co-ordination and control were addressed.

Lybrand, Ross Bros. & Montgomery, a predecessor of Coopers & Lybrand (Coopers & Lybrand, 1984) discusses the need to organise annual meetings of representatives from all of their offices, both national and international. Apparently, meetings of this type were held first amongst partners only, however mention is made that in 1927 they included professional staff, as well. They give the purpose of these meetings as the need to discuss issues related to accounting standards and policies, in order to ensure "a high quality of practice throughout the organisation" and to resolve issues that the offices were facing and that were related to local conditions (Coopers & Lybrand, 1984, p. 57).

In addition to annual meetings, Lybrand, Ross Bros. & Montgomery promoted communication among the different parts of the firms through publication of a journal, the 'Lybrand, Ross Bros & Montgomery Journal'. Evidently, the first issue of this journal was published in 1920 and the practice continued for many years. As the network grew in size and complexity, other modes of communication were created. Thus, the quasi-history indicates that a handbook called, *The Manual*, was issued in 1946. The source claims its purpose was to communicate to their overseas partners and associates the policies and standards utilized by the 'home firm' (Cooper Brothers & Co., 1954, p. 78).

The memos note that at Deloitte, Haskins & Sells similar actions are referenced with respect to promoting co-ordination and control. For example, apparently both Deloitte, Haskins & Sells and the firm created by its merger with Touche Ross considered it important that partners from all their offices met for annual meetings and conferences (Kettle, 1958; Richards, 1981). In addition, Touche Ross also appears to have issued a guide for practices and policies across the network. This is referred to as "Policy Agreement Respecting Federated Operations" (Richards, 1981, p. 113). The author of the quasi-history noted,

"Although each firm participating in TRI [Touche Ross International] is a separate legal and economic entity, the degree of coordination between all offices enables clients to be served as if by one firm worldwide" (Richards, 1981, p. 114).

In other words, the representation made of the efforts of co-ordination and control reference serving the client. In the memos it is noted that this type of justification is quite common. The interpretation treats the justification with considerable scepticism. This scepticism regarding motive is noted as important in the second level of interpretation.

At Ernst & Whinney, the adoption of a single international name was linked with ideas that it provided a coherent international presence (Jones, 1981, p. 209). The importance of a single name is discussed in the context of the 1979 merger, where the author of the quasi-history writes

“As old staff loyalties to smaller units were stretched to embrace larger and potentially more remote organizations, a unified all-embracing title was designed to provide a cohesive force, consolidating the ‘corporate identity’. In turn, the single style was recognizable to clients throughout the globe, offering an outward sign of increasingly unified accountancy practice and guaranteed professional standards” (Jones, 1981, p. 209)

This representation of motive for a single international name is interesting for another reason. It implies that the problem of co-ordination and control is somehow made easier by the artifice of creating a common name. Again, the memos note that this idea is regarded with scepticism. The problems of coordination on an increasing scale would seem to require much more than the adoption of a name.

Other references in the quasi-history of Ernst and Whinney indicate that there were policies related to governance that were regarded as important. For example, a group of partners would act as representatives or delegates from the member practices to meetings at which they would formulate policy and make decisions about the global operations of the firms (Jones, 1981, p. 214).

Organisational Structure

The secondary level of interpretation identifies organisational structure as another management problem arising from the legal form of the accounting firms. This is because the quasi-histories devote considerable attention to what they seem to perceive to be the special qualities of the firm's ‘organisation’. In particular, the memos privilege issues concerning how the central units are or should be related to the rest of the network. In the discussion that follows these themes are illustrated by referencing the memos associated with specific firms. The organisational structure of Ernst and Whinney is described in the quasi-history in the following way

“there is a strong parallel with the way in which the largest accountancy practices have organized themselves. Like the multi-divisional company, they have a head office for policy-making, co-ordination and the provision of specialist services, while each of their branches, overseas and at home, like the different divisions of a large business, is largely

autonomous with a partner-in-charge responsible for its daily running” (Jones, 1981, p. 230).⁵

This representation of organisational structure is linked to the presence of a central office located in London and called the National Office. This office is characterised as profit centre and a centre for co-ordination and control of activities undertaken in the U.K. In other words, the organisational structure of Ernst and Whinney is represented as composed of a head office and satellite national offices.

The next two illustrations reference firms that are interpreted to have taken opposite approaches to organisation structure. The first is Arthur Andersen and the second is KPMG. The memos of Arthur Andersen identify centralisation as a significant feature of the organisational structure of this firm. It is noted that, as early as the Inter-War years, the representations referenced the expectation that different offices were to be self-sufficient, and at the same time, were to speak in one voice in terms of policies and procedures (Arthur Andersen & Co., 1963). Mention is made of the requirement that all the offices keep their files in an identical manner and that all issue manuals on the implementation of firm-wide accounting policies. The second level of interpretation notes that this expectation appears to be stronger after the Second World War, because it is articulated as the ‘one-firm’ concept. This ‘one-firm’ concept is associated with creation by the firms of their own training programme and taking other steps to improve communications among the branch offices. This expectation is articulated in the claim that:

“The secret of building a firm, rather than an association of individual practices, lies in establishing and maintaining a “one firm” concept to such a degree that it will override and take precedence over the basic tendency that is always present to operate independently” (Arthur Andersen & Co., 1963, p. 82).

⁵ Accounting research on the organisational structures of the firms has indicated that there are differences in the organisational structures of the firms (e.g. Cooper *et al.*, 1998; Cooper *et al.*, 1999; Greenwood, 1999). This section refers to the main characteristics found in the organisational structures of all the firms (e.g. the use of an international name for the network of partnerships – a practice of any multinational firms). This practice is not meant to deny the existence of individual differences and where relevant these differences are indicated. Further discussion of the individual firm’s differences in structure are outwith the scope of the discussion, which aims to discuss the data representing the emerging concept of partnership network and not the particular organisational behaviour practices of each firm.

In line with this vision are stories about 'strong centralized management', 'a common view on accounting principles', 'centralized recruiting and the standardisation of personnel policies'.

Further referencing of the one-firm concept is made in discussion about internationalisation. The theoretical memo notes decisions (from the mid 1950s) to establish their own offices abroad rather than entering into mergers with accountancy firms operating in the foreign location.

These decisions are represented as a significant change from practices followed before the Second World War. The reason given for the change to the one-firm concept on an international scale was some ideas about control, especially control of the quality of services. It is noted in the theoretical memo that this particular vision of control is one that is found in the work of Dunning (1989) on the motive for foreign direct investment.

The materials on organisational structure for KPMG contrast strongly with those for Arthur Andersen. The theoretical memo notes that at KPMG the firm

“operate a federalist system within Britain, where profits are not pooled but earned and retained by each autonomous regional office” (Jones, 1981, p. 209).

Winsbury (1977) in the history of the predecessor firm, Thomas McLintock, reference an 'internationalisation philosophy' associated with what is referred to as the 'ninth international meeting of the firm' (this is said to have occurred in the 1960s after the merger with the U.S. firm Main Lafrentz). Directly from the source is written the following:

“... the best service can be rendered to multi-national clients of our group by strong national firms staffed by competent national professionals. ... This philosophy rejects the proposition that a world-wide professional organization must be dominated by one firm of a particular nationality or that staff in foreign locations must be dominated by expatriates” (Winsbury, 1977, p. 126)

The theoretical memo notes that there could be nothing more opposite to the one-firm concept than the internationalisation philosophy expressed in the above quotation.

The Management of Knowledge in Partnership Networks

The interpretation of the concept 'knowledge' privileges it as the core of the management problem in these firms for two reasons. First, the 'bearers' of knowledge in the accounting firm are seen to be its professional employees; thus, the interpretation of 'knowledge management' is closely tied to the concept of 'partnership management'. In other words, my interpretation associates overall partnership management with the management of knowledge. Second, the concept 'knowledge' includes archives or databases, that is, records where the accumulated knowledge gleaned from previous commercial activity. This aspect of knowledge means it can be interpreted to be an asset that requires renewal and attracts expense (i.e. collected, stored, organised, analysed, reported, and communicated).

In the memos, what is dominant are representations related to the management of information and its communication. Entries in them indicate that the firms actively sought to enhance their knowledge base. One set of representations relates to the interest of the firms in investing and enhancing knowledge. Representations of efforts to that effect made mention of funding the training of the professionals employed and of efforts to introduce accounting into Universities. The second set of representations relates to activities undertaken in the firms for the communication of knowledge across all the offices. Such activities included publications on technical issues, staff meetings and the creation of databases.

Enhancement of Knowledge

Entries from the memos will be presented for the discussion of what I interpret to be the 'enhancement of knowledge' and of what I see as the 'methods of knowledge dissemination'.

The quasi-histories seem to emphasise the active involvement of the founders and partners of the firms in the formation and administration (management) of the professional institutes. The memos indicate that the firms' founders and/or senior partners acted as Presidents or Members of the Council of the professional institutes. I interpret this to mean that they were (and remain) involved in defining training and examinations, as obligatory conditions for entry into the profession.

Besides this formal requirement for entry to the profession, the institutes and the firms had also lobbied in favour of the introduction of accounting courses in Universities. One memo notes that Birmingham University was the first U.K. University to offer a course in accounting (1901) (Jones, 1981). In the U.S., the firm Lybrand, Ross Bros. & Montgomery was active in the establishment of an accounting course at the University of Pennsylvania in 1902. In 1909, the founder of Arthur Andersen taught at the School of Commerce of Northwestern University and in the academic year, 1912-1913; he also organised its accounting department and developed material for various courses.

In Jones (1981), this focus on knowledge, is represented by leading chartered accountants, in the 19th century holding student lectures and, during the Inter-War years, the offer by accounting practices of their own courses. Partners held the view that "the firm's training programme, responded to the need for a research function ..." (Richards, 1981, p. 42).

The same was true for U.S. practices; they provided facilities and organised training courses for new recruits. For example, Price Waterhouse established an evening school in Philadelphia in 1902 and, in 1909, the firm established a "Statistical Department, which functioned as a kind of research and information centre" (Allen & McDermott, 1993, p. 42).

Knowledge dissemination is interpreted as the communication of professional and managerial know-how and is illustrated by representations related to publications on

accounting policies and regular meetings of the partners from all of the offices of each of the firms.

These representations are recorded in the memos for all the firms. For example in the U.K., a Touche Ross partner published a book on cost accounting in the early 1900s (circa 1902-1915) and after World War II “a series of manuals on audit methods, practices and procedures, incorporating the latest developments in auditing, reporting and accounting” (Richards, 1981, p. 42)

From 1920, Lybrand, Ross Bros & Montgomery published a journal (L.R.B.&M. Journal) whose purpose was:

“... to communicate to every member of the staff and office plans and accomplishments of the firm; to provide a medium for the exchange of suggestions and ideas for improvements; to encourage and maintain a proper spirit of cooperation and interest, and to help in the solution of common problems” (Coopers & Lybrand, 1984, p. 68).

For Arthur Andersen, the representations refer to a publication called ‘The Chronicle’ and the Subject File, which consisted of studies of cases encountered in practice. It is described as follows

“an extensive accumulation of material gathered from the work and experience of the firm and from other sources, uniformly filed and indexed in each office in such a way as to be readily available to all personnel of the firm.” (Arthur Andersen & Co., 1963, p. 115)

The memos note that the quasi-histories reference Coopers & Lybrand as organising annual meetings with representatives from all their offices, both national and international. The purpose of the meetings is given as an effort to discuss issues related to accounting standards and policies in order to achieve “a high quality of practice throughout the organization” and to resolve issues that the offices were facing and that were related to local conditions (Coopers & Lybrand, 1984). Meetings of this type among partners, in fact, began a few years before 1927. However, in 1927 they also began to include professional staff.

The memos note that similar representations are found in the histories of Deloitte & Co. and Touche Ross. The actions taken at Deloitte, Haskins & Sells for knowledge dissemination were similar. The merged Deloitte, Haskins & Sells, as well as the merged Touche Ross made efforts to ensure that partners from all the offices kept in touch through annual meetings and conferences (Kettle, 1958; Richards, 1981). Touche Ross also issued a document as a guide for practices and policies, called "Policy Agreement Respecting Federated Operations" (Richards, 1981, p. 113).

5.3.3 *The Concept of Prestige*

Three main interpretive items are developed in the discussion of partnership networks. Each is related to ideas that dominated in the memos, including professionalism, quality of service, company name (or brand name). These themes reflect my presuppositions that for this type of capitalist firm, social constructions of trustworthiness of the services sold are quite important. Thus, the emphasis in my interpretation is on the dominant elements in my memos related to and crystallised in three concepts – professionalism, quality of service and company name.

The concept of professionalism aims to incorporate representations of events and activities that seem to reflect the importance given to cultivation / acquisition of status honour in relation to professionalism. This identification with the accounting profession was a process that was managed from early on. For example, one illustration is taken from the Coopers and Lybrand's story. In his presidential report to the New York State Society of Certified Public Accountants, July 25, 1923, Colonel Montgomery a founding member - partner - of Lybrand, Ross Bros. and Montgomery articulated this understanding as follows.

"The professional accountants of the United States form one group, and in order to retain *our present prestige and extend it*, we must maintain in each state one dominant society and in the nation one dominant national body." (Coopers and Lybrand, 1984, p23; emphasis added).

This speech was given in the context of a dispute between two professional associations each attempting to gain control over the rules of professional conduct.

The debate concerned whether accountants should become businessmen or professionals. One of the issues was whether accountants could advertise. The American Society of Certified Public Accountants advocated a robust professionalism. They sought to exploit the possibilities of advertising in order to position accountancy as a business service. In contrast, the American Institute of Accountants sought to cultivate the aura of professionalism and made references to the desirability of being associated with medicine and law (Lee, 1995). This interpretation by Lee (1995) is indicated in my memos because it helped me make sense of the different often obscure references to professionalism and prestige in the different quasi-histories.

In the main, there was very little in the quasi-histories about commerce. Commerce was implied in the discussion, whereas appeals to professionalism were explicit and frequent. Thus, I interpreted the meaning of these appeals as referencing unspoken tensions amongst the members of the firms. In my interpretation, this speech by Colonel Montgomery is quite interesting because it seems to me to make two points. First, that to retain prestige and extend it there should be only one, powerful professional body and second, the purpose of the power gained was the cultivation of an image of professionalism since that was prestigious.

Sixty years later, the tension between robust commercialism and genteel professionalism seems to have resolved itself in a different direction. Thus, in 1983, in the U.K., the relaxation of the ethical guidelines concerning advertising (Beattie & Fearnley, 1994) appears to have provided the firms with the freedom to promote their services and invest in brand names. The Internet sites of the firms reflect this attitude. For example, from the Internet site of Deloitte Touche Tohmatsu the following advertising is found

“Deloitte Touche Tohmatsu is dedicated to delivering world-class service to its world-class clients, and we do this in over 130 countries. Our mission is *to help our clients* and our people *excel*.” (The Firm’s Internet site, 2000; emphasis added).

Notably, the more things change the more they remain the same. I have highlighted the phrase “help our clients” because this echoes the representation of professionalism that prevails in all of the histories. The firms do not have customers, they have clients; the firms do not sell products, they provide help to their clients. It is the imbalance in the representations that reinforces my scepticism; that is, it is the absence of representations about commerce and profits and the presence of representations of service and helping that strike me the most. Thus, in my second level of interpretation the concept of prestige seems comprehensive. It seems to me to capture the orientation toward the resolving the tension between professionalism and profits.

5.4 Second Level of Interpretation: Commercial Operations

The discussion in this section focuses on those concepts grouped under the term ‘commercial operations’, namely ‘international orientation’ and ‘multi-service production’. This grouping reflects the overall focus of the research on the firms as producers of ‘outputs’ for sale in order to make profits. The term commercial operations is a general term that can accommodate the two concepts that dominated the interpretation made of the main features of the firms’ ‘production’ and sale and outputs. Thus, at the second level of interpretation, international orientation and multiservice production are understood as central features of the commercial operations of the firms.

The concept of international orientation crystallises the representations in the quasi-histories that reference events, activities and attributes associated with the partnership engagement in international operations. The concept of multi-service production summarises the representations in the quasi-histories that reference judgements, observations and analysis associated with the revenue (and profit) implications of jointly produced outputs. Thus, association, in the interpretation between international orientation and multi-service production and commercial operations is subject to some caution. This is because these terms are quite general

and their use may generate some ambiguity in meaning. Nonetheless, they are selected because they are seen to crystallise the 'bias' in the overall interpretation, that is, its focus in the profit implications of the actions, attributes and self-representations of motive established in the primary interpretation.

In other words, in the second level of interpretation, the presuppositions that the main orientation of these firms is toward profits and growth shaped the direction taken in the memos on the subject of international orientation and multiservice production. Thus, what dominated meaning, in relation to these concepts was patterns associated with continuity in commercial operations. This may explain the main theme in the discussions of both concepts – namely, that they are interpreted as continuous features of the commercial operations of these firms. To underscore this point, the various points drawn from the memos are presented in a rough chronological order, in the time periods prior World War I, the Inter-War years and post World War II. This ordering also assists exposition of the main points.

The discussion in this section is organised into two parts. The next section (5.4.1) discusses the patterns associated with the concept 'international orientation' of the firms. The concept 'multi-service production' is discussed in section 5.4.2.

5.4.1 The Concept of International Orientation

The concept discussed in this section is 'international orientation'. It references representations in the histories associated with the modes of expansion of the big accounting firms. This concept references theoretical presuppositions related to the internationalisation of services firms. The memos suggest that big accounting firms have utilised two modes of international expansion: foreign direct investment, (defined as opening offices overseas) and cross-border affiliations (from loose correspondent relationships to formalised "mergers" with foreign partnerships). Bavishi (1983; 1989) and Daniels *et al.* (1989) describe the range of arrangements adapted to achieve presence in overseas markets, including: use of a common name for all offices in foreign countries; use of a combined name, when the local firm(s) is

fully affiliated with the international accountancy firm (e.g. a combination of the international name and the name of the local firm), use of the local name of the affiliated firm, use of the terms 'association or Federation' to signify that the international accounting firm plays a coordinating role among member firms.

Illustrations from the memos are selected to highlight that both foreign direct investment and cross-border affiliations are an enduring practice, dating back to the very early years of the firms' establishment. The illustrations given refer to three time periods: the period prior to World War I, the Inter-War years and the post World War II period.

The memos note that the predecessor firms of Ernst & Young (e.g. Whinney, Smith & Whinney and Turquand, Youngs) audited the overseas subsidiaries of British firms based in London, including, *inter alia*, the Union Bank of Australia, the Central Argentine Land Company, Pundaloya and Bogawantalawa Tea Companies, the Natal Bank, the National Mortgage and Agency Company of New Zealand, and the Australian Mercantile Land Finance Company (Jones, 1981).

Deloitte and Co. was involved in the valuation of the goodwill of a business in Norway in 1888 and the review "of the revenues derived from the hereditary estates of the Maharajah of Bettiah" (Kettle, 1958, p. 53).

The notes on Cooper Brothers & Co (1954) indicate that the firm was involved in overseas activities from as early as 1864 with stories of partners travelling to Moscow & St. Petersburg, followed by visits to Germany, Austria, Italy, Greece, France, Spain, South Africa and South America.

Other examples noted relate to the Inter-War years. It is noted, for example, that during the Inter War years Coopers & Lybrand opened offices in Brussels (1921) and Paris (1930), in New York (1926) and Montreal (1936), as well as in South Africa in 1931.

During the same period, the memos note that Deloitte is said to have opened offices in Boston (1930) and Los Angeles (1945); nine more offices in South America between 1917 and 1926. Several offices were also established in Europe: Paris (1920), Brussels, Antwerp (1924), Rome (1923), Milan (1927). In association with another U.K. accounting firm, Plender and Griffith, they opened offices in Vienna and Brussels. During the Inter War period, (1925) a more formal relationship with a leading U.S. firm -Haskins & Sells, was established, through mergers what is referred to as "co-partnership" by Kettle (1957, p. 116) of the two firms' offices in Canada, Cuba and Mexico operating under the name of Deloitte, Plender, Haskins & Sells. The merged firms opened further offices in South America and South Africa.

Illustrations from the post World War II era reference extended foreign direct investment and mergers in new and familiar geographical areas. Thus, the memos note that a predecessor firm of Ernst & Young (Barton Mayhew) opened offices in Angola and Mozambique in 1954 and 1961 respectively. Another predecessor firm Turquand, Youngs reopened their offices in the Far East in Singapore, Penang and Kuala Lumpur, and opened new offices in Kuching, Bangkok, Kota Kinabalu, Malacca, Sandakan and Sibul (1958 - 1962).

With regard to the memos on Arthur Andersen, it was noted they opened offices in Mexico City, Colombia, bought practices in Brazil, Argentina, Uruguay, Venezuela, Toronto, Chile and Peru.

In this period there is a lot of discussion in the firms' quasi-histories of merger activity between accounting firms, both at a national and at an international level.

The interpretation of these materials highlights how the mergers widened the firms' geographical coverage and seemed to formalise their presence in new markets and in ones they worked in before World War II.

Three illustrations of these ideas in the memos are given below.

In 1952, Deloitte, Haskins & Sells was created from the merger of the British Deloitte, Plender, Griffith & Co. with the American Haskins & Sells (they had first started co-operating in 1905). I interpret this merger, as a strategic decision by each to increase their presence in markets where they lacked influence. The merged firm then got involved in further mergers with well-known Canadian firms, presumably, in order to expand their activities in Canada (Kettle, 1958).

In 1979, Ernst & Whinney was formed from the merger of Whinney, Murray & Co. (U.K.), Turquand, Barton Mayhew & Co. (U.K.) and Ernst & Ernst (U.S.). This cross-border merger involved firms created by two prior mergers. The first in 1965 was that between two U.K. firms, Whinney, Smith & Whinney and Brown, Fleming and Murray, creating Whinney, Murray & Co. The other one, in 1972 was that between the U.K. firms Turquand, Young and Barton, Mayhew, giving rise to Turquand, Barton Mayhew. In line with other mergers, the firms involved had a long prior co-operation (the U.K. firm Whinney, Smith & Whinney had been co-operating with the U.S. firm Ernst & Ernst since 1918).

In 1979, KMG was formed out of: two Dutch firms (Klynvend Kraayenhof and Pelson, Hauselberg, Van Til & Co.), a West German firm (Deutsche Treuhand), a Canadian firm (Thorne Riddell), an Australian firm (Hancock & Offner), a Swiss firm (Fides Revision), a French firm (Fiduciare de France), a Danish firm (C. Jespersen). The U.K. firm (Thomson McLintock) and the U.S. firm (Main Hurdman) involved in this merger had themselves merged in 1964. This merger brought together Continental European firms with smaller firms from the U.K. and the U.S.⁶

Certainly, these were not the only mergers that took place during this time period (Jones, 1981). Louis Penney, as early as 1961, claims that

⁶ Louis Penney (1961) claims that in the US "A substantial portion of that expansion has come about through mergers with local firms of certified public accountants" (Penney, 1961, p. 52). He reports that 163 take-overs of local firms occurred in the years 1954 to 1961. 113 of these occurred during 1956 to 1961 (approximately, an average of 23 mergers per year). None of this activity is represented in the quasi-histories of the firms.

“[t]he large accounting firms have had to expand rapidly and open offices in many new locations to keep pace with the demands of their growing and moving clients. A substantial portion of that expansion has come about through mergers with local firms of certified public accountants” (p. 52).

The number of mergers reported is quite indicative. According to Penney's research (which is about the mergers of local firms with national practices) 163 mergers had been reported from 1945 to 1961. These mergers were taking place in an accelerating mode, since 50 are reported for the ten years from 1946 to 1955 (an average of 5 mergers per year) and 113 mergers have taken place during 1956 to 1961 (an average of 23 merger per year, approximately).

5.4.2 The Concept of Multi-Service Production

From the earliest years, the firms were multi-service firms, that is, they offered a multitude of services to their client-firms. Audit was only one of the services sold and the firms' commercial identity was not solely as auditors or purely as accounting firms.

Table 5.4 reproduces elements given in Jones (1981, pp. 47 & 99) in his discussion about the different services, such as accounting, audit, insolvency, trustee and executorship, special work and after 1900, government work and taxation. The quantitative representations are only meant to illustrate a constructed trend that runs counter to the conventional image of these firms. For example, in the early years, audit is represented as contributing only a small proportion of the total income of the firm. According to the representations, the firm did not provide any audit services for the first eleven (11) year of its operations. It would appear audit became the main generator of revenues from the 1930s onwards. At the same time, it seems that although the contribution of other services to firm revenues decreased, audit appears to have remained a substantial part of the total revenues.

**Table 5.4: Whinney, Smith and Whinney's Fee Income Split
(Percentage of Total)**

Year	Audit	Accounting	Other
1849	Not provided	8.2	91.8
1855	Not provided	13.3	86.7
1860	2.4	7.6	90.0
1870	2.2	2.4	95.4
1880	10.9	11.2	77.9
1890	36.8	10.0	53.2
1900	52.9	16.9	30.2
1910	35.4	3.9	60.7
1920	38.3	9.5	52.2
1930	67.4	11.0	21.6
1941	73.9	8.1	18.0
1950	63.8	7.4	28.8
1960	59.7	8.4	31.9

Source: Adapted from Jones (1981), Table I and Table II (pp. 47, 99 respectively).

The illustrations given refer to two broad time periods: the nineteenth century through to World War I, and post World War I to the present.

Memos on Price Waterhouse in the U.K. note that, in 1870, the firm “institute[d] a system of profit calculation which could then be used to allocate bonuses to the workforce...” (Jones, 1995, p. 57). Memos from the quasi-history of Ernst & Whinney, note that the accountants' work during the Victorian era was described as:

“preparation of books of accounts, making up partnership accounts, giving evidence as experts, acting as trustees in bankruptcy, liquidations, investigations into businesses about to go public and the detection of fraud. Other functions included secretarial work for companies” (Jones, 1981, p. 56).

The interpretation of representations referencing the period prior to World War I, emphasises that the main sources of income, both in the U.K. and the U.S., seem to have been bankruptcy and insolvency work. In the U.K., audit is seen to have become a major source of income in the late 1850s. At that time, the quasi-histories point out that auditors had to be shareholders in the client firm, and they emphasise

that accountants were prepared to become shareholders in order to get the audit business. Regarding this last point, the memos note that Jones (1981) refers to a letter written by Arthur Whinney (a partner of a predecessor firm of Ernst & Young), in which he states:

“the old company had a provision that the auditors must be shareholders, ... if the new company has a similar regulation, it is one with which we can easily comply” (Jones, 1981, p. 53).

Illustrations of the diversity of services in the U.S. in the memos reference Arthur Andersen. A quotation by the founder of the firm, Arthur Andersen, is included in the memos, as it is seen to represent the orientation towards multiservice production.

“believed that the audit, though important, was not an end in itself; that the most important service the public accountant could render to his clients *began*, rather than ended, with the issuing of the certified financial statements; and that if the auditor had looked behind the figure into the actual operating methods and problems of the business he could render a constructive report that would be of real help to management in solving its day-to-day problems” (Arthur Andersen & Co., 1963, p. 8, emphasis added).

The memos include many illustrations of multiservice production by the firms during the Inter-War ear. For example, it is noted in the memos that, in 1937, Byrne, a partner of Lybrand, Ross Bros. & Montgomery attempted to communicate the commercial identity of the firms as follows:

“the Modern professional practice of accounting covers a wide range of subjects, and its field, if the experience of the past decade can be taken as a guide, may be expected to widen still further in the future. For example, in 1931 a report of a committee of one of the professional bodies of accountants classified accounting services in six divisions; to this list would now have to be added those services performed by accountants in connection with registrations of securities and other matters for the Securities and Exchange Commission” (Coopers & Lybrand, 1984, p. 99).

I interpret this part of Byrne's speech as an attempt to define accounting and it seems to me that this is a very broad definition, which includes any service the firm was prepared to offer to its clients.

The seeming willingness of the firms to accommodate demand for a wide range of services is a major theme in the quasi-histories. In my interpretation it not seen as an effort to 'help' customers but as means for the generation of more profit. Moreover, illustrations of this willingness from early on in the firm's histories are interpreted as an enduring feature of the firms. In other words, I interpret the firms as ones that started operations as consultants to businesses on accounting problems, and from that initial commercial stance they integrated external audit as another service.

Several illustrations from the post World War II period are also included in the memos. For example, it is noted that Richards (1981) in the history of Touche Ross (a predecessor of Deloitte & Touche) claims that

“In this age of specialization in the profession, one is inclined to overlook, merely because it is normally the first task one undertakes, that auditing as practiced today has become a specialist activity” (p. 53).

Thus, in a chapter titled “The Specialists”, the non-audit services (such as investment trust management, taxation, trust work, insolvencies and receiverships, secretarial and book-keeping services, and management consultancy services) were seen to be significant elements of the overall commercial profile. The provision of a wider range of services seems to be considered a major selling point to clients as it seen to enable the firms to act as a one-stop service centre.

This increased specialisation, diversification and differentiation gave rise to changes in the organisational structure of firms including the creation of specialist departments (later divisions) in the accountancy firms. The first separate department for management consulting services appears to have been the one formed, in 1952, by Touche Ross (Richards, 1981, p. 30). Thomson McLincoln, a British predecessor firm to KPMG is said to have introduced a specialist management consultancy department in 1959. According to Jones (1981, p. 233) Ernst & Young's predecessor firms offered management consultancy services and these departments, after the merger, were combined into what is referred to as Management Consultancy Association.

The above illustrations could be supplemented by many more from the memos. The interpretation made of these and the others is that multiservice production was a common and enduring feature of the dominant firm. The reasons they give mainly referenced an ethos of service to their clients rather than exploitation of other marketing opportunities. No mention is made of the possible cost complementarities that might arise from persuading the 'client that they needed more services'. It seems to me that a great deal of the material that I have interpreted and from which I offer only a few illustrations are relevant to contemporary debates on auditor independence and the ethical responsibility of the firms to serve the public interest. Their relevance lies in my opinion in how they reveal the possibility that contemporary social constructions of conflict of interest rely on the silences of the firms as to the exact nature of their enduring commercial interest.

5.5 Concluding Remarks

The discussion in this chapter highlighted the patterns of meaning (concepts) that dominated in my primary interpretation of the quasi-histories. Two types of concepts were identified and discussed. The first type (intangible capital assets) included the concepts of 'national identity' of the firms, 'networks of partnerships', 'management of the networks', and the concept 'prestige'. The second type of concepts are those related to the firms' commercial operations. These include 'international orientation' and production of a diverse range of services, referenced in my interpretation as 'multiservice production'.

The concepts were all seen in relation to the stated aim of each of the histories to document the development of the firms, within the context of the development of the profession. My interpretation is sceptical of this claim. I interpret the main message of all these histories to be an effort to represent the firms as successful. Discussion of the presuppositions that clarify why this scepticism dominates is done when the third level of reflexive interpretation is discussed. This discussion is deferred to Chapter 6 in the discussion of the theory.

A summary of the concepts identified is provided in Table 5.5 that follows.

Table 5.5: Overview of Comparison of Second Level Concept Terms and Primary Level Concepts

Second Level of Reflexive Interpretation (Concept Terms)	Primary Level of Reflexive Interpretation (Concepts)
Intangible Capital Assets:	
National Identity	National Origins
Partnership Networks	Co-ordination and Control Organisational Structure Management of Knowledge
Prestige	Professionalism Quality of Service Company Name (Brand Name)
Commercial Operations:	
International Orientation	Cross-Border Affiliations and Mergers Foreign Direct Investment
Multiservice Production	Specialisation, Diversification, Differentiations of Services

Chapter 6

A Descriptive Theory of the Big Accounting Firms

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6.1 Introduction

The subject of this chapter is the third and fourth levels of interpretation of the empirical materials. Most of the discussion in this chapter concerns the third level of interpretation, including description of the main features of the theory created (section 6.2) and clarification of the constructed concepts, which compose it (section 6.3). After this, in section 6.4, the discussion turns to the fourth level of interpretation - a reflexive (self-critical) critique of the theory. In that discussion, I reflect on some of the limitations of the theory (section 6.4.1), including discussion of the 'boundaries' or limits placed on theory creation by the materials at hand and the shortcomings of the theory related to its internal features. In addition, I reflect on the openness to alternative interpretations (section 6.4.2). The concluding remarks (section 6.4.3) highlight the main points of the chapter discussions. Discussion of the limitations arising from the bricolage is deferred to the concluding chapter.

6.2 Main Features of Theory Creation

In my bricolage, the third level of interpretation is concerned with the construction of the main concepts that will constitute the theory created. In my research project, this is the endpoint of the third level of interpretation because my aim was to create a descriptive theory of the firms.¹

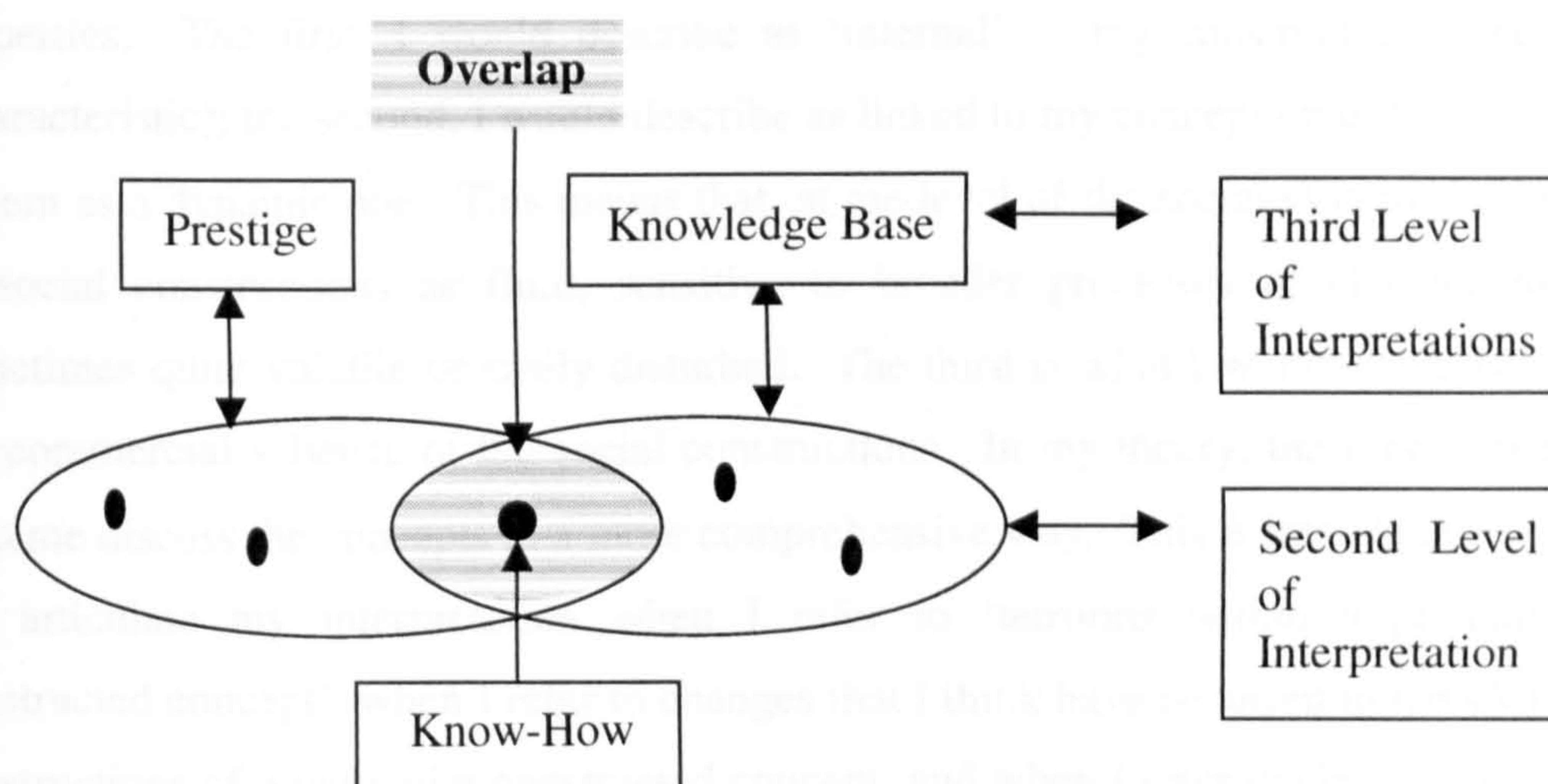
The main feature of a descriptive theory is the construction of concepts and a definition of how they are related to each other. In my theory, the constructed name or label features of the phenomenon studied – the common features of the big

¹A descriptive theory could also be called an interpretive scheme or framework because it proposes constructed concepts that can be used in development of relational or explanatory theories. From a formal standpoint, a descriptive theory has affinities with aspects of theory creation as discussed by Weber (1978) who referred to some elements of his own theorising as "Kategorienlehre" or category-learning (see the discussion by Roth, in Weber (1978), p. xxxvi).

accounting firms, thus the theory can be described as a *naming* theory. It can also be described as a *classification* theory, because I describe the interrelation between the concepts. Thus, the theory I created is a naming and classification theory of the big accounting firms.

The 'names' or constructed concepts are referred to, in the discussion, as the *characteristics* of the accounting firms, as a type of capitalist firm. I describe the relation between these constructed concepts, as overlapping.² In an effort to clarify what I mean by an overlapping relationship between the constructed concepts, Figure 6.1 (below) provides a graphical representation of the relationship.

Figure 6.1: Illustration of Overlap Between Constructed Concepts



In Figure 6.1, the illustration of overlapping is done by focussing attention on the movement from my identification of the socially constructed concepts that dominated (second level of interpretations). In the diagram, these social constructions are the large black dots within the elliptical shapes. Visually, this is meant to capture the metaphor of 'common pools' of second-level concepts. The

² It can be noted that further clarification and development of the theoretical presupposition underlying the constructed concepts is required before I could describe the interrelation as either sequential or hierarchical. In general terms, one can say that theories proposing sequential relationships take a historical perspective (Abbot, 2001). Theories proposing a hierarchical relationship include ones taking a sociological, economic or political perspective.

meaning of this, in my theory, is that, for example, the social constructions of professionalism is present in two of the constructed concepts, the characteristics 'named' as prestige and knowledge base. At the same time, the diagram is also meant to convey that the characteristic of prestige draws from other social constructions that are not associated, in the theory, with the characteristic of knowledge base.

The diagram also aims to clarify, at least partially, some aspects of what it means to construct concepts and the visualisation of overlapping relation between them may be helpful in doing this.

The constructed concepts themselves can be understood as having dimensions or properties. The first, I would describe as 'internal' to my constructed concept (characteristic); the second, I would describe as linked to my conception of the social system as a dynamic one. This means that, at the level of the social system, I think of social constructions as fluid, sensitive to broader processes of change, and sometimes quite volatile or easily disturbed. The third is what I would describe as the commercial salience of the social constructions. In my theory, these properties help me discuss the concepts in a more comprehensive way. This is intended to help me articulate my interpretation when I refer to 'tensions within a particular constructed concept'; when I refer to changes that I think have occurred in the social constructions of a particular constructed concept; and when I refer to changes in the relative importance (in commercial terms) of particular social constructions in the 'set' of them that I associate with the concept.

This means my constructed concepts overlap, in the sense that some of them draw from (in a metaphorical sense) the same 'pool' of interpretations 'produced' at the second level of interpretation. Thus, one could say that my theory 'names' some of the features of the accounting firms and that some of the 'names' reference some of the same concepts. However, each characteristic is considered distinct and different because each references a different *set* of second-level concepts.

In the bricolage, the third level of interpretation is a defining moment. This is because at this level my attention entirely turned to the problem of theory creation and away from the primary interpretations that up to now had been an anchor, in my thinking. Alvesson and Sköldbberg (2000) describe reflexivity as, in part, a succession of 'movements away from the 'actor' level of meaning'. In my bricolage, this meant the movement from the primary and (to lesser extent) second level interpretative concept terms. In my descriptive theory, part of this 'movement' entailed considerable attention to the words I would use to express the constructed concepts (semantic movement). Most of my attention, however, was devoted to reflecting on (at least some) of the theoretical presuppositions that clarified the meanings I attached to the concepts. Thus, in my work, initial third level concept terms sometimes gave way to new ones because I thought they more adequately described the level of abstraction I wanted.

In terms of clarification of the constructed concepts, the main work in the exposition of the third level of interpretation is clarifying the theoretical presuppositions that help to explain why these constructed concepts constitute my 'vision' of 'what' the firms are. For example, to illustrate this point, I would say that, in my research, the central presupposition is that all the accounting firms are a type of capitalist firm. By this I mean they are a type of organisation whose over-riding goal is making profits. Thus, my understanding of the firm privileges it as with commerce, rather than other powers this type of firm might be said to have. I think that this presupposition created a 'boundary' or limit on how I would move through the successive levels of interpretation. It also established a focus that privileged certain theoretical presuppositions as 'relevant' and marginalized others.

In the main, I would describe the 'focus' of my theoretical references as a set of conventional accounting and management theories concerned with profit-seeking firms. In these, theorists usually describe the controllers of profit-seeking firms as being interested in (or having to be interested in or needing to be interested in) issues such as efficiency, cost-savings, new production technology, revenue growth, and systematic marketing of the outputs produced (e.g. Kast & Rosenzweig, 1985).

An important implication of the methodology used to create my theory is that synthesis is at the level of the constructed concepts; the theory per se is the assembly of these concepts and is, in principle, open-ended. It is open-ended in the sense that the theory describes the accounting firms as having *at least* these six characteristics rather than *only* these six characteristics. What I mean by this is that these are the concepts I was able to construct, up to this point. My theory is also open-ended in a self-critical 'reflexive' sense. What I mean by this is that these are the six concepts I constructed up to this point; I accept the possibility that my articulation of them could change, either because of the criticisms of others or because of my own further reflection on their clarity. I judged that theoretical synthesis had been achieved when these more comprehensive concept terms, their interrelation, and underlying theoretical presuppositions were (in light of the overall limitations of my research) as fully elaborated as possible.

6.3 Clarification of Constructed Concepts and Their Relationship to Each Other

The aim of this section is to clarify the constructed concepts that constitute my theory and to point to overlapping relationships with other constructed concepts. The clarification is organised by discussing each concept separately. Within these separate sub-sections, I first set out my interpretation of the general meaning of the constructed concept and then develop its meaning in relation to my presuppositions, followed by a discussion of the concept as a 'name' for one of the characteristics of the accounting firms.

In the discussion that follows, the firms will be referred to as accounting firms; this is done in order to reduce the complexity of the exposition. However, it is important to note at the outset that this decision was made after much reflection. The writing conundrum I faced is this: a central implication of my theory is that referencing them as accounting firms is misguided. However, if I used any other term in the

discussion, it would cause confusion. No way around this problem was devised so in the discussion I continue to refer to them as accounting firms. The problem is particularly acute in this section because the constructed concept, 'capital management services production' is elucidated in order to highlight why the theory considers the standard description of the firms, as accounting firms, to be highly problematic.

The main source of my writing conundrum is that my theory reflects a fundamentally different vision of the dominant accounting firms to that present in most research on the firms. The constructed concept of 'capital services production' seeks to challenge the taken-for-granted description of these firms as audit partnerships or public accounting firms. The interpretations made (and represented by the concept) imply that the most visible 'competitive advantage' of these firms (attestation franchise or statutory audit) does not describe what they are. In describing these firms as 'capital management services producers', the theory seeks to undermine the practice of referencing them as accounting firms. This is because not only is the reference 'accounting firms' misleading but because I see its use as supporting social constructions that inhibit research efforts to think more deeply about what these firms are.

In the course of creating the theory, I ceased to think of the firms as 'accounting firms.' Instead, other terms to describe them came to mind. However, none of these other possibilities seemed to me to overcome the communication problems. If when discussing the firms, I used a term other than 'accounting firms', it would simply create confusion, if for no other reason than all the empirical materials (and a large number of the related theoretical materials) reference these businesses as accounting firms.

The exceptions to this are found in some of the secondary sources where some theorists refer to them as 'multinational firms' or 'international business services

conglomerates'³ or 'professional services firms' (e.g. Greenwood *et al.*, 1994; 1999). However, in the context of my research objective, none of these other terms were satisfactory because they directed interpretation away from the features specific to these firms (the subject of my research) in order to highlight features that the firms are purported to have in common with other kinds of business organisations (e.g. multinational, global, international etc). Since the aim of the research was to create a descriptive theory of the accounting firm, use of these other terms did not seem helpful. Thus, I decided, that even though I no longer thought of them as accounting firms (and have come to seriously question what the word accounting means, in relation to the firms), I decided to continue referring them as 'accounting firms' in the discussion of my research.

The next problem I faced was how to order the exposition of the constructed concepts. Since, in my theory, they are not in a hierarchical relation, but an overlapping one, there is no basis for the sequence.

The solution adopted was to order the discussion of the constructed concepts in a way that I think improves the clarity of the overall exposition. Thus, in section 6.3.1, the first attribute discussed ('capital management services production') is the one most closely associated with conventional criteria for classifying firms (i.e. by what they 'produce'). Discussion of 'what they produce' provides a useful foreground for discussion of the attribute 'client-focused geographical orientation' (section 6.3.2) because location decisions (such as internationalisation) are linked, by some business theorists, with specific features of what a profit-seeking firm produces (Dunning, 1989; Dicken, 1992). 'Partnership form' is the next attribute discussed (section 6.3.3) because it is highlighted, in conventional classifications of firms, as a particular type of governance structure (i.e. a form of ownership and control). The next section (section 6.3.4) the concept discussed is 'ethnic affiliation' because it seems more closely connected with the discussion of partnership form and because it

³ This term is used in a conference paper, see Ciancanelli and Pastra (2000) for the details.

provides a convenient foreground for the discussion, in section 6.3.5, of the concepts of 'prestige' and 'knowledge base' (in section 6.3.6).

Table 6.1 provides an overview of the comparison between the third level of interpretation constructed concepts and second level of interpretation concept terms (see overleaf).

Table 6.1: Overview of Comparison of Third Level Constructed Concepts and Second Level Concept Terms

Third Level of Reflexive Interpretation (Constructed Concepts)	Second Level of Reflexive Interpretation (Concept Terms)		
Theory Created: The Constructed Concepts Ethnicity Prestige Knowledge Base Client Focused Geographical Orientation Capital Management Services Production Partnership Form	Data Cache I: Interdisciplinary Research on the Firms	Data Cache II: Aspects of Commercial Operations, 1983-1997	Data Cache III: The Firms' Own Stories
	Dominance in National Markets		National Identity
	Professionalisation		Prestige
	Knowledge Management	Knowledge Management	Partnership Networks
	International Market Reach	Market Reach	International Orientation
	Professionalisation and Commercialisation	Service Diversification	Multi-Service Production
	Partnership Network Management	Partnership Management	Partnership Networks

6.3.1 *Capital Management Services' Production*

The constructed concept 'capital management services' brings together social constructions related to two concepts--capital and management--that are so broad and 'loose' that each could reference innumerable theoretical presuppositions. In my theory, the theoretical presuppositions referenced are accounting and management research. Thus, in my interpretation, the word 'capital' references usages drawn mainly from those accounting and finance theories which privilege a 'balance sheet' approach in the analysis of firms (Lee, 1985; Parker *et al.*, 1987).⁴ In these, capital is defined as something the firm owns and something whose use is expected to give rise to inflows of cash, or value or revenues.

Because capital is an umbrella concept for many different types of things (e.g. machines, stocks, share portfolio's, patents, etc), management of these different 'types of capital' is linked to broader social constructions including those related to specialist expertise and specialist 'professionals' (Dunning, 1989). This means that my interpretation is influenced by ideas, which indicate there can be different types of capital management services, such as those related to engineering expertise and the management of fixed assets. Alternatively, there can be capital management services related to legal expertise and the management of property rights, such as patents. In addition, there can be management services related to capital as financial values, including services related to the finance-capital structure of the firm (e.g. the debt-equity ratio) and activities related to 'control' of financial values, including measurement of the value of the owner's capital.

All three are consistent with the central presupposition of my theory that a profit-seeking firm is one that produces outputs for sale and that commercial action is

⁴ Obviously, in accounting and finance theory (and associated research projects) concepts of capital are intimately related to concepts of income. All that is intended in the above discussion is to point to the perspective taken in the analysis, which uses balance sheet representations of financial value to clarify the meaning of the concept.

oriented towards opportunities for selling of outputs for more than its cost to produce them. This orientation is sometimes described in terms of the firm's objective function (Jensen, 2001) or motives of the owners or controllers of the firm (Chandler, 1977). I adopt a simple version of their ideas, merely referencing the presupposition that the firm's actions include commercial objectives and these are directed toward efforts to make profits and to accumulate wealth.

In the constructed concept under discussion, I interpret what is produced as 'advice' on the management of the client's capital. This is a general definition that I would apply to all other firms whose main line of business is the production of capital management advisory services.

The type and longevity of relationship and qualities of intersubjectivity establish the level at which advice is produced and the kind of social constraints that are pertinent. Thus, what is produced (reports, conversation, etc) is represented by the advisor as meeting the client's 'needs'. What the client 'needs' (to know or understand) is negotiated but ultimately defined by the advisor, because as advisor, s/he decides what s/he will construct as advice.

In saying that advice is produced, my interpretation emphasises that 'advice' is to be regarded as a complex social construction linked to social processes found at different levels of social interaction. The meaning of 'advice' within the relationship is affected by 'local' and social constructions about what constitutes 'advice' (its salience, the possibility that seeking it is a means to display status, importance, etc). Thus, my interpretation, that advice is a complex of social constructions means that what constitutes advice is fluid and contingent. In this way, the concept has some overlap with the concept of prestige, since the 'authority' of the advisor is one of the social constructions that constitute its salience as a source of status display.

An insight into the possible importance of the modern 'advice' industry is offered by an assessment of the firms' presence in the so-called consultancy market. According to the Panorama of EC Industry (1990)

“[G]iven the broad and comprehensive nature of their education, training and experience, accountants can contribute a considerable body of information and guidance to clients in a wide range of areas. ... There is a very clear trend towards expanding the range of services provided. In many countries, the management consultancy units of accountancy firms are the largest consultancy organizations” (Panorama of EC Industry, p. 29-19).

Even though the service of ‘advice’ is interpreted as fluid and contingent, the constructed concept term includes ‘production’ in the overall name. This is done to emphasise my meaning that advice is produced and that the terms and conditions of its production can be described in at least some of the same ways that are conventionally used in describing production for profit.

The presumption of the constructed concept is that advice production for profit shares at least three conventional features of all production by capitalist firms. First, advice services are the ‘output’ of a work process. Second, they are something that is produced with the aim of selling them for more than it cost to produce them. Third, they are something that could be interpreted as similar (from a formal standpoint) to tailor-made or artisanal outputs. This last feature reflects the idea that advice services usually need to be specifically tailored for the individual client or type of client. These simple ideas rely on an overall set of presumptions derived from a range of widely disseminated interpretations about capitalist firms and how their activities can be discussed. (see for example, Dicken, 1992; Chandler, 1977; Whitely, 2000).

The use of my constructed concept to describe or ‘name’ a characteristic of the accounting firms as, *inter alia*, capital management service producers, can be further specified. My interpretation associates the big accounting firms with social constructions of management as (involving) ‘measurement’ of capital and ‘control’ of financial capital (e.g., internal control system related to transactions-based information systems). The privileging of capital measurement, as a capital management service produced by the accounting firms takes many forms. One of these, audit, is characterised by Power (1997) as participating in broader social

'rituals of verification'. These rituals, in turn, are interpreted as connected to certain features of modern societies, such as capital markets and to a presupposition that these markets can propagate the effects of accounting measures of capital by influencing investor perceptions of the value of firm (Whitley, 2001; Parker *et al.*, 1987; Lee, 1985).

Other reasons why the concept can be used to describe the big accounting firms are that it focuses attention on how accounting firms seek profits. In my theory, the firms are understood primarily as producers who structure their commercial operations in line with the general objective of profit and wealth accumulation. This name aims to distance my interpretation of the firms, as much as possible, from the penumbra of public service social constructions attached to accounting, especially those linking the firms with professionalism as ethical conduct and those linking the firms to auditing as a public good serving, some purported systems' maintenance function (Hines, 1989a; Hines, 1989b).

From a profitability standpoint, an important feature of advice production is that it is 'multi-service production' and thereby enables cost complementarities, revenue complementarities, and enhanced flexibility in location decisions, especially foreign locations.⁵ Complementarities are of two main types. Cost complementarities may arise in the production of audit and non-audit services because the 'common' knowledge base, the professional staff, and sunk-cost technology can be allocated across more services production activities. Revenue complementarities arise if these additional services can be marketed to the existing the client base, that is, cross selling of products. One example of this would be the sale of management consultancy to existing audit clients and efforts to sell audit services to management consultancy clients. Capital management services' production also gives the firms some flexibility in location decisions. For example, if there are legal barriers in

⁵ The word 'produce' is used advisedly. In one sense, they are producers of need and how it is meant; the production of one implies the possibility of the production of another. Thus, there is an ever multiplying number of slightly differentiated versions of advice related to the production of ever multiplying representations of need for advice. However, in a very general sense, it is production because it is some set of activities whose purpose is an 'output' that can be sold.

foreign locations that prevent 'foreigners' from selling audit services, the firms can enter the market as producers of advice services labelled management consultancy.

In relation to various primary interpretations, the feature of multi-services production was one of the earliest concepts to emerge and was most prominent in the primary interpretations associated with the quasi-histories. This is because it seemed very different from how they were usually referenced in research and the media. The primary interpretation of the quasi-histories was dominated by the presence, in the stories of the origins of the firms, of various representations related to the profitability of multi-services production and this was often linked to representations about the need for close contact with the client in order to 'help' them solve their many problems. The investment by the US firms supporting a social view of them as public accounting firms and by the UK firm, in supporting a social view of them as auditors, is interpreted as reflecting the firms' efforts to amplify the potential commercial benefits of being perceived as professionals in the public interest. In that construction, the exact nature of their commercial operations becomes 'deep' background material; that is, it falls away from view.

However, in my constructed concept, the importance of offering a diverse set of capital management services is something that dominated my primary interpretations of all the empirical materials. For example, academic research has explored the issue of the multiple services offered by the firms, seeking to answer questions about its effect on auditor independence. Many propose that there is a possible conflict of interest if non-audit services are sold to a firm's audit clients. Other research has considered the possibility that multi-services production results in knowledge spillovers (e.g. Simunic, 1984; Palmrose, 1986b). The trends constructed from the voluntary disclosures published in the professional journals supplemented the ideas in academic research by enabling reflection on the overall discussion of trends (and changes in) the balance of services marketing as between accounting and non-accounting services.

6.3.2 Client-Focused Geographical Orientation

The constructed concept 'client-focused geographical orientation' is meant to convey the particular features of this type of firm's location decisions, including locations across national borders. The term geographical orientation aims to convey my ideas about the stance of this type of firms towards location decisions. One can make an analogy with a sailor's use of a compass to determine the route taken. The client acts as the firm's compass, providing information on possible directions for commercial actions.

In general, theories of internationalisation describe the path for internationalisation of services' firms as the achievement of presence in foreign markets through the establishment of services' centres in foreign locations (Dicken, 1992; Enderwick, 1989). This foreign market presence is achieved in two main ways: foreign direct investments (FDI) to create a network of branch plants (local offices directly reporting to headquarters) and/or through licensing agreements, joint ventures, subcontracting, franchising and so forth.

In the discussion that follows, the theoretical presuppositions regarding the profit implications of geographical orientation are drawn mainly from the work of Dunning (1989) and Dicken (1992). The arguments themselves are interpretative syntheses of various points made by them on issues arising in cross-border investments. The central presupposition in the works of both authors is that the geographical expansion path of all types of capitalist firms is strongly influenced by their production focus.

In my interpretation, I highlight that profitability and geographical orientation are linked to what these firms produce (Dunning, 1989; Dicken, 1992). If the analogy to artisanal production introduced in the discussion of 'capital management services production', has some (at least metaphorical value), it clarifies the direction in which my interpretation developed. I came to associate the production of 'advice' with my interpretation of the firms' geographical orientation towards location decisions.

To produce diverse types of advice on capital management, this type of firm relies on the willingness of the client to divulge a great deal of proprietary and commercially sensitive information, including client location plans, the client's assessment of risks in distant markets and so forth.

It seems to me that the advisor of such clients will have the opportunity, from time to time, to offer advice on which 'foreign' advisors are reliable and trustworthy and can provide useful advice in the new location. The advisor might even offer to help the client by setting up operations in the proposed location, in order to assure the client of continuity and coherence in overall capital management. Dunning (1989) argues that foreign locations usually pose the most serious problems for firms of all types. I interpret this to imply that providing the client information about risk in foreign locations might be regarded as particularly valuable. Thus, as I see it, an advisor who has both reliable and trustworthy contacts in foreign locations and is willing and able to invest his/her own 'capital' in setting up a foreign operation dedicated to helping the client could have significant commercial advantages over any business competitors.

What I have said aims to clarify why I interpret a characteristic of this type of firm to be a geographical orientation that is informed by existing client relationships or is client-focussed.⁶ In contrast to resource multinationals, for example, location decisions or geographical orientation is not dictated by where natural resources are found (Dunning, 1989). This type of firm is also not directed by 'social resources' considerations, such as the size of the retail market. My theory proposes that in the

⁶ The term 'client-focussed' suffers from problems of generality; after all, many other types of firms might describe their geographical orientation as client focussed. However, what I want to do is distinguish this type of service firm from other types of services that could be described as 'market focussed' (such as McDonald's or Burger King). An alternative concept term could be client relationship-focussed but this doesn't help much and it has the drawback of adding even more words to the overall concept term. In this respect, my interpretation suggests that Hanlon's work does not emphasise how, what is produced, affects, how it is marketed and sold. Thus, from a labour process perspective, his theory does not privilege the difference between working for a service firm such as McDonalds and working for a service firm such as a big accounting firm. I, however, do privilege the difference and consider that the labour process in firms that are 'market focused' are quite different from the labour processes in service firms that are what I call 'client-focused'.

type of firm that the big accounting firms are, geographical orientation is informed by the lower-risk of selling more 'advice' (however it is packaged) to the same client rather than trying to market advice to new clients in foreign markets. My interpretation does not exclude effort to market to new clients. It merely emphasises the context of the advisors' decision. Thus, from the standpoint of the advisor, the existing client firm is the most reliable source of information about opportunities in foreign markets and that the client itself is the least risky customer in a new foreign market.

My interpretation can be clarified further by saying that because of the character of its relationship with the client, the firm is in the position to convert off-hand supplementary and 'interstitial' advice (such as references to other reliable firms) into commercial opportunities for foreign expansion. Thus, with respect to location decisions, my concept emphasises that the firm's orientation towards international location decisions is heavily influenced by existing client relations.

In describing the accounting firms, this awkwardly labelled constructed concept aims to provide a more comprehensive term for patterns that dominated meaning in the primary interpretations. The most prominent of these were associated with interpretations of the stories recounted in the quasi-histories of the early years of the partnerships. In particular, the taking-up of the far-flung opportunities was associated with detailed discussions of client relationships. In the case of the US partnerships, there were many 'stories' of long distance travel in the hinterlands of the North American continent. In the case of the UK partnerships, there were many 'stories' of travel to different parts of the empire to meet up with old friends (e.g. existing clients). In both, long distance travel was not represented in terms of 'costs' but of service to the client, of helping solve the client's problem and close by were words such as 'opportunities' and prospects for the firm. Thus, geographical orientation was interpreted in relation to the peculiar intimacy that framed client relationships. The discourse on this point, in the quasi-histories, was replete with representations of 'service', 'helping the client' and other ways of framing events, decisions and processes that direct meaning away from commerce and profit seeking.

This constructed concepts aims to capture representations in the theoretical memo's noting the diversity of the modes of market entry mentions in the quasi-histories. My attention was drawn to the difference between the way strategy was articulated in the Arthur Andersen history about decisions (in the 1930s) to rely exclusively on a branch brand model where control was centralised (Arthur Andersen & Co., 1963). This seemed opposite were to the strategy articulated by KPMG in 1983 when they formally adopted what is referred to as a federal structure in which hybrid forms of alliances amongst local partnerships were co-ordinated by a committee comprising members from each (Winsbury, 1977).

This concept raises questions about the standard interpretation that these firms 'followed their clients' (e.g. Daniels, Thrift & Leyshon, 1989). This is because my interpretation suggests that in this type of firm, the relationship with the client needs to be articulated more carefully before attempting to 'explain' the path of the firms' internationalisation. The 'dependence' of the advisor on the client's autonomous decisions may not be as simple as portrayed in the 'following the client' metaphor'. It seems possible that sometimes the advisor might be able to persuade the client to locate new operations where the advisor has pre-existing relationships. It also seems possible that the advisor might find the client's plans a reason to adjust his/her own location plans.

6.3.3 Partnership Form

The constructed concept 'partnership form' aims to convey the specific management control problematic⁷ that the controllers have to address in the production and marketing. I could characterise this type of firm, as a web of formal and informal

⁷ There is no simple way to articulate what I mean by the management control problematic. In my interpretation, I do not mean much more than conventional definitions of management control as the organisational processes concerned with decision making for planning and control. By that, I mean making choices about future actions from amongst alternatives and comparing outcomes of actions taken with the original intended objective. The decisions made are usually linked to the strategy of the firm articulated by top managers (or controllers) in light of the overall objectives of efficiency and profits.

affiliations. The image of the organisation as a web is meant to communicate both the flexibility and the difficulties that can arise in efforts to direct and control a web of relationships (Brown & Cooper, 1996; Greenwood *et al.*, 1999). Another way to clarify the constructed concept 'partnership form' references the concept of governance (Greenwood & Empson, 2003). What is 'governed' is a complex set of contracts between networks of partnerships whose legal form and economic substance are somewhat de-coupled. Thus, what requires direction and control is more like a flotilla of small crafts than like a single, corporate 'ship' (Ciancanelli, 2002).

From a purely formal standpoint, who directs this type of firm are its owners but since the roles of ownership and management are fused (Greenwood and Empson, 2003), it can be difficult to identify. Unlike family-owned firms, the management ethos is corporate and hierarchical. Moreover, because partnerships seem to have more of the character of a network than a corporation, the controllers of the network seem more difficult to identify. First, the naming customs are different than in publicly listed firms. In the latter, conventionally known and recognised titles (such as CEO) signal who is (at least formally) in charge of the overall direction of the firm. Second, the controllers may be distributed across various nodes rather than concentrated in one central office creating the impression of more 'controllers' than may actually be the case. Third, and perhaps most importantly, partnerships are often exempt from disclosure regulations. Thus, unless the partnerships wish to reveal the names (titles) and chain of command and control, it is difficult to know 'who' is in charge.

From the perspective of profit and growth, there are at least two distinctive features of the partnership form. The first relates to financing operations and the second relates to the management of work effort. From the perspective of financing operations, the partnership form can offer greater flexibility in the allocation of profits but can also face more complex constraints than those faced by a publicly listed corporation. My understanding of these are drawn from Ciancanelli (2002), who emphasises that, because the partnership form enables purely notional

assignments of costs and profits. For example, the attributed or *notional* salary of individual partners can be an accrued expense but with payment delayed (as agreed, in the partnership contract) until after the actual results of operations (income) is known. Alternatively, profits can be ‘notionally’ allocated but the cash can be retained in the business, appearing as loans, an asset of the individual partnership but a liability to the firm. These and other financial management devices mean that the partnership can, in theory, mobilise internal surpluses to their reduce reliance on external sources of working capital, such as overdrafts. However, constraints on such possibilities are imposed by the fact that the funds are owned by the partners who may disagree about their disposition for such purposes as expansion (Cooper *et al.*, 1998).

The concept of partnership form highlights that this form of governance is a common feature of all of the big accounting firms. In interpreting them as a type of firm with this particular feature, there is interpretive space for recognizing individual differences in structure and management.

According to Post (1996)

“[t]he major international accounting firms are more accurately described as multinational networks rather than as multinational corporations. ... The international organizations consist of independent national firms. They can also be described as federations...” (p. 80).

The network or federal nature of the firms has attracted some attention in management studies. For example, it has been studied within the context of the management of the global operations of the firms (e.g. Brown & Cooper, 1996, Greenwood *et al.*, 1999; Cooper *et al.*, 1999). These papers are case studies of individual firms (in the first, a comparison between two accounting firms and in the second a study of globalisation processes as they affect one firm). The focus of these works is the differences between the management practices of these firms. My focus is the identification of characteristics the firms have in common, of which the partnership network is one. For example Greenwood *et al.* (1999) state

“...both accounting firms share the characteristic of being partnerships; a governance arrangement which makes them different from other business forms in that ownership, management, and operations are fused (Greenwood et al., 1990:730). But the partnership format can be operated in different ways.” (Greenwood *et al.*, 1999, p. 272)

Thus, although the partnership form distinguishes accounting firms from other services' firms, it is a characteristic that is common, in all of the firms. In this respect, the work of Hanlon (1996) is closer to my subject because he references the partnership form, as a general feature of the big firms within the context of his study of how broader processes of the flexible accumulation of capital affect profit-seeking by the firms. Thus, Hanlon (1996) notes that

“The first thing communicated to the new recruits within a Big Six practice is the fact that someday they may make it to partner level provided they perform to a certain standard” (p. 349)

This promise of promotion is seen as important in the overall level of performance. Levin & Tadelis (2002) argue that partnerships are beneficial where product quality is hard to observe and this, they argue explains the scarcity of this legal form outside of professional services firms, such as accounting, law and medicine. Their view seems to support a possible overlap between this characteristic and the characteristic 'capital management services production'.

To explore the concept of partnership form further, further discussion follows. The general principles regarding this concept are to look at the simplest possible ingredients of how legal form affects commercial operations, that is how is risk and reward different and what are the possible marketing or other benefits arising from this very particular feature of the firm. As noted in the sections of multiservice output the convention in accounting research is to refer to the Big 5 as firms. This reflects a judgement to see through the legal form as economic substance namely to function as a whole they have a unitary presence in the market in which they act. However, there are other effects of the partnership form that can be noted and for purposes of completion these are discussed in the paragraphs that follow.

The firms' existence as partnerships refers to their legal form as a network of unlimited liability units. The big accounting firms have an obscure legal existence because the laws regulating partnerships usually mean the partners of the legal unit rather than all the partners in the network. This depends on the legal framework. There are important differences in the US laws on partnership and the laws on the UK on partnerships (Alexander, 2002).

In the recent past, in the US flow-through taxation creates incentives for general partnership because under it, partnership profits are not subject to an entity level tax (Alexander, 2002).⁸ In addition, a general partnership is flexible because in the US no formal written agreement is required.

The partnership seems to provide the firms with the opportunity for a more flexible use of professional labour according to Beaverstock (1996) who writes that

“[a]ccounting staff are subcontracted to their firm's international office networks or multinational clients through secondment, transfer, or exchange procedures. Equally, those firms who are members of global accountancy networks subcontract their staff to the international independent member firms.” (p. 303).

The partnership form also provides the firms with flexibility in growth. It enables firms to enter into all of various types of contractual arrangements characterised by various degrees of commitment and responsibilities. The firms' legal existence as partnerships gave them the advantage of overcoming barriers of entry stemming from governmental regulation, as it provided them the flexibility to form several types of alliances with other firms in order to expand both nationally and internationally. In fact, it gave them the opportunity to overcome cultural and legal barriers of entry in foreign countries and to easily export their services.

⁸ No taxes are imposed until profits are paid out to partners who then report the income on their individual tax return.

6.3.4 Ethnic Affiliation

The constructed concept of 'ethnic affiliation' references theoretical presuppositions about identity and its importance in business organisations as a mode of control. In my interpretation ethnic affiliation is defined as the subjective belief, identity. The concept 'ethnic affiliation' aims to convey that (very much like with human beings) a perceived common identity talked about as a common membership can be an important characteristic in commercial action.

The theoretical presuppositions for this concept are drawn mainly from Weber (1978) who highlights that in ethnic affiliation a common language is of central importance. According to Weber (1978), ethnic affiliation or ethnicity refers to a sense of belonging because one entertains a subjective belief in common descent. It is a membership. A dictionary definition of ethnicity is "a. sharing distinctive cultural traits as a group in society, b. relating to a group or groups in society with distinctive cultural traits, c. belonging to a particular group by descent or culture rather than by nationality and d. belonging to or typical of the traditional culture of a social group".

Both definitions distinguish nationality is between nationality and ethnic affiliation (or ethnicity). Nationality is related to location - a passport identity. Ethnic affiliation on the other hand, is a perceived identity.

My use of this idea is limited. I rely on Weber's work, because it highlights the role of language in the maintenance of ethnic affiliation. Moreover, his interpretation foregrounds ethnic affiliation a social construction, a presumed identity, an imagined community. He distinguishes it by saying that ethnic affiliation is not necessarily associated with membership in an organised political group and is different from national (passport) or religious identity.

In my interpretation, ethnic affiliation is an important parameter of commercial action in this type of firm because it references social constructions that are seen to enable cohesion in organisational life, organisational integration, and management control.

In the accounting firms, ethnic affiliation is seen to be related to the Anglo-American culture of the firms – values, mores. Ethnic affiliation is interpreted to affect management structures and shapes their culture. On one level, the attribution of an Anglo-American identity is interpreted as it expresses who has the power in the partnership networks, e.g. the dominance of the UK and the US partnerships. On another level, the attribution is opportunistic (relating to the expansion of the firms because of the opportunities arising from the British and subsequently the American hegemony) because the vast majority of professionals employed and of partners are not Anglo-American⁹.

Thus, despite the long involvement of the big accounting firms in international markets, their ethnic affiliation is constructed as Anglo-American. The social constructions of belonging, of common identity are referencing an ethnic group present in this social system and privileging certain features of the social construction of the ethnic identity. The UK and the US firms blur the distinction. So, it is not the coming together of the two distinct groups but the blurred version of ethnic identity present in two different national systems, strongly associated with their business cultures.

The accounting firms have different ethnic affiliations primarily social constructions related to American, British and Anglo-American identities.

The importance of the ‘ethnic affiliation’ Anglo-American was noted at the second level of interpretation in all three data caches. For example, Hanlon interprets what

⁹ Short interviews with five partners of one of the big accounting firms in Athens, Greece indicated that they would describe the identity of the firm as Anglo-American.

he refers to as the 'Anglo-American' identity of the firms as directly related to how their commercial operations are changing in light of changes in broad processes of capital accumulation (Hanlon, 1994; 1996). Other researchers seem to look into how the state has facilitated the growth of accounting and thus of accounting firms (e.g. Strange, 1996).

In some accounting research, what is privileged is the national identity of the services' markets in which the big accounting firms dominate (Matthews *et al*, 1998; McKee & Garner, 1992). The audit market structure literature repeatedly documents the decade after decade increase in their market share of these and other national markets. Connections are drawn between early dominance in national markets and increasing concentration in other national markets. Both the established early dominance of the firms in national markets combined to the increasing dominance of the firms in other markets points to the importance of the firms' national origins and to the locations of their headquarters.

Regarding the second data cache consisting of the voluntary disclosures of the firms, the importance of the socially constructed Anglo-American identity of the firms is inferred from the pattern of disclosures: information about the U.K. and the U.S. markets is more frequently (annual) and more fully systematic than the disclosures they chose to make for other markets. In addition, the firms disclose their worldwide revenues in US\$ despite the fact that their disclosures are in the currency of the market where they operate. Besides previous literature and the voluntary disclosures of the firms, the social construction of Anglo-American identity is evidenced in the emphasis on origins in the histories of the firms. All devote considerable extend to the details related to the origins of the firms either in the U.K. or in the U.S. and the close co-operation and mergers between British and American partnerships. Of particular note is their emphasis that the firms acquired their professional identity - prestige - in the two powerful countries of origin.

6.3.5 Prestige

The concept 'prestige' aims to convey the perceived reputation of the firms and the socially constructed image of professionalism. In other words, I use this concept to convey the cultivation of status through the use of professionalism and marketing techniques as well as the construction of an image of importance.

The theoretical presuppositions for this concept are drawn from Weber (1978) and in particular his concept of status honour. He defines status honour as

“an effective claim to social esteem which may rest on class position (but) not solely determined by it” (Weber, 1978, pp. 305 – 306).

According to Weber, status honour originates in different social dynamics. It can come into being by organised efforts by groups; that is status honour

“... may come into being in the first instance by virtue of a particular vocation: 'self-styled' or occupational status groups or through monopolistic appropriation of political or hierocratic powers or political or hierocratic status groups” (p. 306).

In other words, status honour can be mobilized by rigorous social action in which individuals seize the opportunity to form organisations centred on their self-styled occupation. Skills, education, and training are also considered to play a role in the appropriation of status honour. While his formulation stresses initial social actions taken (usurpation of status honour), the concept of prestige includes to the ongoing investment (production) of the firms in acquiring and maintaining prestige.

According to Weber (1978), status honour is related to the market power of social groups. Status honour may act as a fetter on the widening and deepening of market activity; equally, they may create social channels supporting the developments of markets in some activities but not in others. Social constructions of 'tradition' and 'rights' can be used to support monopolistic appropriations of sources of recurrent income (Weber, 1979, p. 307) that interfere with 'free' or open markets. This implies

that status honour can be actively sought in order to acquire control over market parameters: what is legitimately bought and sold, by whom and how.

Indeed, a firm's brand name or trademark are frequently considered to be assets for the firm since they are seen to contribute to the generation of revenue and are frequently included in firms' balance sheets.

In the case of accounting firms, the concept of prestige references social constructions related to professionalism and enhanced through marketing. In previous literature on the audit market structure, the reputation of the firms is studied in relation to their 'market' power or ability to charge higher prices for the provision of audit. This research and the quasi-histories interpret professionalisation as a source competitive advantage in the sense that 'reputation' is a selling point in the advice business. The constructed concept 'prestige' is associated in my interpretation with these different ideas but also highlights the possibility that the firms invest in the production of 'prestige' by making sure partners are prominent persons in the professional institutes.

The emphasis and attention paid by the firms to their brand name is an issue emphasised both in the histories of the firms, as well as in academic literature. For example, Daniels, Thrift & Leyshon (1989) briefly discuss the contractual arrangements that the firms entered with other firms to expand their international network and indicate under which of these arrangements the affiliated firms had the right to use the name of the big accounting firm. Related to this point is that there are several implications for the cost structure, profit sharing and management arrangements in the tighter forms of affiliation, where the affiliated firms had the right to use the brand name of the big accounting firm, however neither academic research nor the histories of the firms provide further information and details on these issues.

6.3.6 Knowledge Base

The constructed concept 'knowledge base' aims to convey interpretation related to the technical expertise of the human capital of this type of capitalist firm (e.g., professional know-how). The term base is chosen to indicate that knowledge is an asset (foundation or source) underpinning the firms' wealth. As such, it needs to be managed. Thus, the concept of knowledge base aims to capture representations related to the management of the human capital who are the 'bearers' of knowledge and as well as those referencing managerial know-how the firm's databases. The concept synthesises interpretations of representations related to client information management. The quasi-histories are less forthcoming about the technologies related to data collection and storage in databases, records and reports owned and/or produced by the firms. However, in the memos for the quasi-histories, there are many references to such representations as experience and knowledge of managerial techniques, how the values and culture of the firm determine the standards of services and so forth.

The question arises whether a distinction should be made between knowledge and information. As this distinction is important for the clarity of the concepts in the theory further discussion follows. My interpretation of the concept references theoretical presuppositions based on the work of Strange (1989). In Strange's usage (1989), knowledge is a broader concept than information; it implies not only the accumulation of information but skills in interpretation and deployment. Knowledge includes technical knowledge or expertise. In the case of the big firms, it would refer not only to financial expertise but also to broader domains of knowledge of the business system.

In addition to these ideas, my understanding of knowledge is influenced by Strange's (1989) conceptualisation of knowledge management capacity as knowledge power. Knowledge power, according to Strange (1989), operates at three levels: one level is

beliefs (including moral values and ethics); the second level consists of what is known and understood; the third level consists of the channels of communication for what is believed and what is known. The structure of these channels can be designed to include and/or exclude the receivers of knowledge.

In the case of the accounting firms, it is possible to interpret the firms' silence on their commercial operation as an exercise of knowledge power. Moreover, I interpret the channels of communication that Strange (1989) refers to as a way of seeing the firms' decisions to use the *International Accounting Bulletin* to disclose in an intermittent way, whilst at the same time not disclosing to the general public, since they are unlikely to read a specialised journal.

Another theoretical source influencing my interpretation is Montagna (1990), who uses the term 'knowledge' and 'information' in a less formal way. One can infer that his usage references a broad enough concept to include technical expertise, ethical consensus within the profession, shared work norms and common work practices in audits throughout organizations and industries.

This idea of knowledge as something very broad clarifies in a certain way some of the difficulties in the concept 'knowledge management'. If one thinks of knowledge in very broad terms then the knowledge that has to be managed in an accounting firm goes beyond technical expertise or specific activities within the firm. It does include knowledge of how to become an accountant (Grey, 1998).

According to Morris and Empson (1998), the commercial value of a knowledge base can influence far reaching organizational changes within the accountancy firms themselves (Morris & Empson, 1998). This helps to interpret some elements of the quasi-histories, where the memos reference different modes of knowledge creation and dissemination in the partnership networks.

6.4 Reflexive Critique of the Theory

The discussion in this section has three main parts. In the first part, there is a brief description of some of the features of the theory and alternative ways of understanding the constructed concept. In the second part there is a discussion of the limitations of the theory and in the last section there is openness to alternative interpretation.

Overview

The theory proposes that the big accounting firms are a type of capitalist firm with at least six characteristics related to commercial action. Each characteristic is a constructed concept, synthesising interpretations made in light of theoretical presuppositions that underpin the concepts that dominated meaning in the second level of interpretation of the empirical materials. Some of the constructed concepts (characteristics) are closely associated with broad, social constructions of the management of capitalist firms.

The features of social constructions are dynamic and as they change the need for investment in the characteristics can increase or decrease. Therefore, they are not a fixed feature. The underlying elements are dynamic, changeable and reference broader social and political processes of Anglo-American capitalism. My theoretical presuppositions enable clarification of how I envision the dynamism, that is that I seem them as arising from broader social processes, the institutional environment of the general social system, of global capitalism and the specific variants of capitalism in the US and the UK (Whitely, 2000). They are subject to modification by virtue of technical change, or when the direction of the economic system changes (Hanlon, 1994). As the balance of interests changes, the costs of maintenance of the social constructions change.

All these social constructions have elements of inconsistency because they are constituted by political, ideological, cultural and historical factors. No social construction is internally coherent. This means problems may arise when the system is moving in a certain direction. For example, in Hanlon's (1994) commercialisation thesis, social constructions associated with the term partnership imply a promise to the subordinate employees. I think that as long as the economy in which the firms operate is growing, (for example in the 1960s to the 1980s) it is more possible to fulfil the promise and, in a way, verify social constructions that advancement in the firms is fair, that is based on merit and performance.

However, if the economy slows down or if competition makes it more difficult for the firms to continue to grow, then the implied promise of partnership may be harder to fulfil. This might mean that management 'control' has to change because employees no longer believe the promise will be honoured. In my interpretation, management control that relies on constructions of partnership by 'merit' or partnerships, in due course, must have some ways to dealing with the 'dream' in good times and bad. This suggests to me that sometimes the social constructions (such as merit) are good enough for control purposes and sometimes they are not. Another example could be discrimination against women and minorities; for some time, the social construction worked because it was 'taken-for-granted' that women were not partnership material. Finally, Hanlon (1994) seems to suggest that what constitutes merit is changing. The promise of partnership by merit is still the same but it seems that what is meritorious is the ability to generate revenue for the partnership, rather than demonstration of technical skill or professional judgment.

The underlying social constructions classified as prestige change from ideas of professionalism and ethics articulated by partners at the beginning of the twentieth (20th) century to ideas of multinationality and global reach articulated at the end of the century. The social constructions classified as ethnicity change from national UK and US identities to the identity of belonging to a prestigious multicultural group of professionals with uniform strategies and tactics regarding the provision of high quality of services.

The social constructions of knowledge base change from the focus on arithmetic at the beginning of the twentieth century to the use of advanced mathematics for the calculation of risk and the utilisation of technologically advanced databases. The social constructions of client-focused geographical orientation changed from the expression of a need to follow the client in order to provide the best possible service (whatever best may mean to the firms or the clients) to presence 'everywhere in the world'. The social constructions of capital management services changed from capital control to include all types of innovative services assumed to be required for financial management.

6.4.1 Limitations of the Theory

There are two types of limitations that will be discussed: limitations arising from the boundaries and those associated with its shortcomings.

Boundaries

The theory I created has boundaries. It does not address many important topics related to the firms, such as gender issues, accounting education or issues related to accounting standard setting. Other questions, such as size and the professionals employed were ignored. The boundaries were set in part because I only considered the strands of literature whose interest lies in the firms *per se*. This literature is quite small and comes at their study in different ways. For example, some of this research is concerned with the accounting firms as professional services firms instead of capital management services' producers. Moreover, the theory refers to professional employees, only for the interpretation of the concept of 'knowledge base'. An effort to further understand the "everyday life of the accountant" (Tomkins & Groves, 1983a, p. 361) is not undertaken.

Regarding the internationalisation / globalisation debates, the comments are restricted to the interpretation that the international orientation (part of the client-

focused geographical orientation) of the firms has been one of their enduring features. However, the theory does not attempt to explain the reasons why this has been the case, to describe the path of internationalisation nor to contribute to the debate of global versus international operations.

In particular, Dunning (1989) addresses the question of why firms, and in particular service firms, internationalise. His interest lies in distinguishing between firms and identifying those that have the characteristics or advantages that would 'allow' them to internationalise. I went in an opposite direction. I did not try to distinguish between firms but to interpret the characteristics that were common to all the big accounting firms as a type of capitalist firm. Thus, differences in the firms' operations are not addressed by the theory constructed.

Dicken (1992) addresses the issue of why services are being internationalised. He tries to develop an abstract concept of 'services'. My research suggests that one needs to think about how to distinguish between the services. Thus, his research refers to all types of services, although an effort is made to identify categories of services. The problem with maintaining this abstract concept of 'services' is obvious in his references to accounting services. At one part of his discussion, he refers to accounting services as 'professional services' (Dicken, 1992, Figure 11.1, p. 351), which in turn belong to the category of 'business services', along with real estate services, and installation and assembly work. At another point in his discussion, he refers to accounting services as "types of financial institutions" (Dicken, 1992, Table 11.1, p. 359). I noticed this confusion because I was interested in his analysis of accounting firms. The different categorisation of the accounting services is not justified in text, thus the interpretation I make is that there is some difficulty in categorising accounting services.

In this research, the variety of services sold by the firms, including accounting services, were interpreted to be capital management services. 'Capital management services' might be a concept (or category) that would allow the categorisation of accounting services along with other services (such as financial services and

management consultancy services). However, one of the limitations of this research and of the theory constructed is that the materials collected and the focus of the research on the characteristics of the big accounting firms do not allow me to go beyond a critique of the categorisation provided by Dicken (1992).

The empirical materials collected and interpreted set more boundaries on the interpretations made. For example, if the firms were interpreted as political actors, then different materials would be collected and interpreted (e.g. Securities and Exchange Commission hearings). The focus of the research on the firms limited the searches made. For example, if the research question was broader, then more reference could have been made to economics and sociology or to broader research on globalisation. Reflecting on that, some of the selection criteria might have been a bit narrow. Looking only at research on the firms limited perhaps the research exercise and the interpretations made. If the 'net had been cast' more widely, for example if research on law firms and professional services firms had been used, then the limitations of the developed theory would have been changed and perhaps the interpretation would have been affected.

Shortcomings

One of the shortcomings of the theory is the unevenness of the constructed concepts. By unevenness, I mean that some concepts are more abstract (comprehensive) than others and that some concepts are closer to the actor level than others. For example, the concept of client-focused geographical orientation is closer to the actor level than the concept 'ethnicity'.

This unevenness creates problems for the communication of the theory. If the characteristics were more parallel in terms of the level of abstraction, then clarification of what each of the characteristics would be easier. For example, the concept of ethnicity is a broad concept attempting to cover the seeming importance of the identity and language in the firms. Thus, in the discussion of the concepts, the firms' ethnic identity, as Anglo-American or American, is something I privilege.

The social construction around this concept is the attachment of the firms' identity to an ethnic group rather than to a passport group. However, some other concepts are not as broad. For example, the concept of client-focused geographical orientation is quite awkward. It is trying to construct out of different elements something about the orientation of the controllers of this type of firm.

6.4.2 Openness to Alternative Interpretation

In the bricolage there are tensions between the positivist bias of grounded theory and the interpretivist bias of reflexivity. In some sense, this makes my theory open to movement in either direction. Researchers with a positivist orientation might view the constructed characteristics as 'variables', even if this is not what is intended. On the other hand, the theory is open to qualitative research including narratives about the firms in which these characteristics are a starting point.

Part of the reflections, on the theory constructed, is the openness to alternative interpretations. For this purpose, two types of research will be discussed: that of Enterwick (199) and the work of Cooper *et al.* (1998, 1999).

According to Enderwick (1989) one of the factors that determine the successful entry of firms in foreign markets (internationalisation) is the possession by the firm of what he calls "firm-specific advantages" (FSAs) (Enderwick, 1989, p. 17). These advantages are unique characteristics and qualities that the firm possesses and can give the enterprise the competitive advantages it needs, in order to face the firms that are already established in the market to be entered and know this local market. He argues that there are five types of assets, which confer competitive advantages to the firm.

The ownership of goodwill and brand names is the first type of ownership of a competitive advantage. The key issue with goodwill and brand names is the provision of good quality services to customers. The good quality of services offered establishes the goodwill or brand name of the firms and constitutes a competitive

advantage for the firm. This can be achieved through product specialization and economies of learning and doing for the most important resource of the service firms i.e. the employees. The second type of competitive advantage owned by the firm is the innovation of techniques, methods and strategies. Innovations can offer the competitive edge to the firms in a foreign market.

The third type of ownership of competitive advantages is related to the access, processing, storage, and retrieval of information. This could be considered the top advantage, since not only it offers a competitive advantage to the firm but it may also hinder the entry of other competitors to the market offering this way those owning the advantage “immunity from competitive threat” (*ibid.*, p. 20). A fourth type of ownership is ownership of competitive assets created due to the existence of governmental regulations. Government regulation or deregulation can offer opportunities for the creation of competitive advantages applied in foreign markets. Finally, the fifth type of ownership of competitive advantages is the existence or creation of economies of scale and scope because of the internalisation of the activities of the firm.

Enderwick (1989) advances this analysis in order to explain the extent and pattern of internationalisation. This is an effort to predict the extent and pattern of internationalisation. Thus, his effort (much like Dunning's, 1989) is to distinguish between the firms who do internationalise and ones that do not.

In contrast, my theory does not describe differences but common characteristics of the firms related to commercial action. In the context of my theory, internationalisation is included in the constructed concept of ‘client-focused geographical orientation’.

There are two main differences between my work and that of Cooper et al. (1998, 1999). Firstly, it is field research with an orientation to the present. Secondly, their work is not concerned with what the firms have in common but they explore the contrasts between the firms.

The work of Cooper *et al.* (1998, 1999) highlights fixity as a feature of the theory that could be seen as problematic. Their work is concerned with the present; in other words, it does not seem to be directed toward the fixed features of the firms. They have interrogated a number of theories for interpreting field research, so in some sense they seem open to different characterisations of the firms, for example globalisation (Cooper *et al.*, 1999), national with international operations (Cooper *et al.*, 1998, 1999), professional services firms (Greenwood *et al.*, 1999), strategic alliances (Brown & Cooper, 1996).

In my interpretation, these different characterisations of the firm have many features in common and in that sense, it is possible to consider some of the characteristics that I have constructed as variations on a theme. Thus, it is possible to explain some of these characteristics' fixity by thinking along the idea of "administrative heritage" (Greenwood *et al.*, 1999, p. 270). Within that context, the endurance of certain characteristics could be interpreted as institutionally based. Arguably, the 'administrative heritage' of each firm is different. However, at a deeper structural level, my theory points to the possibility that although these features are institutional features, they reflect an isomorphism that has arisen from the close contact between the firms and because throughout their existence, they have used each other as their point of comparison (Zukin & DiMaggio, 1990).

6.4.3 Concluding Remarks

The main points highlighted in this chapter concern the main features of the theory, the constructed concepts and the theory's limitations.

The main feature of the theory is that it is an assembly of six constructed concepts, which describe the firm. Thus, it is a 'naming' and classification theory that in accounting research might be called a middle range theory.

The characteristics are constructed concepts that express my interpretation of the various social constructions reflected on in the movement from the primary to the third level of interpretation. The concepts overlap, in that they draw from a 'common pool' of social constructions.

The constructed concepts 'name' six characteristics of the firms that are seen as related to commercial action.

The main limitations of the theory are its exclusive interest in the accounting firms' commercial activities and in the formal characteristics of them as a type of capitalist firm.

Chapter 7

Conclusion

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*«Τα πάντα ρει, πάντα χωρεί, κούδέν μένει.»
All things flow, everything moves and nothing abides.*

*Ηράκλειτος, 6^{ος} αιώνας π.Χ.
Heracletus, (fl. 6th century B.C.)*

7.1 Introduction

The story line in mainstream PhD dissertations is similar to that of a detective story. The PhD student has discovered a ‘thought’ crime, committed (or ignored) by members of the research community (the research problem). The student-as-detective forms one or two hypotheses about how the crime was committed (theory, methodology/method/empirical model) and gathers evidence (data chapter and tests of hypothesis). She then demonstrates guilt (analysis of results) and consequences. The job of the concluding chapter is to provide the reader with a rational reconstruction of the crime, its discovery and conceptual punishment.

The story line in this PhD dissertation is quite different. It opens with how the story will be told (methodology) because of what her story is about (stories). This is followed by her story of the sense she made of the stories she put together from different stories in books and documents mainly unconcerned with the reclusive figure she was trying to describe. Each chapter was devoted to a different set of stories. One set of stories was told by academic researchers; another set was a compiled set of (quite short) stories told by a publisher and the third set was the stories that the reclusive figure paid others to tell about him. After telling the story of how she made sense of each of the stories --a very complicated and detailed rational reconstruction of the process of making sense of the stories told-- she ends the story with her story of ‘what’ the reclusive figure might (or might not) look like and why her story might (or might not) make sense to others.

Since the dissertation narrative itself is the communication of rational reconstructions of the meaning to her of a lot of different stories, the job of the conclusion chapter has to be something other than yet another rational reconstruction of the story of the story. That is why I think the job of my conclusion chapter is to help me escape from the labyrinth created by reflexive interpretation.¹ Like Ariadne gave Theseus the thread (in Greek, 'mytos') to find his way out of the labyrinth; I need to find the threads that lead out of the cave of this, to a degree, self-obsessed process of stories and their interpretation.

One thing that I think would help me escape is to change the subject. Instead of talking about the research I did for the dissertation, I want to talk about the other research subjects that I think are now open to me. This is the story in the first section (section 7.1). After that, I want to talk about some of the lessons learned from the attempt to change my research voice from post-positivist analysis to reflexive, interpretive narratives. That is the story in section 7.2. In the last section, (section 7.3) I want to close with a story about myself that might explain how I got into the storytelling business in the first place.

7.2 Avenues for Future Research

I would like to get out of the library for a while. As much as I enjoyed working with documents (and the PhD research was the first time I had done so), I think a change of scene would do me good.

ALBA, where I teach, is located near the coastline, southeast of Athens and is in a new office block. My office is a nice one and the air is not so polluted this far out of

¹ Which prompts yet another Greek story; this time a myth about a monster, the Minotaur, who lived in a labyrinth at the palace of Knossos at Crete. Theseus, who was the son of the king of Athens Aegeas, undertook the responsibility to relieve the people of Crete from the fear of the Minotaur. Ariadne, the daughter of the king of Knossos, afraid that Theseus might get lost in the labyrinth and never come out, gave him a thread ('ton myto' in Greek), so that he would find his way out. Indeed, that story has a happy end (obviously, not for the Minotaur).

town. So, I have a place to write. The only problem I have is getting to the this office. The traffic is terrible. However, the view of the sea is a good motive to set off with a smile. Hoping that the smile will last until I arrive at ALBA, in the seclusion of my office, I will organise the writing of papers from the dissertation. Deciding where to start might be hard, mainly because there are some topics that I find more challenging than others. My bricolage would be one the favoured candidate. Its design and use has taught me a lot about its strengths and limitations and I would like to share the ideas I developed and the lessons I learned.

Another candidate is my theory of the common characteristics of the big accounting firms. I want to do a paper that sets out my interpretation of the 'whatness' of the big accounting firms, with less detail on methodology and more on the characteristics themselves.

I am also thinking of working on a paper, using the short quantitative stories of the big accounting firms, to explore the deceptively simple question 'how big are the big accounting firms?' This would be a mainly descriptive paper in which I would present and discuss my constructed trends of the firms' commercial operations from 1983 to the present (updating from 1997), in light of more mainstream research on the firms commercial power.

Another story from the dissertation that I would like to tell, relates to the firms' own stories – the quasi-histories. The plethora of the firms' self-representations in the quasi-histories constitutes a unique resource source for research on the big accounting firms. The interpretation of the firms' own representation of their success and their silences can direct research in any number of directions, including more research on exactly what kind of capitalist firm they can be interpreted to be.

Of course, I should not overdo staying in the office. I have the need to go out and talk to people. The type of field research I envision doing is interviews with the partners of the firms that seem to me to be of the same type of capitalist firm, as the big accounting firms. Some of these are second-tier accounting firms (some of the

questions I would ask are, what kind of firms do these partner's think they work for? What do they see as its main 'characteristics'? Do they think my characteristics of the firms make any sense?) Others are cooperative associations of small firms, envisioned as a sort of organisational parallel to the professional institutes, but for small firms. How do the directors of these 'quasi-institutes' construct 'prestige'? Does it matter to them in their efforts? Do they think my characterisation of prestige makes any sense? Advertising agencies, commercial law firms and investment banks are some other lines of business that I would like to investigate.

Another option would be to do similar research but this time targeting local offices of the big accounting firms. The characteristics I identified constitute a subjective interpretation of the firms' own representations. What do the partners and professionals employed in the big accounting firms think about the characteristics? Do they see their firms as capitalist firms? Would they identify any of the six characteristics as more important than the others? Would they add any characteristics? Would they disagree with any of the characteristics? Thus, I would be interested in interviewing members of the big accounting firms (e.g. partners)² or members of the small and medium size accounting firms. For example, the theory developed in the dissertation could be used to frame questions as to how the big accounting firms (the Big 4) established themselves in the Greek market. Would they think that any of the characteristics (or all) were important in that process?

Although I would like to do such interviews in Greece (part of my socially constructed ethnic affiliation), the project does not have to be geographically restricted. I wonder if, for example, partners in a French partnership have similar understandings of the characteristics with partners in a Greek (or other) partnership.

Another interesting question would be whether the trainees of the firms (in the U.K., the U.S., or other countries such as Greece) are socialised into the ethnic affiliations of this type of firm. This would be an effort to follow on and combine Montagna's

² I have already initiated this project with partners of one of the Big 4 at Greece.

ideas about the socialisation of accountants (1990) and Hanlon's commercialisation thesis (1994, 1996).

I also think that a different perspective would be achieved by conducting interviews with academics from different disciplines. Do they see the big accounting firms as capitalist firms? Do they see them as accounting firms? What do they think about the characteristics? This would be a very intriguing option, since some of the theoretical presuppositions underlying the identification of the characteristics relate to theories from different disciplines.

Alternatively, I could spend more time with people in one of the big accounting firms (a case study) and focus on their story about the type of firm and the characteristics.

Another possibility would be to try to explore further the silences about the firms. This would require that I think more systematically about the silences in the archival materials at hand, and address them in field research. This type of field research does not need to be with professionals or partners currently employed by the firms. The interviewees could be professionals and partners in small and medium sized accounting firms, retired partners, ex-employees of the big accounting firms and academics. Possible questions could be, do they perceive any 'silences' (e.g. taboos, subjects that are just not discussed? What do they think the reasons are?

Could it be that at some point I have a change of methodological heart and turn to a romance with positivism? I am not sure about that, however, the option of sending questionnaires on some of the issues already discussed (such as, whether the big accounting firms are perceived as capitalist firms and whether the six characteristics identified are seen by others to be important) is appealing.

For a change of scene, I would like to do some theoretical work related to my dissertation. My research would focus would be the overlap that I envision between the characteristics of this type of firm. The overlap is stronger amongst some of the characteristics and weaker amongst others. Further study of this overlap might lead

to the identification of fewer but deeper characteristics, in which the type of firm reaches a more general level.

Another research avenue is further research on each of the characteristics identified. This type of research would aim at providing more depth to the characteristics studied and to each characteristic's relation to the firm's commercial actions and profitability.

Work towards developing a relational theory from the descriptive theory developed would be another research endeavour. This idea stems from my initial ambition of studying the commercial power of the firms (of this type of firm) and the relation between the characteristics identified and power. For this purpose a better, perhaps broader definition of commercial power is required combined with a more complete identification of theoretical presuppositions. If the relation between the characteristics and between the characteristics and commercial power within the context of broader social processes is identified then the argument for a commercial power-resource of this type of firm could be advanced. This type of research would relate to accounting research regarding the power of the firms (e.g. Strange, 1996; Montagna, 1990).

As discussed in Chapter 2 (The Work of the Bricoleur), one of the systematic accumulations of the memos produced during the research process and coding consisted of working on theory elaboration. One of the theories visited was Dunning's "Eclectic Theory" on the internationalisation of services' firms (1989). Although Dunning comes from an economics' background, the theory he proposes is interdisciplinary. It would be thus interesting to compare and contrast the theory developed in the dissertation with Dunning's theory, referencing what Alvesson and Skoldberg (2000) describe as a meta-theoretical perspective. The theorist of interest to me now is the work of Weber (1978) and his discussion of organisations, accounting and capitalism, as a social system.

Another type of research would be to revisit theories on other types of power. For example, Strange (1996) has discussed the collective power of the big accounting firms from a political-economy perspective. The idea of studying the collective power of the big-firm segment in the globalised (or international) economic system is very intriguing.

7.3 Changing Voices, Changing Words

After I moved to the UK, I heard this phrase, "It's all Greek to me." I could understand they meant that they could not understand something but the rest of it escaped me. What did Greek have to do with it? Why pick on the Greeks? This story is connected to the way language comes into the picture. The words for what I am trying to say, is sometimes "greek to me" but a very different language than my mother tongue.

Theory creation was for me, a process of constructing concepts that would communicate the complex reasons for my particular vision of the accounting firms as a type of capitalist firm that is, in a very important sense, not an accounting firm at all.

Naming (at least in part) to 'what they are' in commercial terms, using words that are both familiar and a bit strange, is associated with the elements of my overall interpretation of the firm that I have, as yet, to fully articulate. In the discussion that follows, I attempt to set out some of these in order to clarify my conclusions.

What the firms are is difficult to describe or identify because it is easy to focus on their size and assume that size is the feature that distinguishes them. Moreover, because the firms are so secretive and their size is one of the few things that is difficult but not impossible to obscure, attention is directed toward size and scale rather than the more fundamental issue of what kind of firm they are. However, before the consequences of size can be interpreted, exactly the characteristics of this

type of firm need to be theorised. Otherwise, the efforts for any type of interpretation will be difficult to share.

One lesson learnt is that absent prior theorising either on the systemic or conjectural status of this type of firm poses difficulties in referencing theoretical presuppositions and this raises difficulties in conducting research on this type of firm. To establish either the systemic or the conjectural status of this type of firm undoubtedly requires theoretical work but it also presupposes secondary empirical work that does not exist. Would it have been possible to theorise the firms' systemic features in the UK and the US capitalism? Perhaps. However, the effort would be hampered by the lack of theoretical work on the subject in management studies. Where would the researcher need to start? Should one take a train to Economist land or stop by in Sociology city? It is all a bit overwhelming.

A theoretical conclusion that could be emphasised, as it is seen to contribute to previous academic research and could serve future research, is the theoretical prior on which the study was based. Moving away from what are seen in previous research the 'special' characteristics of the firms, that is their professionalism and their organisation in national or local practices, and treating them as profit-seeking international firms having to survive - like any other profit-seeking firm - in the capitalist system assisted shedding light in the firms' commercial power. This very theoretical prior directed the choice of the actor for this dissertation not as the accountants or the audit market but as the individual big accounting firm, shedding light to this under-researched and quite silent actor.

More challenging than the theoretical prior is the proposal of looking at the firm not as accounting firms but as producers of capital management services.

The main methodological conclusion of the research is that it is possible to construct an interpretation of what type of firm the big accounting firms are by relying on the methodology of bricolage. The methodology of bricolage provides a way of returning to the empirical world, avoiding at the same time the possible positivistic

bias introduced by grounded theory. However, the kind of interpretation that this methodology enables is constrained. There are three main limitations of the methodology of bricolage for theory creation. Firstly, it inhibits the claim that one's interpretation corresponds to 'what is out there' and privileges the researcher's understanding of one's interpretation. This way it emphasises the understanding of understanding, instead of the understanding of the social world. Secondly, the methodology seems to lead to a certain type of interpretation.

Bricolage, through reflexivity, emphasises the need for the researcher to question one's interpretation and look for the underlying theoretical presuppositions that inform the interpretation. The need for the researcher's awareness and discussion of theoretical priors is of paramount importance, as it determines the formation of the research question, the choice of research methods, as well as the context of the theory developed. They affect (if not determine) both how one explains and how one understands the subject of study.

Another lesson, that I would like to emphasise, is the demand of the bricolage on language. The communication of the interpretation made, imposes great demands in terms of the language used. This was particularly apparent to me, in writing the dissertation. It is not only the need for an extensive explication of the four levels of interpretation that Alvesson and Sköldbberg (2000) point to. It is also a need for the careful choice of the appropriate words in order to communicate in the most comprehensive possible way the interpretation and how I reached it. This can be at times difficult, for one that is not a native speaker, but also, because of the connotative meaning of words and phrases used by particular strands of research.

7.4 About the Author of the Story

I would date the beginning of this long journey of research on the big accounting firms from the first field research I did that involved the firms as interview subjects. In the event, the interview was, from the perspective of my MSc research, extremely

disappointing. My interviews were supposed to help me clarify a new product being marketed by the firms but the main subject discussed was why I wanted to know what I wanted to know. What impressed me was not the surprising rudeness of the person I interviewed but the aura of secrecy and suspicion that permeated our meeting. It did not make any sense. Why would a company market a product that it preferred not to discuss, even with a lowly foreign postgraduate student? Why were my questions creating so much awkwardness? It did not make any sense to me then but it does make a certain kind of sense to me now.

My presupposition when I crafted my research questions was that the firms marketed products in order to make profits. I saw nothing objectionable in this. After all, they were businesses and my years of management studies had drilled into my head that the objective of business was the earning of profits. My questions focussed on how they could make money from selling a product (e.g., telling the customer where its internal control processes ranked in relation to those of its competitors) they needed to sell in order to produce. I asked my questions, endured intrusive questions about my motives for doing the research, and returned to Manchester with a simple question. Why would an interview focussing on profitability provoke such hostility from a profit-seeking firm?

In a certain light, I would say that my dissertation proposes a rather simple answer to this question: the representative of the firm was provoked because she works for a type of capitalist firm that relies on a complex set of social constructions that denies that it is a capitalist firm. This answer is not the answer to my dissertation question, but awareness of it (and the circumstances that created it) may help clarify how I entered the maze to begin with.

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Price Waterhouse

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Grant Thornton	http:// www.grantthornton.com/
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Home Page	http://www.gti.org/
Map-Search page	.../gtmap.htm
GTI Dir.-Europe, M. East & Africa	.../indx-eu.htm
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Home	.../about-text.html
Locations	.../locations-text.html
Industries	.../industries-text.html
Services	.../services-text.html

Appendix

“In order to communicate our concepts and propositions to others, and to make our own thinking easier, we use signs above all a written or oral language, consisting of words or similar symbols. (p. 5)

Calculation owes its relative safety not to the fact that it takes place with numbers, but to the formalism. [Formalism differentiates between two things: on the one hand, there is the material form of the signs, of language and on the other “an interpretation of the content, an allocation of meaning to the signs”. (p. 35)]. It is an application of formalism *to the language of numbers*. (p. 37)”

Bochenski (1968), emphasis added

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A.1 Overview of Methods

A1.1 Introduction

The subject of the appendix is how quantitative representations of the firms' commercial operations were constructed. Details of the collection and coding of the empirical materials are discussed in Chapter 4, Section 4.2. Initially a manual archive was created. The manual archive consisted of 45 tables, which included approximately 3,200 quantitative representations (3 markets * 12 firms * 15 years * 5 items). The paper archive was digitalised and further work with the quantitative representations resulted in approximately 7,000 quantitative representations in numerous of tables (4 markets * 12 firms * 15 years * 9 items). These were used for the calculation of trends in the items collected. Of these tables, only 55 are included in this appendix to illustrate the potential of the database (both its limits and possibilities) for use for further projects on the firms.

The appendix consists of three main parts. The first part discusses the methods of collection, computation and adjustments. It consists of three sections. In the next section (A1.2), the general methods for empirical materials' collection are discussed. Section A1.3 discusses the methods of computation and presentation and section A1.4 that follows discusses the adjustments that were required.

The second part of the appendix consists of four tables, one for each market studied with the aggregate empirical materials for the big firms. The third part of the appendix consists of 52 tables. These tables provide the long-term representations for each of the firms in each of the markets studied.

A1.2 General Methods of Empirical materials Collection

This section briefly reviews the sources for the empirical materials, the markets studied, and the firms. For a more detail discussion of those, please refer to Chapter 4.

Sources

The information reported in the dissertation was mainly collected from two practitioners' journals. One was the International Accounting Bulletin (IAB), a journal for practitioners specializing in news about the accounting firms at a local, regional, and an international level. It is "Business Intelligence for Accounting Firms Worldwide" as is mentioned on the journal itself. It is published by Lafferty Publications, the London, UK based publishers. In 1984, they published the first "Survey of Accounts and Accountants". (IAB, April 1984, p. 24). In December 1996, they started publishing the European Accounting Bulletin, initially as part of the IAB.

Another practitioners' journal used was the Accountancy. This facilitated a comparison between the empirical materials presented in the IAB and the empirical materials of Accountancy. The Accountancy is another UK based journal. The journal frequently mentions the Public Accounting Report (PAR) as its source for the information presented for the international operations and the US operations of the firms. The PAR is a US based bimonthly newsletter (with a subscription price of US\$247 per year).

Markets

I have collected information about three main markets the UK, the US, and the Worldwide (WW) or Global market. Being interested in the commercial operations of the firms internationally, I wanted to gather information about their operations at a

global scale. The dominance of the firms in the UK and the US audit markets (e.g. Yardley *et al.*, 1992) motivated the collection of empirical materials for the UK and the US. I thought that the combination of the information about the three markets would reveal information about the extent to which the firms have invested outside the UK and the US. Due to this, I constructed the Rest of the World market, as the residual of the worldwide after deducting the US and the UK items.

The Firms

Information about the firms was collected for the period starting 1983 to 1999, since the first empirical materials available for the worldwide operations of the firms (as collected by the firms themselves) come from the IAB of 1983. During the period 1983 - 1999, mergers were quite frequent for accountancy firms. They include mergers of the firms with other accounting firms, as well as mergers of the firms with firms offering other business services, like consultancy, legal services and services related to information technology.

McKee & Garner (1992) report 40 mergers to have taken place in 1985, 46 in 1987 and 55 in 1988. Most of the mergers have taken place in the US, Japan, Canada, Australia, and the UK (*ibid*). From 1982 to 1988, a six-year period, the big accountancy firms kept on merging quite rapidly. KPMG Peat Marwick was involved in 32 mergers (an average of 5 mergers per year); Touche Ross in 28 mergers (an average of 4.67, approximately, 5 mergers per year); Deloitte, Haskins and Sells in 22 (an average of 3.67, almost 4 mergers per year); Price Waterhouse in 18 mergers (an average of 3 mergers per year); and Ernst and Whinney in 17 (an average of 2.83, that is 3 mergers per year). During this period, therefore, each of the big firms was involved in an average of 3 to 4 mergers per year.

The result of this was that although in 1983 the Big Nine (9) firms were the dominant firms of the accounting market, they had actually become the Big Six (6) in 1995. The mergers that are significant for our study are the ones that took place amongst the Big 9 reducing them to Big 6, changing this way the scenery of the market

internationally, and increasing the concentration of audits to even fewer firms. The first main merger was that of KMG and Peat Marwick Mitchell in 1987 (McKee & Garner, 1992). Two more mergers followed in 1989: one between Ernst & Whinney and Arthur Young, and the second one between Deloitte, Haskins & Sells and Touche Ross (Stevens, 1991).

A list of the companies along with the abbreviations that will be used in the tables with the information about the firms is provided:

Table A.1: The Big Accounting Firms in 1983 and in 1998

	1983		1998	
1.	Arthur Andersen	AA	Arthur Andersen	AA
2.	Arthur Young	AY	Coopers & Lybrand	CL
3.	Coopers & Lybrand	CL	Deloitte & Touche	DT
4.	Deloitte, Haskins & Sells	DHS	Ernst & Young	EY
5.	Ernst & Whinney	EW	KPMG Peat Marwick	KPMG
6.	KMG Main Hurdman	KMG	Price Waterhouse	PW
7.	Peat Marwick Mitchel	PMM		
8.	Price Waterhouse	PW		
9.	Touche Ross	TR		

The number of the big firms has decreased to five (5), after the merger of Price Waterhouse and Coopers & Lybrand, which resulted in PriceWaterhouse Coopers (PwC) (effective from 1 July, 1998) and to four (4) after the downfall of Arthur Andersen in the wake of the ENRON scandal in 2000.

A1.3 Methods of Empirical materials Computation and Presentation

The main aim was to find information about the revenues of the firms, number of professionals employed, number of offices, in order to create a picture about the size of the firms. When I came across information about the firms I would find

information about these items, thus the existing layout of the information available triggered the use of the same items.

Typically, the items found in one table would be the revenues from operations, number of partners and professionals, the professionals/partner ratio, the number of offices owned by the firm and the revenues/partner ratio. In some cases, the revenues split would be provided either in the same table or in separate tables, and it would have either a percentage format (%) or a monetary format. Thus, for the construction of this database, I integrated all the items / information in one table and for the revenues split I present the percentage format (%). So, when the information was provided in % format I was calculating what this % means in terms of money, and when the information was provided in monetary terms I would calculate this in terms of percentages.

1. Total Revenues is the total revenue of each of the firms. The revenues of the firms consist of the revenues they charge for the services they provide. In information about the UK, this item is frequently named "fee income" (e.g. Accountancy), and in information about the US, it is named "revenues" (e.g. International Accounting Bulletin). The revenues are presented in US\$. The exchange rates applied for the conversions come from the Global Financial Empirical materials (Internet source, April 2000, <http://www.globalfindata.com>).
2. Accounting Revenues as % of Total, is actually how much *audit and accounting* services contribute to the total revenues or to rephrase it, how much of their total revenues comes from the provision of audit and accountancy services.
3. Non-Accounting Revenues as % of Total shows how much of their total revenues is generated from the provision of all other services (e.g. management consultancy, taxation, insolvency, corporate finance).
4. Partners refers to the number of partners in the firms, partners coming from all services provided, i.e. partners from the audit and accountancy division, management consultancy and other services.
5. Professionals is the number of professionals working with the big firms excluding the number of partners. Professionals would also exclude the

-
- administrative staff, thus, it would include chartered accountants in the UK, certified public accountants (CPAs) in the US and all other professionals like consultants, tax specialists, IT specialists and so on.
6. Total Professional & Partners is just the total number of partners and professionals working with the firms.
 7. The Professionals / Partner ratio represents how many professionals correspond to one partner; that is leverage.
 8. Offices. For each of the three markets there is information about how many offices each firm owns in that market.
 9. Revenues / Partner indicates how much fee is generated by each partner. It is calculated in both US\$ and UK£.
 10. Number of countries. It refers to the number of countries in which the firms have offices. It includes only the number of countries in which the firms have their own offices, or to put it differently, the number of countries where member firms are located. From this the number of countries in which firms have correspondent firms/offices is not included.

A1.4 Adjustments

This discussion explains the methods used to estimate aggregate values for each of the items presented in Tables A1.1 to A1.4. Each item is treated for values not disclosed by the practitioners' journals (henceforth, called 'omitted') and changes (increases or decreases) in the item are calculated. A description of each table in the appendix is provided:

A1.4.1 Estimation of Monetary Values

Two adjustments were required: one for omitted values and the other for inflation. Empirical materials on Revenues were given by sources in current dollars or pounds. To create a better time series, it was necessary to adjust for inflation. The adjustment aims at providing revenues in constant currency value, indicates true increase in the

revenues of the firms, and not increases in the revenues brought by inflation. The inflation rates used were found at the <http://globalfinbases.com> and are as follows:

Table A.2: US and UK Inflation Rate, 1983 – 1999

Year	US Inflation Rate	UK Inflation Rate
1983	3.79	5.33
1984	3.95	4.60
1985	3.80	5.61
1986	1.10	3.75
1987	4.43	3.71
1988	4.42	6.77
1989	4.65	7.71
1990	6.11	9.34
1991	3.06	4.47
1992	2.90	2.58
1993	2.75	1.94
1994	2.67	2.89
1995	2.54	3.23
1996	3.32	2.44
1997	1.70	3.63
1998	1.61	2.75
1999	2.68	1.76

Five tables of the appendix are about revenues. Each table corresponds to one of the markets, with the only exception the case of the UK revenues, where two tables are included, one with US\$ and one with GBP£. The process of the calculation of the indices could be described through several steps:

Step 1: Identification of omitted values and their substitution by estimated values.

The description of this step is split up in the description of the omitted values and their estimation by market:

Worldwide: Two values were not available for this set of bases

For 1983 the revenues for Touche Ross was not available, thus the revenues for 1984 was used adjusted for inflation, i.e. $\$904.00 / (1 + 0.0379) = \870.99

For 1985 the revenues for KMG was not available, thus the revenues for 1984 was used adjusted for inflation, i.e. $\$900 * (1 + 0.0395) = \935.55

US: One value was omitted from the US empirical materials, for 1988, the revenues of Coopers and Lybrand. Thus the revenues for 1987 was used adjusted for inflation, i.e. $\$964 * (1 + 0.0443) = \$1,006.71$

UK: For the UK revenues was reported in GBP£. For the aims of the dissertation GBP£ was converted in US\$ and two indices were calculated: one based on the GBP£ and another one based on US\$. The US\$ index was calculated mainly for adjustments that would need to be made, since these values are used in the estimation of the ROW revenues. The exchange rates used to convert GBP£ in US\$ were found at the Global Financial Empirical materials (<http://www.globalfindata.com>, April 2000). These rates are presented in the following table:

Table A.3: Exchange Rates 1983 – 1999

Year	British Pound (\$/GBP) US dollars needed to buy a British Pound
1983	1.45
1984	1.16
1985	1.44
1986	1.47
1987	1.87
1988	1.81
1989	1.61
1990	1.93
1991	1.87
1992	1.51
1993	1.48
1994	1.56
1995	1.55
1996	1.70
1997	1.65
1998	1.66
1999	1.61

There were not omitted values in the UK revenues.

Finally the ROW revenues was calculated as:

$$\text{ROW} = \text{WW} - (\text{US} + \text{UK})$$

Since all omitted values for the three given markets were estimated, the estimation of the ROW needed no further treatment.

Step 2: Calculation of constant currency for each year:

The formula

$$\text{CF}_t = F_t (1+r_t)^* , \dots , *(1+r_{16})$$

where

$\text{CF}_{t \text{ in } 16}$ is the value of the revenues of year t in the base year (1997 and 1998) in constant US\$ (or GBP in the case of the UK)

F_t is the value of the revenues in year t in current US\$ (or GBP in the case of the UK)

$$t = 1, \dots , 16$$

For example, the value of 1983 worldwide revenues in 1998 dollars is calculated as:

$$\text{Revenues in 1983 dollars} * (1 + r^*),$$

$$\$8,408 \text{ million} * (1 + r^*),$$

where r^* is the compound inflation for the years 1983 to 1998,

$$\text{e.g. } r^* = (1.0379)*(1.0395)*(1.0380)*\dots*(1.0161) = 1.853$$

A sample of the working papers for this type of calculation is provided in table A.4 that follows:

**Table A.4: Working Paper Illustration:
Adjustments for the Aggregate World Wide Revenues, 1983 - 1998**

YEAR	TOTAL REVENUES IN CURRENT USD \$ m	MISSING VALUES	FINAL VALUES IN CURRENT USD \$ m	INFLATION	TOTAL REVENUES IN CONSTANT USD \$ m
1983	8,408.00	870.99	9,278.99	3.79%	15,581.16
1984	9,933.00	0.00	9,933.00	3.95%	16,070.30
1985	9,834.00	806.51	10,640.51	3.80%	16,560.80
1986	12,914.00	0.00	12,914.00	1.10%	19,363.44
1987	15,836.00	0.00	15,836.00	4.43%	23,486.38
1988	19,443.00	0.00	19,443.00	4.42%	27,612.68
1989	21,100.00	0.00	21,100.00	4.65%	28,697.50
1990	25,787.00	0.00	25,787.00	6.11%	33,513.76
1991	29,467.80	0.00	29,467.80	3.06%	36,092.23
1992	31,342.00	0.00	31,342.00	2.90%	37,247.97
1993	31,962.00	0.00	31,962.00	2.75%	36,914.28
1994	33,990.00	0.00	33,990.00	2.67%	38,205.85
1995	39,144.10	0.00	39,144.10	2.54%	42,854.99
1996	43,718.50	0.00	43,718.50	3.32%	46,677.44
1997	49,961.00	0.00	49,961.00	1.70%	51,628.38
1998	59,500.00	0.00	59,500.00	1.61%	59,500.00

Step 3: Calculation of the index

To facilitate comparisons of the growth rate of revenues indexes were constructed using the constant dollar values calculated. The formula used for the calculation of the index is:

$$\text{Index} = (CF_t / CF_{16}) * 100$$

where $t = 1, \dots, 16$

A sample of the two indexes produced is provided that follows:

**Table A.5: Working Paper Illustration:
Indexes for World Wide Revenues, 1983 - 1998**

YEARS	Index Base Year: 1998	Index Base Year: 1997
1983	26	30
1984	27	31
1985	28	32
1986	33	38
1987	39	45
1988	46	53
1989	48	56
1990	56	65
1991	61	70
1992	63	72
1993	62	71
1994	64	74
1995	72	83
1996	78	90
1997	87	100
1998	100	115

A1.4.2 Estimation of Missing Values for Non-Monetary Values

The three last tables of the appendix are about three different items: number of partners, number of professionals and number of offices. Each table consists about information for all four markets. For the worldwide, the US and the UK markets there are four columns. The first column consists of the empirical materials collected. The second one provides estimated values to adjust for any values, which were not available in the reported/collected empirical materials. The third column consists of the final values, which is the total of the initial reported values plus the estimations for omitted values. In the final fourth column, the annual growth of the item is estimated. Regarding the ROW market, there are only two columns. One consists of the values for the item as estimated by the formula:

$$\text{ROW} = \text{WW} - (\text{US} + \text{UK})$$

The second column consists of the annual growth of the item in the ROW.

Estimates of Number of Partners in Year t When Values are not Disclosed

For the number of partners there were omitted values for the worldwide and the US market. Regarding the worldwide market, values were omitted for the years: 1986, 1987, 1988, and 1991. Coopers & Lybrand has been the firm with the least disclosure in terms of number of professionals. The number of professionals was not disclosed for all the years mentioned. To adjust for the omitted values the annual average growth in number of partners was estimated as follows:

$(\text{Partners in 1989} - \text{Partners in 1985}) / 4 \text{ years} = (4,000 - 2,850) / 4 = 287.5$ partners per year, approximately 287 partners and

$(\text{Partners in 1992} - \text{Partners in 1990}) / 2 \text{ years} = (5,100 - 4,800) / 2 = 150$ partners.

For 1989 the number of partners with Delloite and Touche was not available, the most probable reason for that being the merger that took place during that year forming DT, between Delloite, Haskins & Sells and Touche Ross. The partners of DHS and TR in 1988 were 2,440 and 3,030 respectively, a total of 5,470. For the purposes of adjustments, however, the number of partners disclosed for the merged firm for 1990 was used, that is 4,900 partners.

Regarding the US market only one year's number of partners was omitted. That was year 1996 the number of partners for Arthur Andersen. To fill in the omitted value the number of partners for 1995 was used.

Estimates of Number of Professionals in Year t When Values are not Disclosed

For the number of professionals in the worldwide market, empirical materials were omitted for 1985, 1986, 1987, 1987, 1988, and 1991. The omitted values were for Coopers and Lybrand. Also, the Deloitte and Touche number of partners was omitted for 1989. The omitted values were replaced by estimated values for Coopers and Lybrand. The process of estimation was the same as in the case of the number of partners, that is the average increase in the number of professionals was calculated:

$(\text{Number of Professionals in 1989} - \text{Number of Professionals in 1984}) / 5 =$
 $(36,000 - 21,596) / 5 = 2,880.8$ approximately 2,881 professionals.

And similarly for 1991: $(46,000 - 44,000) / 2 = 1,000$ professionals.

In the case of DT the 1990 number of professionals was used for 1989, that is, 42,000 professionals.

For the US market, values for the number of professionals were omitted in 1985, 1989, 1991, and 1996. In each of these years, the values of only one company were omitted and in all cases, they were substituted by the previous years' number of professionals (assumption of zero growth). Which means:

1985: TR = 5,375

1989: CL = 9,900

1991: EY = 14,886

1996: AA = 24,606

In the UK market empirical materials set for professionals, two years' values were omitted, both by Arthur Andersen. In both cases, the previous year's values were used, namely:

1996: 4,873 and

1998: 7,200

Estimates of Number of Offices in Year t When Values are not Disclosed

For the number of offices two values were omitted from the worldwide empirical materials for 1989 for DT and EY. That could be because of the two mega-mergers that took place during that year. The values used were the values for 1990 that is:

DT: 630 offices and

EY: 642 offices.

An example of the effects of estimations on non-monetary items is presented at Table A.6 that follows:

**Table A.6: Working Paper Illustration:
Effects of Estimation Method on Number of Partners Worldwide, 1983 - 1998**

Year	Total Based on Published Empirical materials	Estimated Number of Missing Partners (*)	Estimated 'True' Total	Average Annual Growth
1983	19,744	-	19,744	
1984	20,829	-	20,829	5.50%
1985	21,775	-	21,775	4.54%
1986	20,139	3,137	23,276	6.89%
1987	20,283	3,424	23,707	1.85%
1988	21,171	3,711	24,882	4.96%
1989	19,652	4,900	24,552	-1.33%
1990	26,908	-	26,908	9.60%
1991	22,029	4,950	26,979	0.26%
1992	26,697	-	26,697	-1.05%
1993	26,676	-	26,676	-0.08%
1994	26,711	-	26,711	0.13%
1995	27,149	-	27,149	1.64%
1996	27,877	-	27,877	2.68%
1997	29,194	-	29,194	4.72%
1998	30,386	-	30,386	4.08%

(*) Details for the omitted empirical materials are as follows:

1986: Coopers & Lybrand

1987: Coopers & Lybrand

1988: Coopers & Lybrand

1989: Delloite and Touche

1991: Coopers & Lybrand

The number of tables with empirical materials available, as well as the statistics associated with the raw empirical materials are quite numerous. Therefore, for a better presentation of all this information this section consists of two Appendices.

A.2 Empirical Materials: Aggregate, 1983-1997

This part of the appendix consists of the totals (aggregate empirical materials), in the case of monetary items adjusted for inflation and values not disclosed by the journals (henceforth, called 'omitted') and in the case of non-monetary items adjusted for omitted values. Thus, the appendix offers an aggregate view of the size of the firms in terms of the items for the period 1983 to 1997. It contains four tables of aggregate information. The first table is the worldwide picture of the big firms for the period, the second is the US picture of the firms, the third is the UK picture of the firms, and the fourth presents the estimated aggregate scale and scope of the firms in the Rest of the World. The empirical materials in this fourth table come from deducting the US and the UK empirical materials from the WW empirical materials.

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Table A3.1: Adjusted Worldwide Operations, 1983 - 1997

YEARS	TOTAL REVENUES Current US\$ m	Constant Growth	Offices	Partners	Professionals
1983	9,278.99	30	3,262	19,744	155,366
1984	9,933.00	31	3,374	20,829	164,073
1985	10,640.51	32	3,535	21,775	175,404
1986	12,914.00	38	3,686	23,276	191,167
1987	15,836.00	45	3,822	23,707	206,445
1988	19,443.00	53	3,735	24,882	228,455
1989	21,100.00	56	3,207	24,552	236,265
1990	25,787.00	65	3,499	26,908	264,273
1991	29,467.80	70	3,614	26,979	261,176
1992	31,342.00	72	3,642	26,697	257,394
1993	31,962.00	71	3,693	26,676	261,060
1994	33,990.00	74	3,761	26,711	270,724
1995	39,144.10	83	3,726	27,149	287,519
1996	43,718.50	90	3,730	27,877	311,318
1997	49,961.00	100	3,771	29,194	349,752

Table A3.2: Adjusted US Operations, 1983 - 1997

YEARS	TOTAL REVENUES Current US \$ m	Constant Growth	Offices	Partners	Professionals
1983	4,856.00	37	803	7,726	59,778
1984	5,489.00	40	825	7,910	61,472
1985	6,239.00	44	855	8,213	66,808
1986	6,957.00	47	818	8,295	69,885
1987	7,938.00	53	824	8,717	74,470
1988	8,948.51	58	831	8,858	79,210
1989	10,158.00	63	661	9,130	85,921
1990	10,868.70	64	686	9,136	79,266
1991	11,227.60	62	663	8,721	78,097
1992	11,649.00	63	669	8,338	72,038
1993	12,202.00	64	676	8,208	73,257
1994	13,526.00	69	654	8,240	77,541
1995	15,379.00	76	639	8,485	84,257
1996	17,670.00	86	525	8,737	85,923
1997	21,301.00	100		9,603	104,711

Table A3.3: Adjusted UK Operations, 1983 - 1997

YEARS	TOTAL REVENUES Current US \$m	Constant Growth	Offices	Partners	Professionals
1983	662.07	19	217	1,598	18,209
1984	607.38	16	216	1,708	18,961
1985	912.38	24	234	1,827	20,718
1986	1,170.12	29	233	1,905	22,664
1987	1,844.85	46	209	2,024	24,106
1988	2,213.63	52	215	2,161	26,991
1989	2,449.13	55	221	2,345	28,972
1990	3,719.69	81	184	2,570	31,336
1991	4,402.92	90	212	2,845	33,668
1992	3,852.46	76	176	2,838	31,626
1993	3,780.07	73	170	2,797	29,601
1994	4,147.26	78	166	2,796	29,285
1995	4,370.69	80	167	2,734	30,015
1996	5,432.52	97	152	2,758	32,117
1997	5,810.97	100	150	2,792	35,955

Table A3.4: Adjusted ROW Operations, 1983 - 1997

YEARS	TOTAL REVENUES Current US \$m	Constant Growth	Offices	Partners	Professionals
1983	3,760.92	27	2,242	10,420	77,379
1984	3,836.62	26	2,333	11,211	83,640
1985	3,489.12	23	2,446	11,735	87,878
1986	4,786.88	30	2,635	13,076	98,618
1987	6,053.15	38	2,789	12,966	107,869
1988	8,280.86	50	2,689	13,863	122,254
1989	8,492.87	49	2,325	13,077	121,372
1990	11,198.61	62	2,629	15,202	153,671
1991	13,837.29	72	2,739	15,413	149,411
1992	15,840.54	80	2,797	15,521	153,730
1993	15,979.93	78	2,847	15,671	158,202
1994	16,316.74	78	2,941	15,675	163,898
1995	19,394.41	90	2,920	15,930	173,247
1996	20,615.98	93	3,053	16,382	193,278
1997	22,849.03	100		16,799	209,086

A3. Empirical Materials: Individual Firms' Operations, 1983-1997

The focus in this part of the appendix is on the firms. The items presented for each firm's operations in each of the markets are¹:

Total Revenues (Revenues) in Current US\$

Accounting Revenues as a Percentage (%) of Total Revenues

Non-Accounting Revenues as a Percentage (%) of Total Revenues

Number of Partners

Number of Professionals

Total Professionals & Partners

Professionals/Partner Ratio

Number of Offices

Revenues/Partner in Current US\$

Number of Countries (only in the Tables presenting empirical materials for the Worldwide market).

¹ The Variables were defined in Section 1.3 of the Appendices

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Table A3.1: Arthur Andersen, Scale and Scope of Worldwide Operations, 1983-1997

YEAR	TOTAL REVENUE Current US\$ m	ACC. REV. AS % OF TOTAL	NON-ACC. REV. AS % OF TOTAL	PARTNERS	PROF/NALS	TOTAL PARTNERS & PROF/NALS	PROF/NALS/ PARTNER RATIO	W.W. OFFICES	REVS/ PARTNER Current US\$m	No OF COUNTRIES
1983	1,238.00	52.00	48.00	1,477	17,322	18,799	12	176	0.84	45
1984	1,388.00	51.00	49.00	1,528	18,931	20,459	12	176	0.91	45
1985	1,574.00	49.00	51.00	1,630	21,336	22,966	13	191	0.97	47
1986	1,924.00	47.00	53.00	1,847	26,101	27,948	14	220	1.04	47
1987	2,316.00	43.00	57.00	1,957	28,646	30,603	15	226	1.18	49
1988	2,820.00	40.00	60.00	2,016	33,568	35,584	17	231	1.40	49
1989	3,381.90	37.00	43.00	2,134	36,960	39,094	17	243	1.58	54
1990	4,200.00			2,292	41,113	43,405	18	299	1.83	66
1991	4,947.80	37.00	63.00	2,393	43,210	45,603	18	307	2.07	67
1992	5,577.00			2,454	44,995	47,449	18	318	2.27	72
1993	6,017.00	36.00	64.00	2,487	49,897	52,384	20	350	2.42	72
1994	6,700.00	36.00	64.00	2,517	53,186	55,703	21	358	2.66	74
1995	8,134.10	36.00	64.00	2,563	60,306	62,869	24	361	3.17	76
1996	9,498.50	48.00	52.00	2,777	70,957	73,734	26	381	3.42	76
1997	11,300.00	24.00	76.00	2,651	79,313	81,964	30	389	4.26	78

Table A3.2: Arthur Andersen, Scale and Scope of US Operations, 1983-1997

YEAR	TOTAL REVENUE Current US\$m	ACC. REV. AS % OF TOTAL	NON-ACC. REV. AS % OF TOTAL	PARTNERS	PROF/NALS	TOTAL PARTNERS & PROF/NALS	PROF/NALS/ PARTNER RATIO	U. S. OFFICES	REVS/ PARTNER Current US\$m
1983	909.00	51.00	49.00	1,076	11,175	12,251	10	66	0.84
1984	1,028.00	50.00	50.00	1,070	12,010	13,080	11	71	0.96
1985	1,182.00	48.00	52.00	1,126	13,321	14,447	12	74	1.05
1986	1,350.00	47.00	53.00	1,167	14,302	15,469	13	78	0.79
1987	1,513.00	43.00	57.00	1,270	15,206	16,476	12	81	1.19
1988	1,710.30	40.00	60.00	1,227	16,682	17,909	14	82	1.39
1989	1,994.00	37.00	63.00	1,268	17,740	19,008	14	82	1.57
1990	2,281.70	35.00	65.00	1,344	18,648	19,992	14	87	1.70
1991	2,463.50	35.00	65.00	1,370	18,586	19,956	14	89	1.80
1992	2,680.00	35.00	65.00	1,405	18,793	20,198	13	89	1.91
1993	2,922.00	35.00	65.00	1,435	20,140	21,575	14	91	2.04
1994	3,320.00	33.00	67.00	1,466	21,715	23,181	15	93	2.26
1995	3,860.00	32.00	68.00	1,529	24,606	26,135	16	91	2.52
1996	4,510.00							94	
1997	5,445.00			1,673	30,636	32,309	18		3.25

Table A3.3: Arthur Andersen, Scale and Scope of UK Operations, 1983 - 1997

YEAR	TOTAL REVENUE Current GBP£ m	ACC. REV. AS % OF TOTAL	NON-ACC. REV. AS % OF TOTAL	PARTNERS	PROF/NALS	TOTAL PARTNERS & PROF/NALS	PROF/NALS/ PARTNER RATIO	U. K. OFFICES	REVS/ PARTNER Current GBP£ m
1983	35.00			98	1,183	1,281	12	12	0.36
1984	41.00	44.00	56.00	103	1,168	1,271	11	13	0.40
1985	47.10			107	1,304	1,411	12	14	0.44
1986	67.10	45.01	54.99	121	1,555	1,676	13	16	0.55
1987	91.30	37.00	63.00	132	1,854	1,986	14	15	0.69
1988	113.40	34.00	66.00	136	1,942	2,078	14	13	0.83
1989	144.10	30.00	70.00	153	2,326	2,479	15	10	0.94
1990	194.10	29.00	71.00	187	2,518	2,705	13	10	1.04
1991	268.80	25.00	75.00	209	2,931	3,140	14	10	1.29
1992	330.80	24.00	76.00	234	3,578	3,812	15	10	1.41
1993	388.60	21.00	79.00	247	3,707	3,954	15	10	1.57
1994	495.00	18.90	81.10	376	4,717	5,093	13	13	1.32
1995	539.50	24.00	76.00	389	4,873	5,262	13	13	1.39
1996	620.20	23.00	77.00	400				13	1.55
1997	694.60	33.00	67.00	410	7,200	7,610	18	13	1.69

Table A3.4: Arthur Andersen, Scale and Scope of ROW Operations, 1983-1997

YEAR	TOTAL REVENUE Current US\$m	ACC. REV. AS % OF TOTAL	NON-ACC. REV. AS % OF TOTAL	PARTNERS	PROF/NALS	TOTAL PARTNERS & PROF/NALS	PROF/NALS/ PARTNER RATIO	ROW OFFICES	REVS/ PARTNER Current US\$m
1983	278.25			303	4,964	5,267	16	98	0.92
1984	312.44			355	5,753	6,108	16	92	0.88
1985	324.18			397	6,711	7,108	17	103	0.82
1986	475.36			559	10,244	10,803	18	126	0.85
1987	632.27			555	11,586	12,141	21	130	1.14
1988	904.45			653	14,944	15,597	23	136	1.39
1989	1,155.90			713	16,894	17,607	24	151	1.62
1990	1,543.69			761	19,947	20,708	26	202	2.03
1991	1,981.64			814	21,693	22,507	27	208	2.43
1992	2,397.49			815	22,624	23,439	28	219	2.94
1993	2,519.87			805	26,050	26,855	32	249	3.13
1994	2,607.80			675	26,754	27,429	40	252	3.86
1995	3,437.88			645	30,827	31,472	48	257	5.33
1996	3,934.16							274	
1997	4,708.91			568	41,477	42,045	73		8.29

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Table A3.5 Coopers & Lybrand, Scale and Scope of Worldwide Operations, 1983-1997

YEAR	TOTAL REVENUE Current US\$m	ACC. REV. AS % OF TOTAL	NON-ACC. REV. AS % OF TOTAL	PARTNERS	PROF/NALS	TOTAL PARTNERS & PROF/NALS	PROF/NALS/ PARTNER RATIO	W.W. OFFICES	REVS/ PARTNER Current US\$m	No OF COUNTRIES
1983	1,100.00	70.00	30.00	2,404	19,929	22,333	8	463	0.46	96
1984	1,250.00	65.00	35.00	2,644	21,596	24,240	8	487	0.47	97
1985	1,410.00			2,850				519	0.49	98
1986	1,700.00							531		98
1987	2,000.00							550		100
1988	2,500.00							580		102
1989				4,000	36,000	40,000	9	595		104
1990	4,100.00	0.00	0.00	4,800	44,000	48,800	9	710	0.85	112
1991	5,000.00							735		117
1992	5,350.00	56.00	44.00	5,100	46,000	51,100	9	733	1.05	120
1993	5,220.00	55.00	45.00	5,100	46,100	51,200	9	740	1.02	125
1994	5,500.00	56.00	44.00	5,150	47,500	52,650	9	758	1.07	130
1995	6,200.00	55.00	45.00	5,260	50,050	55,310	10	755	1.18	140
1996	6,800.00	43.00	57.00	5,250	52,950	58,200	10	760	1.30	142
1997	7,541.00			5,450	59,500	64,950	11	760	1.38	142

Table A3.6: Coopers & Lybrand, Scale and Scope of US Operations, 1983-1997

YEAR	TOTAL REVENUE Current US\$m	ACC. REV. AS % OF TOTAL	ACC. REV. NON-ACC. REV. AS % OF TOTAL	PARTNERS	PROF/NALS	TOTAL PARTNERS & PROF/NALS	PROF/NALS/ PARTNER RATIO	U. S. OFFICES	REVS/ PARTNER Current US\$m
1983	625.00	66.00	34.00	935	10,065	11,000	11	94	0.67
1984	690.00	67.00	33.00	992	7,900	8,892	8	96	0.70
1985				1,043	7,874	8,917	8	95	
1986				1,123	9,053	10,176	10	95	
1987				1,200	9,900	11,100	8	95	
1988				1,163	9,900	11,063	9	100	
1989	1,250.00			1,346				98	0.93
1990	1,400.00			1,301	10,898	12,199	8	99	1.08
1991	1,471.10	56.00	44.00	1,400	12,040	13,440	9	99	1.05
1992	1,557.00	58.00	42.00	1,251	11,255	12,506	9	114	1.24
1993	1,642.00	56.00	44.00	1,162	11,240	12,402	10	122	1.41
1994	1,783.00	58.00	42.00	1,197	11,185	12,382	9	119	1.49
1995	1,905.00	45.00	55.00	1,229	11,369	12,598	9	117	1.55
1996	2,115.00	43.00	57.00	1,241	11,785	13,026	9	115	1.70
1997	2,500.00			1,377	13,848	15,225	10		1.82

Table A3.7: Coopers & Lybrand, Scale and Scope of UK Operations, 1983 - 1997

YEAR	TOTAL REVENUE Current GBP£ m	ACC. REV. AS % OF TOTAL	NON-ACC. REV. AS % OF TOTAL	PARTNERS	PROF/NALS	TOTAL PARTNERS & PROF/NALS	PROF/NALS/ PARTNER RATIO	U. K. OFFICES	REVS/ PARTNER Current GBP£ m
1983	60.00			205	2,220	2,425	11	32	0.29
1984	72.50	35.00	65.00	233	2,560	2,793	11	36	0.31
1985	94.20			248	2,937	3,185	12	36	0.38
1986	119.40	48.66	51.34	267	3,245	3,512	12	37	0.45
1987	143.00	46.00	54.00	310	3,266	3,576	11	37	0.46
1988	172.00	46.00	54.00	337	3,460	3,797	10	37	0.51
1989	225.00	44.90	55.10	391	4,011	4,402	10	40	0.58
1990	531.00	46.10	53.90	735	8,189	8,924	11	40	0.72
1991	588.00	44.00	56.00	735	7,807	8,542	11	38	0.80
1992	577.00	48.00	52.00	715	6,972	7,687	10	38	0.81
1993	553.00	42.90	57.10	701	6,498	7,199	9	36	0.79
1994	560.00	42.90	57.10	677	6,265	6,942	9	36	0.83
1995	575.00	44.00	56.00	607	6,268	6,875	10	36	0.95
1996	701.00	34.00	66.00	599	7,929	8,528	13	30	1.17
1997	766.00			596	8,154	8,750	14	31	1.29

Table A3.8: Coopers & Lybrand, Scale and Scope of ROW Operations, 1983-1997

YEAR	TOTAL	ACC. REV.	NON-ACC.	PARTNERS	PROF/NALS	TOTAL	PROF/NALS/ PARTNER	ROW	REVS/ PARTNER
	REVENUE Current US\$m	AS % OF TOTAL	REV. AS % OF TOTAL						
1983	388.00			1,264	7,644	8,908	6	337	0.31
1984	475.90			1,419	11,136	12,555	8	355	0.34
1985				1,559				388	0.00
1986								399	
1987								418	
1988								443	
1989				2,263				457	
1990	1,675.17			2,764	24,913	27,677	9	571	0.61
1991	2,429.34							598	
1992	2,921.73			3,134	27,773	30,907	9	581	0.93
1993	2,759.56			3,237	28,362	31,599	9	582	0.85
1994	2,843.40			3,276	30,050	33,326	9	603	0.87
1995	3,403.75			3,424	32,413	35,837	9	602	0.99
1996	3,493.30			3,410	33,236	36,646	10	615	1.02
1997	3,777.10			3,477	37,498	40,975	11		1.09

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Table A3.9: Deloitte Haskins & Sells, Scale and Scope of Worldwide Operations, 1983 - 1988

YEAR	TOTAL REVENUE Current US\$ m	ACC. REV. AS % OF TOTAL	NON-ACC. REV. AS % OF TOTAL	PARTNERS	PROF/NALS	TOTAL PARTNERS & PROF/NALS	PROF/NALS/ PARTNER RATIO	W.W. OFFICES	REVS/ PARTNER Current US \$m	No OF COUNTRIES
1983	900.00	74.00	26.00	2,287	17,713	20,000	8	425	0.39	69
1984	935.00	73.00	27.00	2,284	18,503	20,787	8	425	0.41	69
1985	953.00	74.00	26.00	2,125	16,621	18,746	8	433	0.45	63
1986	1,188.00	66.50	33.50	2,192	18,601	20,793	8	444	0.54	63
1987	1,536.00	65.00	35.00	2,317	20,133	22,450	9	440	0.66	63
1988	1,921.00	61.00	39.00	2,440	22,217	24,657	9	456	0.79	65
1989										
1990										
1991										
1992										
1993										
1994										
1995										
1996										
1997										

MERGED WITH TOUCHE ROSS TO FORM DELOITTE & TOUCHE

Table A3.10: Deloitte Haskins & Sells, Scale and Scope of US Operations, 1983 - 1988

YEAR	TOTAL REVENUE Current US\$ m	ACC. REV. AS % OF TOTAL	NON-ACC. REV. AS % OF TOTAL	PARTNERS	PROF/NALS	TOTAL PARTNERS & PROF/NALS	PROF/NALS/ PARTNER RATIO	U. S. OFFICES	REVS/ PARTNER Current US\$ m
1983	415.00	71.00	29.00	800	4,900	5,700	6	103	0.52
1984	470.00	68.00	32.00	781	5,977	6,758	8	102	0.60
1985	500.00	68.00	32.00	765	6,635	7,400	9	102	0.65
1986	598.00	66.00	34.00	774	6,371	7,145	9	112	0.53
1987	701.00	64.00	36.00	817	6,717	7,534	8	111	0.86
1988	820.00	62.00	38.00	853	7,151	8,004	8	111	0.96
1989									
1990									
1991									
1992									
1993									
1994									
1995									
1996									
1997									

MERGED WITH TOUCHE ROSS TO FORM DELOITTE & TOUCHE

Table A3.11: Deloitte Haskins & Sells, Scale and Scope of UK Operations, 1983 - 1989

YEAR	TOTAL REVENUE Current GBP£ m	ACC. REV. AS % OF TOTAL	NON-ACC. REV. AS % OF TOTAL	PARTNERS	PROF/NALS	TOTAL PARTNERS & PROF/NALS	PROF/NALS/ PARTNER RATIO	U. K. OFFICES	REVS/ PARTNER Current GBP£ m
1983	60.50			255	2,440	2,695	10	30	0.24
1984	69.80	56.00	44.00	260	2,604	2,864	10	26	0.27
1985	82.20			267	2,720	2,987	10	28	0.31
1986	99.30	60.02	39.98	251	3,002	3,253	12	28	0.40
1987	121.10	56.00	44.00	244	2,916	3,160	12	24	0.50
1988	151.10	52.50	47.50	240	3,132	3,372	13	19	0.63
1989	188.80	51.30	48.70	246	3,254	3,500	13	19	0.77
1990									
1991									
1992									
1993									
1994									
1995									
1996									
1997									

MERGED WITH TOUCHE ROSS TO FORM DELOITTE & TOUCHE

Table A3.12: Deloitte Haskins & Sells, Scale and Scope of ROW Operations, 1983 - 1988

YEAR	TOTAL REVENUE Current US\$ m	ACC. REV. AS % OF TOTAL	NON-ACC. REV. AS % OF TOTAL	PARTNERS	PROF/NALS	TOTAL PARTNERS & PROF/NALS	PROF/NALS/ PARTNER RATIO	ROW OFFICES	REVS/ PARTNER Current US\$ m
1983	397.28			1,232	10,373	11,605	8	292	0.32
1984	384.03			1,243	9,922	11,165	8	297	0.31
1985	334.63			1,093	7,266	8,359	7	303	0.31
1986	444.03			1,167	9,228	10,395	8	304	0.38
1987	608.54			1,256	10,500	11,756	8	305	0.48
1988	827.51			1,347	11,934	13,281	9	326	0.61
1989									
1990									
1991									
1992									
1993									
1994									
1995									
1996									
1997									

MERGED WITH TOUCHE ROSS TO FORM DELOITTE & TOUCHE

Table A3.13: Touche Ross, Scale and Scope of Worldwide Operations, 1983 - 1988

YEAR	TOTAL REVENUE Current US\$ m	ACC. REV. AS % OF TOTAL	NON-ACC. REV. AS % OF TOTAL	PARTNERS	PROF/NALS	TOTAL PARTNERS & PROF/NALS	PROF/NALS/ PARTNER RATIO	W.W. OFFICES	REVS/ PARTNER Current US\$ m	No OF COUNTRIES
1983		70.00	30.00	2,220	15,000	17,220	7	427		87
1984	904.00	70.00	30.00	2,450	16,350	18,800	7	450	0.37	89
1985	973.00	60.50	39.50	2,550	17,500	20,050	7	463	0.38	90
1986	1,151.00	58.60	41.40	2,600	18,800	21,400	7	480	0.44	90
1987	1,450.00	59.00	41.00	2,800	20,400	23,200	7	488	0.52	87
1988	1,840.00	56.60	43.40	3,030	22,650	25,680	7	514	0.61	89
1989										
1990										
1991										
1992										
1993										
1994										
1995										
1996										
1997										

MERGED WITH DELOITTE HASKINS & SELLS TO FORM DELOITTE & TOUCHE

Table A3.14: Touche Ross, Scale and Scope of US Operations, 1983 - 1988

YEAR	TOTAL REVENUE Current US\$ m	ACC. REV. AS % OF TOTAL	NON-ACC. REV. AS % OF TOTAL	PARTNERS	PROF/NALS	TOTAL PARTNERS & PROF/NALS	PROF/NALS/ PARTNER RATIO	U. S. OFFICES	REVS/ PARTNER Current US\$ m
1983	420.00	64.00	36.00	800	5,000	5,800	6	77	0.53
1984	470.00			825	5,375	6,200	7	85	0.57
1985	513.00	55.00	45.00	815				86	0.63
1986	570.00	55.00	45.00	775	5,560	6,335	7	83	0.50
1987	680.00	55.00	45.00	773	5,643	6,416	7	84	0.88
1988	795.50	55.00	45.00	774	6,480	7,254	8	85	1.03
1989									
1990									
1991									
1992									
1993									
1994									
1995									
1996									
1997									

MERGED WITH DELOITTE HASKINS & SELLS TO FORM DELOITTE & TOUCHE

Table A3.15: Touche Ross, Scale and Scope of UK Operations, 1983 - 1989

YEAR	TOTAL REVENUE Current GBP£ m	ACC. REV. AS % OF TOTAL	NON-ACC. REV. AS % OF TOTAL	PARTNERS	PROF/NALS	TOTAL PARTNERS & PROF/NALS	PROF/NALS/ PARTNER RATIO	U. K. OFFICES	REVS/ PARTNER Current GBP£ m
1983	47.00			160	1,976	2,136	12	23	0.29
1984	52.00	62.00	38.00	170	1,850	2,020	11	21	0.31
1985	59.50			172	1,829	2,001	11	22	0.35
1986	76.50	60.00	40.00	205	2,040	2,245	10	22	0.37
1987	93.65	56.60	43.40	221	2,287	2,508	10	23	0.42
1988	116.60	50.20	49.80	230	2,607	2,837	11	24	0.51
1989	141.80	50.40	49.60	237	2,755	2,992	12	24	0.60
1990									
1991									
1992									
1993									
1994									
1995									
1996									
1997									

MERGED WITH DELOITTE HASKINS & SELLS TO FORM DELOITTE & TOUCHE

Table A3.16: Touche Ross, Scale and Scope of ROW Operations, 1983 - 1988

YEAR	TOTAL REVENUE US\$m	ACC. REV. AS % OF TOTAL	NON-ACC. REV. AS % OF TOTAL	PARTNERS	PROF/NALS	TOTAL PARTNERS & PROF/NALS	PROF/NALS/ PARTNER RATIO	ROW OFFICES	REVS/ PARTNER Current US\$ m
1983				1,260	8,024	9,284	6	327	0.00
1984	373.68			1,455	9,125	10,580	6	344	0.26
1985	374.32			1,563				355	0.24
1986	468.55			1,620	11,200	12,820	7	375	0.29
1987	594.87			1,806	12,470	14,276	7	381	0.33
1988	833.45			2,026	13,563	15,589	7	405	0.41
1989									
1990									
1991									
1992									
1993									
1994									
1995									
1996									
1997									

MERGED WITH DELOITTE HASKINS & SELLS TO FORM DELOITTE & TOUCHE

Table A3.17: Deloitte & Touche Tohmatsu, Scale and Scope of Worldwide Operations, 1989 - 1997

YEAR	TOTAL REVENUE Current US\$ m	ACC. REV. AS % OF TOTAL	NON-ACC. REV. AS % OF TOTAL	PARTNERS	PROF/NALS	TOTAL PARTNERS & PROF/NALS	PROF/NALS/ PARTNER RATIO	W.W. OFFICES	REVS/ PARTNER Current US\$ m	No OF COUNTRIES
1983										
1984										
1985										
1986										
1987										
1988										
BEFORE MERGER AS DHS AND TR										
1989										
1990	4,200.00			4,900	42,000	46,900	9	630	0.86	104
1991	4,500.00			4,700	38,700	43,400	8	647	0.96	108
1992	4,800.00			4,600	38,800	43,400	8	647	1.04	108
1993	5,000.00			4,600	38,800	43,400	8	653	1.09	115
1994	5,200.00			4,600	40,000	44,600	9	684	1.13	119
1995	5,950.00			4,650	42,000	46,650	9	684	1.28	126
1996	6,500.00			4,793	45,976	50,769	10	692	1.36	125
1997	7,400.00			5,145	52,520	57,665	10	688	1.44	129

Table A3.18: Deloitte & Touche Tohmatsu, Scale and Scope of US Operations, 1989 - 1997

YEAR	TOTAL REVENUE Current US\$ m	ACC. REV. AS % OF TOTAL	NON-ACC. REV. AS % OF TOTAL	PARTNERS	PROF/NALS	TOTAL PARTNERS & PROF/NALS	PROF/NALS/ PARTNER RATIO	U. S. OFFICES	REVS/ PARTNER Current US\$ m
1983									
1984									
1985									
1986									
1987									
1988									
BEFORE THE MERGERS AS DHS AND TR									
1989	1,847.00	57.00	43.00	1,700	13,800	15,500	8	126	1.09
1990	1,921.00	57.00	43.00	1,670	13,030	14,700	8	125	1.15
1991	1,952.00	55.00	45.00	1,525	11,075	12,600	7	116	1.28
1992	1,955.00	54.00	46.00	1,419	10,481	11,900	7	116	1.38
1993	2,035.00	54.00	46.00	1,426	10,774	12,200	8	113	1.43
1994	2,230.00	52.00	48.00	1,430	11,350	12,780	8	111	1.56
1995	2,570.00	44.00	56.00	1,481	12,715	14,196	9	110	1.74
1996	2,925.00	40.00	60.00	1,556	14,031	15,587	9	106	1.88
1997	3,600.00			1,719	16,426	18,145	10		2.09

Table A3.19: Deloitte & Touche Tohmatsu, Scale and Scope of UK Operations, 1989 - 1997

YEAR	TOTAL REVENUE Current GBP£ m	ACC. REV. AS % OF TOTAL	NON-ACC. REV. AS % OF TOTAL	PARTNERS	PROF/NALS	TOTAL PARTNERS & PROF/NALS	PROF/NALS/ PARTNER RATIO	U. K. OFFICES	REVS/ PARTNER Current GBP£ m
1983									
1984									
1985									
1986									
1987									
1988									
1989									
BEFORE THE MERGER AS DHS AND TR									
1990	169.50	49.50	50.50	247	2,862	3,109	12	21	0.69
1991	294.90	50.00	50.00	407	4,425	4,832	11	25	0.72
1992	349.40	48.00	52.00	396	4,401	4,797	11	25	0.88
1993	345.50	46.80	53.20	370	3,933	4,303	11	26	0.93
1994	332.90	39.40	60.60	342	3,760	4,102	11	23	0.97
1995	369.60	36.00	64.00	353	4,495	4,848	13	25	1.05
1996	400.80	34.00	66.00	353	4,495	4,848	13	25	1.14
1997	440.90			335	4,664	4,999	14	25	1.32

Table A3.20: Deloitte & Touche Tohmatsu, Scale and Scope of ROW Operations, 1989 - 1997

YEAR	TOTAL REVENUE Current US\$ m	ACC. REV. AS % OF TOTAL	NON-ACC. REV. AS % OF TOTAL	PARTNERS	PROF/NALS	TOTAL PARTNERS & PROF/NALS	PROF/NALS/ PARTNER RATIO	ROW OFFICES	REVS/ PARTNER Current US\$ m
1983									
1984									
1985									
1986									
1987									
1988									
BEFORE THE MERGER AS DHS AND TR									
1989									
1990	1,951.87			2,983	26,108	29,091	9	484	0.65
1991	1,996.54			2,768	23,200	25,968	8	506	0.72
1992	2,317.41			2,785	23,918	26,703	9	506	0.83
1993	2,453.66			2,804	24,093	26,897	9	514	0.88
1994	2,450.68			2,828	24,890	27,718	9	550	0.87
1995	2,807.12			2,816	24,790	27,606	9	549	1.00
1996	2,893.64			2,884	27,450	30,334	10	561	1.00
1997	3,072.52			3,091	31,430	34,521	10		0.99

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Table A3.21: Arthur Young, Scale and Scope of Worldwide Operations	A- 52
Table A3.22: Arthur Young, Scale and Scope of US Operations	A- 53
Table A3.23: Arthur Young, Scale and Scope of UK Operations	A- 54
Table A3.24: Arthur Young, Scale and Scope of ROW Operations	A- 55
Table A3.25: Ernst & Whinney, Scale and Scope of Worldwide Operations	A- 56
Table A3.26: Ernst & Whinney, Scale and Scope of US Operations	A- 57
Table A3.27: Ernst & Whinney, Scale and Scope of UK Operations	A- 58
Table A3.28: Ernst & Whinney, Scale and Scope of ROW Operations	A- 59
Table A3.29: Ernst & Young, Scale and Scope of Worldwide Operations	A- 60
Table A3.30: Ernst & Young, Scale and Scope of US Operations	A- 61
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Table A3.32: Ernst & Young, Scale and Scope of ROW Operations	A- 63

Table A3.21: Arthur Young, Scale and Scope of Worldwide Operations, 1983-1997

YEAR	TOTAL REVENUE Current US\$ m	ACC. REV. AS % OF TOTAL	NON-ACC. REV. AS % OF TOTAL	PARTNERS	PROF/NALS	TOTAL PARTNERS & PROF/NALS	PROF/NALS/ PARTNER RATIO	W.W. OFFICES	REVS/ PARTNER Current US\$ m	No OF COUNTRIES
1983	955.00			2,250	15,440	17,690	7	328	0.42	68
1984	1,003.00	68.00	32.00	2,341	15,959	18,300	7	360	0.43	67
1985	1,060.00			2,560	17,640	20,200	7	370	0.41	68
1986	1,160.00			2,580	18,320	20,900	7	375	0.45	68
1987	1,702.00	58.00	42.00	2,750	20,750	23,500	8	407	0.62	72
1988	2,053.00	59.00	41.00	2,900	22,200	25,100	8	423	0.71	74
1989										
1990										
1991										
1992										
1993										
1994										
1995										
1996										
1997										

MERGED WITH ERNST & WHINNEY TO FORM ERNST & YOUNG

Table A3.22: Arthur Young, Scale and Scope of US Operations, 1983-1997

YEAR	TOTAL REVENUE Current US\$m	ACC. REV. AS % OF TOTAL	NON-ACC. REV. AS % OF TOTAL	PARTNERS	PROF/NALS	TOTAL PARTNERS & PROF/NALS	PROF/NALS/ PARTNER RATIO	U. S. OFFICES	REVS/ PARTNER Current US\$m
1983	440.00	64.00	36.00	750	4,650	5,400	6	86	0.59
1984	490.00	61.00	39.00	723	5,356	6,079	7	85	0.68
1985	559.00	58.00	42.00	783	5,680	6,463	7	90	0.71
1986		59.00	41.00	777	6,202	6,979	9	94	
1987		58.00	42.00	799	6,609	7,408	8	93	
1988	843.00	56.00	44.00	829	7,183	8,012	9	92	1.02
1989									
1990									
1991									
1992									
1993									
1994									
1995									
1996									
1997									

MERGED WITH ERNST & WHINNEY TO FORM ERNST & YOUNG

Table A3.23: Arthur Young, Scale and Scope of UK Operations, 1983 - 1989

YEAR	TOTAL REVENUE Current GBP£ m	ACC. REV. AS % OF TOTAL	NON-ACC. REV. AS % OF TOTAL	PARTNERS	PROF/NALS	TOTAL PARTNERS & PROF/NALS	PROF/NALS/ PARTNER RATIO	U. K. OFFICES	REVS/ PARTNER Current GBP£ m
1983	46.00			173	1,983	2,156	11	21	0.27
1984	54.00	48.00	52.00	174	1,990	2,164	11	22	0.31
1985	64.00			193	2,081	2,274	11	24	0.33
1986	75.00	42.93	57.07	205	2,213	2,418	11	23	0.37
1987	90.00	51.80	48.20	202	2,256	2,458	11	21	0.45
1988	108.00	48.00	52.00	209	3,221	3,430	15	22	0.52
1989	135.50	46.40	53.60	215	2,582	2,797	12	24	0.63
1990									
1991									
1992									
1993									
1994									
1995									
1996									
1997									

MERGED WITH ERNST & WHINNEY TO FORM ERNST & YOUNG

Table A3.24: Arthur Young, Scale and Scope of ROW Operations, 1983-1997

YEAR	TOTAL REVENUE Current US\$m	ACC. REV. AS % OF TOTAL	NON-ACC. REV. AS % OF TOTAL	PARTNERS	PROF/NALS	TOTAL PARTNERS & PROF/NALS	PROF/NALS/ PARTNER RATIO	ROW OFFICES	REVS/ PARTNER Current US\$m
1983	448.30			1,327	8,807	10,134	7	221	0.34
1984	450.36			1,444	8,613	10,057	6	253	0.31
1985	408.84			1,584	9,879	11,463	6	256	0.26
1986				1,598	9,905	11,503	6	258	
1987				1,749	11,885	13,634	7	293	
1988	1,014.52			1,862	11,796	13,658	6	309	0.54
1989									
1990									
1991									
1992									
1993									
1994									
1995									
1996									
1997									

MERGED WITH ERNST & WHINNEY TO FORM ERNST & YOUNG

Table A3.25: Ernst & Whinney, Scale and Scope of Worldwide Operations, 1983 - 1988

YEAR	TOTAL REVENUE Current US\$ m	ACC. REV. AS % OF TOTAL	NON-ACC. REV. AS % OF TOTAL	PARTNERS	PROF/NALS	TOTAL PARTNERS & PROF/NALS	PROF/NALS/ PARTNER RATIO	W.W. OFFICES	REVS/ PARTNER Current US\$ m	No OF COUNTRIES
1983	972.00	69.00	31.00	1,900	14,900	16,800	8	330	0.51	72
1984	1,068.00	66.00	34.00	2,050	15,850	17,900	8	345	0.52	75
1985	1,185.00	64.00	36.00	2,199	17,201	19,400	8	359	0.54	77
1986	1,492.00	62.00	38.00	2,640	19,800	22,440	8	406	0.57	77
1987	1,778.00	59.00	41.00	2,847	21,600	24,447	8	421	0.62	77
1988	2,191.00	58.00	42.00	3,159	24,900	28,059	8	472	0.69	86
1989										
1990										
1991										
1992										
1993										
1994										
1995										
1996										
1997										

MERGED WITH ARTHUR YOUNG TO FORM ERNST & YOUNG

Table A3.26: Ernst & Whinney, Scale and Scope of US Operations, 1983 - 1988

YEAR	TOTAL REVENUE Current US\$ m	ACC. REV. AS % OF TOTAL	NON-ACC. REV. AS % OF TOTAL	PARTNERS	PROF/NALS	TOTAL PARTNERS & PROF/NALS	PROF/NALS/ PARTNER RATIO	U. S. OFFICES	REVS/ PARTNER Current US\$ m
1983	625.00	82.00	18.00	930	7,390	8,320	8	114	0.67
1984	712.00	63.00	37.00	1,000	7,800	8,800	8	113	0.71
1985	809.00	61.00	39.00	1,090	8,345	9,435	8	119	0.74
1986	903.00	58.00	42.00	1,150	8,720	9,870	9	111	0.53
1987	1,036.00	56.00	44.00	1,240	9,410	10,650	8	111	0.84
1988	1,174.00	54.00	46.00	1,280	10,250	11,530	8	111	0.92
1989									
1990									
1991									
1992									
1993									
1994									
1995									
1996									
1997									

MERGED WITH ARTHUR YOUNG TO FORM ERNST & YOUNG

Table A3.27: Ernst & Whinney, Scale and Scope of UK Operations, 1983 - 1989

YEAR	TOTAL REVENUE Current GBP£ m	ACC. REV. AS % OF TOTAL	NON-ACC. REV. AS % OF TOTAL	PARTNERS	PROF/NALS	TOTAL PARTNERS & PROF/NALS	PROF/NALS/ PARTNER RATIO	U. K. OFFICES	REVS/ PARTNER Current GBP£ m
1983	52.00			188	2,233	2,421	12	22	0.28
1984	56.00			197	2,346	2,543	12	22	0.28
1985	70.00			220	2,650	2,870	12	25	0.32
1986	82.90			202	2,476	2,678	12	23	0.41
1987	100.70	66.00	34.00	214	2,644	2,858	12	24	0.47
1988	120.90	59.60	40.40	214	2,772	2,986	13	25	0.56
1989	148.40	56.30	43.70	226	3,090	3,316	14	25	0.66
1990									
1991									
1992									
1993									
1994									
1995									
1996									
1997									

MERGED WITH ARTHUR YOUNG TO FORM ERNST & YOUNG

Table A3.28: Ernst & Whinney, Scale and Scope of ROW Operations, 1983 - 1988

YEAR	TOTAL REVENUE Current US\$ m	ACC. REV. AS % OF TOTAL	NON-ACC. REV. AS % OF TOTAL	PARTNERS	PROF/NALS	TOTAL PARTNERS & PROF/NALS	PROF/NALS/ PARTNER RATIO	ROW OFFICES	REVS/ PARTNER Current US\$ m
1983	271.60			782	5,277	6,059	7	194	0.35
1984	291.04			853	5,704	6,557	7	210	0.34
1985	275.20			889	6,206	7,095	7	215	0.31
1986	467.14			1,288	8,604	9,892	7	272	0.36
1987	553.69			1,393	9,546	10,939	7	286	0.40
1988	798.17			1,665	11,878	13,543	7	336	0.48
1989									
1990									
1991									
1992									
1993									
1994									
1995									
1996									
1997									

MERGED WITH ARTHUR YOUNG TO FORM ERNST & YOUNG

Table A3.29: Ernst & Young, Scale and Scope of Worldwide Operations, 1989 - 1997

YEAR	TOTAL REVENUE Current US\$ m	ACC. REV. AS % OF TOTAL	NON-ACC. REV. AS % OF TOTAL	PARTNERS	PROF/NALS	TOTAL PARTNERS & PROF/NALS	PROF/NALS/ PARTNER RATIO	W.W. OFFICES	REVS/ PARTNER Current US\$ m	No OF COUNTRIES
1983										
1984										
1985										
1986										
1987										
1988										
BEFORE THE MERGER AS AY AND EW										
1989	4,462.00	58.00	21.00	5,700	47,300	53,000	8		0.78	106
1990	5,006.00	0.00	0.00	5,609	52,931	58,540	9	642	0.89	107
1991	5,406.00	56.00	44.00	5,665	45,769	51,434	8	673	0.95	107
1992	5,701.00	54.00	46.00	5,318	44,278	49,596	8	660	1.07	113
1993	5,838.00	54.00	46.00	5,300	43,870	49,170	8	663	1.10	118
1994	6,015.00	51.00	49.00	5,228	46,779	52,007	9	682	1.15	121
1995	6,900.00	48.00	52.00	5,400	48,500	53,900	9	680	1.28	132
1996	7,800.00	45.00	55.00	5,500	49,000	54,500	9	660	1.42	130
1997	9,100.00	44.00	56.00	5,900	55,400	61,300	9	676	1.54	130

Table A3.30: Ernst & Young, Scale and Scope of US Operations, 1989 - 1997

YEAR	TOTAL REVENUE Current US\$ m	ACC. REV. AS % OF TOTAL	NON-ACC. REV. AS % OF TOTAL	PARTNERS	PROF/NALS	TOTAL PARTNERS & PROF/NALS	PROF/NALS/ PARTNER RATIO	U. S. OFFICES	REVS/ PARTNER Current US\$ m
1983									
1984									
1985									
1986									
1987									
1988									
BEFORE THE MERGER AS AY AND EW									
1989	2,195.00	54.00	46.00	2,054	18,653	20,707	9	123	1.07
1990	2,239.00	53.00	47.00	2,025	14,886	16,911	7	125	1.11
1991	2,246.00	52.00	48.00	1,921				111	1.17
1992	2,281.00	51.00	49.00	1,836	12,815	14,651	7	106	1.24
1993	2,351.00	51.00	49.00	1,764	12,402	14,166	7	109	1.33
1994	2,543.00	48.00	52.00	1,766	13,072	14,838	7	95	1.44
1995	2,974.00	43.00	57.00	1,864	14,196	16,060	8	91	1.60
1996	3,570.00	39.00	61.00	1,933	14,969	16,902	8	89	1.85
1997	4,416.00			2,172	17,845	20,017	8		2.03

Table A3.32: Ernst & Young, Scale and Scope of UK Operations, 1990 - 1997

YEAR	TOTAL REVENUE Current GBP£ m	ACC. REV. AS % OF TOTAL	NON-ACC. REV. AS % OF TOTAL	PARTNERS	PROF/NALS	TOTAL PARTNERS & PROF/NALS	PROF/NALS/ PARTNER RATIO	U. K. OFFICES	REVS/ PARTNER Current GBP£ m
1983									
1984									
1985									
1986									
1987									
1988									
1989									
BEFORE THE MERGER AS AY AND EW									
1990	337.50	48.40	51.60	420	5,763	6,183	14	36	0.80
1991	358.30	47.00	53.00	421	5,552	5,973	13	60	0.85
1992	398.90	43.00	57.00	411	5,081	5,492	12	30	0.97
1993	390.60	45.20	54.80	399	4,672	5,071	12	27	0.98
1994	388.40	43.20	56.80	392	4,445	4,837	11	27	0.99
1995	401.20	40.00	60.00	386	4,376	4,762	11	27	1.04
1996	456.00			397	5,169	5,566	13	26	1.15
1997	525.10	34.00	66.00	411	5,235	5,646	13	26	1.28

Table A3.32: Ernst & Young, Scale and Scope of ROW Operations, 1990 - 1997

YEAR	TOTAL REVENUE Current US\$ m	ACC. REV. AS % OF TOTAL	NON-ACC. REV. AS % OF TOTAL	PARTNERS	PROF/NALS	TOTAL PARTNERS & PROF/NALS	PROF/NALS/ PARTNER RATIO	ROW OFFICES	REVS/ PARTNER Current US\$ m
1983									
1984									
1985									
1986									
1987									
1988									
1989									
BEFORE THE MERGER AS AY AND EW									
1990	2,115.63			3,164	32,282	35,446	10	481	0.67
1991	2,489.98			3,323			0	502	0.75
1992	2,817.66			3,071	26,382	29,453	9	524	0.92
1993	2,908.91			3,137	26,796	29,933	9	527	0.93
1994	2,866.10			3,070	29,262	32,332	10	560	0.93
1995	3,304.14			3,150	29,928	33,078	10	562	1.05
1996	3,454.80			3,170	28,862	32,032	9	545	1.09
1997	3,817.59			3,317	32,320	35,637	10		1.15

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Table A3.33: KMG, Scale and Scope of Worldwide Operations	A- 65
Table A3.34: KMG, Scale and Scope of US Operations	A- 66
Table A3.35: KMG, Scale and Scope of UK Operations	A- 67
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Table A3.44: KPMG, Scale and Scope of ROW Operations	A- 76

Table A3.33: KMG, Scale and Scope of Worldwide Operations, 1983 - 1986

YEAR	TOTAL REVENUE Current US\$ m	ACC. REV. AS % OF TOTAL	NON-ACC. REV. AS % OF TOTAL	PARTNERS	PROF/NALS	TOTAL PARTNERS & PROF/NALS	PROF/NALS/ PARTNER RATIO	W.W. OFFICES	REVS/ PARTNER Current US\$ m	No OF COUNTRIES
1983	1,000.00	76.00	24.00	3,200	18,800	22,000	6	440	0.31	70
1984	900.00	75.00	25.00	3,200	18,800	22,000	6	440	0.28	70
1985		71.30	28.70	3,215	19,300	22,515	6	487		73
1986	1,139.00	63.10	36.90	3,263	17,604	20,867	5	507	0.35	73
1987										
1988										
1989										
1990										
1991										
1992										
1993										
1994										
1995										
1996										
1997										

MERGED WITH PEAT MARWICK MITCHEL TO FORM KPMG

Table A3.34: KMG, Scale and Scope of US Operations, 1983 - 1985

YEAR	TOTAL REVENUE \$ m	ACC. REV. AS % OF TOTAL	NON-ACC. REV. AS % OF TOTAL	PARTNERS	PROF/NALS	TOTAL PARTNERS & PROF/NALS	PROF/NALS/ PARTNER RATIO	U. S. OFFICES	REVS/ PARTNER Current US\$ m
1983	179.00	69.00	31.00	522	2,145	2,667	4	83	0.34
1984	196.00	68.00	32.00	525	2,320	2,845	4	85	0.37
1985	234.00	65.00	35.00	529	2,471	3,000	5	88	0.44
1986									
1987									
1988									
1989									
1990									
1991									
1992									
1993									
1994									
1995									
1996									
1997									

MERGED WITH PEAT MARWICK MITCHEL TO FORM KPMG

Table A3.35: KMG, Scale and Scope of UK Operations, 1983 - 1986

YEAR	TOTAL REVENUE Current GBP£ m	ACC. REV. AS % OF TOTAL	NON-ACC. REV. AS % OF TOTAL	PARTNERS	PROF/NALS	TOTAL PARTNERS & PROF/NALS	PROF/NALS/ PARTNER RATIO	U. K. OFFICES	REVS/ PARTNER Current GBP£ m
1983	31.60			140	1,280	1,420	9	20	0.23
1984	35.20	58.00	42.00	159	1,363	1,522	9	20	0.22
1985	44.50			147	1,556	1,703	11	22	0.30
1986	52.50	56.38	43.62	148	1,811	1,959	12	22	0.35
1987									
1988									
1989									
1990									
1991									
1992									
1993									
1994									
1995									
1996									
1997									

MERGED WITH PEAT MARWICK MITCHEL TO FORM KPMG

Table A3.36: KMG, Scale and Scope of ROW Operations, 1983 - 1985

YEAR	TOTAL REVENUE Current US\$ m	ACC. REV. AS % OF TOTAL	NON-ACC. REV. AS % OF TOTAL	PARTNERS	PROF/NALS	TOTAL PARTNERS & PROF/NALS	PROF/NALS/ PARTNER RATIO	ROW OFFICES	REVS/ PARTNER Current US\$ m
1983	775.18			2,538	15,375	17,913	6	337	0.31
1984	663.17			2,516	15,117	17,633	6	335	0.26
1985				2,539	15,273	17,812	6	377	
1986									
1987									
1988									
1989									
1990									
1991									
1992									
1993									
1994									
1995									
1996									
1997									

MERGED WITH PEAT MARWICK MITCHEL TO FORM KPMG

Table A3.37: Peat Marwick Mitchell, Scale and Scope of Worldwide Operations, 1983 - 1986

YEAR	TOTAL REVENUE Current US\$ m	ACC. REV. AS % OF TOTAL	NON-ACC. REV. AS % OF TOTAL	PARTNERS	PROF/NALS	TOTAL PARTNERS & PROF/NALS	PROF/NALS/ PARTNER RATIO	W.W. OFFICES	REVS/ PARTNER Current US\$ m	No OF COUNTRIES
1983	1,230.00	77.00	23.00	2,255	18,845	21,100	8	327	0.55	81
1984	1,340.00	64.00	36.00	2,340	19,176	21,516	8	328	0.57	82
1985	1,445.00	62.00	38.00	2,533	20,482	23,015	8	335	0.57	89
1986	1,672.00	61.90	38.10	2,726	22,028	24,754	8	342	0.61	89
1987										
1988										
1989										
1990										
1991										
1992										
1993										
1994										
1995										
1996										
1997										

MERGED WITH KMG TO FORM KPMG

Table A3.38: Peat Marwick Mitchell, Scale and Scope of US Operations, 1983 - 1985

YEAR	TOTAL REVENUE Current US\$ m	ACC. REV. AS % OF TOTAL	NON-ACC. REV. AS % OF TOTAL	PARTNERS	PROF/NALS	TOTAL PARTNERS & PROF/NALS	PROF/NALS/ PARTNER RATIO	U. S. OFFICES	REVS/ PARTNER Current US\$ m
1983	750.00	58.00	42.00	1,284	8,621	9,905	7	96	0.58
1984	883.00	58.00	42.00	1,371	8,781	10,152	6	98	0.64
1985	1,004.00	56.00	44.00	1,356	9,376	10,732	7	107	0.74
1986									
1987									
1988									
1989									
1990									
1991									
1992									
1993									
1994									
1995									
1996									
1997									

MERGED WITH KMG TO FORM KPMG

Table A3.39: Peat Marwick Mitchell, Scale and Scope of UK Operations, 1983 - 1986

YEAR	TOTAL REVENUE Current GBP£ m	ACC. REV. AS % OF TOTAL	NON-ACC. REV. AS % OF TOTAL	PARTNERS	PROF/NALS	TOTAL PARTNERS & PROF/NALS	PROF/NALS/ PARTNER RATIO	U. K. OFFICES	REVS/ PARTNER Current GBP£ m
1983	64.30			194	2,808	3,002	14	39	0.33
1984	74.30	53.00	47.00	204	2,946	3,150	14	39	0.36
1985	87.20			230	3,190	3,420	14	42	0.38
1986	114.40	70.02	29.98	259	3,600	3,859	14	42	0.44
1987									
1988									
1989									
1990									
1991									
1992									
1993									
1994									
1995									
1996									
1997									

MERGED WITH KMG TO FORM KPMG

Table A3.40: Peat Marwick Mitchell, Scale and Scope of ROW Operations, 1983 - 1985

YEAR	TOTAL REVENUE Current US\$ m	ACC. REV. AS % OF TOTAL	NON-ACC. REV. AS % OF TOTAL	PARTNERS	PROF/NALS	TOTAL PARTNERS & PROF/NALS	PROF/NALS/ PARTNER RATIO	ROW OFFICES	REVS/ PARTNER Current US\$ m
1983	386.77			777	7,416	8,193	10	192	0.50
1984	370.81			765	7,449	8,214	10	191	0.48
1985	315.43			947	7,916	8,863	8	186	0.33
1986									
1987									
1988									
1989									
1990									
1991									
1992									
1993									
1994									
1995									
1996									
1997									

MERGED WITH KMG TO FORM KPMG

Table A3.41: KPMG, Scale and Scope of Worldwide Operations, 1987 - 1997

YEAR	TOTAL REVENUE Current US\$ m	ACC. REV. AS % OF TOTAL	NON-ACC. REV. AS % OF TOTAL	PARTNERS	PROF/NALS	TOTAL PARTNERS & PROF/NALS	PROF/NALS/ PARTNER RATIO	W.W. OFFICES	REVS/ PARTNER Current US\$ m	No OF COUNTRIES
1983										
1984										
1985										
1986										
BEFORE THE MERGER AS KMG AND PMM										
1987	3,250.00	67.00	33.00	5,150	40,500	45,650	8	890	0.63	115
1988	3,900.00	65.60	34.40	5,000	42,300	47,300	8	650	0.78	104
1989	4,300.00	65.00	15.00	5,300	46,450	51,750	9	680	0.81	106
1990	5,400.00	0.00	0.00	6,300	53,000	59,300	8	770	0.86	108
1991	6,011.00	51.00	49.00	6,043	52,624	58,667	9	800	0.99	109
1992	6,153.00	52.00	48.00	6,004	50,023	56,027	8	834	1.02	111
1993	6,000.00			6,004	49,917	55,921	8	837	1.00	119
1994	6,600.00			6,003	49,884	55,887	8	829	1.10	123
1995	7,500.00			6,030	50,800	56,830	8	812	1.24	129
1996	8,100.00			6,250	53,700	59,950	9	817	1.30	137
1997	9,000.00			6,520	59,350	65,870	9	844	1.38	142

Table A3.42: KPMG, Scale and Scope of US Operations, 1986 - 1997

YEAR	TOTAL REVENUE Current US\$ m	ACC. REV. AS % OF TOTAL	NON-ACC. REV. AS % OF TOTAL	PARTNERS	PROF/NALS	TOTAL PARTNERS & PROF/NALS	PROF/NALS/ PARTNER RATIO	U. S. OFFICES	REVS/ PARTNER Current US\$ m
1983									
1984									
1985									
BEFORE THE MERGER AS KMG AND PMM									
1986	1,350.00	58.00	42.00	1,825	11,950	13,775	6	134	0.50
1987	1,458.00	55.00	45.00	1,871	13,085	14,956	7	137	0.78
1988	1,639.00	54.00	46.00	1,933	12,946	14,879	7	135	0.85
1989	1,772.00	53.00	47.00	1,862	15,828	17,690	9	132	0.95
1990	1,827.00	53.00	47.00	1,876	13,124	15,000	7	135	0.97
1991	1,813.00	53.00	47.00	1,555	13,000	14,555	8	135	1.17
1992	1,806.00	53.00	47.00	1,494	10,503	11,997	7	135	1.21
1993	1,822.00			1,493	9,993	11,486	7	135	1.22
1994	2,080.00	55.00	45.00	1,450	10,850	12,300	7	130	1.43
1995	2,290.00	45.00	55.00	1,425	10,700	12,125	8	124	1.61
1996	2,530.00	40.00	60.00	1,515	10,020	11,535	7	121	1.67
1997	3,000.00			1,600	13,400	15,000	8		1.88

Table A3.43: KPMG, Scale and Scope of UK Operations, 1987 - 1997

YEAR	TOTAL REVENUE Current GBP£ m	ACC. REV. AS % OF TOTAL	NON-ACC. REV. AS % OF TOTAL	PARTNERS	PROF/NALS	TOTAL PARTNERS & PROF/NALS	PROF/NALS/ PARTNER RATIO	U. K. OFFICES	REVS/ PARTNER Current GBP£ m
1983									
1984									
1985									
1986									
BEFORE THE MERGER AS KMG AND PMM									
1987	207.20	65.00	35.00	419	5,840	6,259	14	46	0.49
1988	262.50	64.00	36.00	478	6,445	6,923	13	56	0.55
1989	315.60	63.50	36.50	514	7,066	7,580	14	57	0.61
1990	395.20	60.10	39.90	560	7,508	8,068	13	53	0.71
1991	467.10	55.00	45.00	591	7,793	8,384	13	53	0.79
1992	494.70	52.00	48.00	600	6,992	7,592	12	47	0.82
1993	490.70	40.00	60.00	598	6,463	7,061	11	45	0.82
1994	497.60	40.20	59.80	594	6,179	6,773	10	41	0.84
1995	551.30	42.00	58.00	584	6,084	6,668	10	40	0.94
1996	537.60	42.00	58.00	565	5,928	6,493	10	37	0.95
1997	575.20	41.00	59.00	561	5,893	6,454	11	36	1.03

Table A3.44: KPMG, Scale and Scope of ROW Operations, 1987 - 1997

YEAR	TOTAL REVENUE Current US\$ m	ACC. REV. AS % OF TOTAL	NON-ACC. REV. AS % OF TOTAL	PARTNERS	PROF/NALS	TOTAL PARTNERS & PROF/NALS	PROF/NALS/ PARTNER RATIO	ROW OFFICES	REVS/ PARTNER Current US\$ m
1983									
1984									
1985									
1986									
BEFORE THE MERGER AS KMG AND PMM									
1987	1,404.54			2,860	21,575	24,435	8	707	0.49
1988	1,785.88			2,589	22,909	25,498	9	459	0.69
1989	2,019.88			2,924	23,556	26,480	8	491	0.69
1990	2,810.26			3,864	32,368	36,232	8	582	0.73
1991	3,324.52			3,897	31,831	35,728	8	612	0.85
1992	3,600.00			3,910	32,528	36,438	8	652	0.92
1993	3,451.76			3,913	33,461	37,374	9	657	0.88
1994	3,743.74			3,959	32,855	36,814	8	658	0.95
1995	4,355.49			4,021	34,016	38,037	8	648	1.08
1996	4,656.08			4,170	37,752	41,922	9	659	1.12
1997	5,050.92			4,359	40,057	44,416	9		1.16

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Table A3.45: Price Waterhouse, Scale and Scope of Worldwide Operations	A- 78
Table A3.46: Price Waterhouse, Scale and Scope of US Operations	A- 79
Table A3.47: Price Waterhouse, Scale and Scope of UK Operations	A- 80
Table A3.48: Price Waterhouse, Scale and Scope of ROW Operations	A- 81

Table A3.45: Price Waterhouse, Scale and Scope of Worldwide Operations, 1983 - 1997

YEAR	TOTAL REVENUE Current US\$ m	ACC. REV. AS % OF TOTAL	NON-ACC. REV. AS % OF TOTAL	PARTNERS	PROF/NALS	TOTAL PARTNERS & PROF/NALS	PROF/NALS/ PARTNER RATIO	W.W. OFFICES	REVS/ PARTNER Current US\$ m	No OF COUNTRIES
1983	1,013.00	69.00	31.00	1,751	17,417	19,168	10	346	0.58	95
1984	1,145.00	68.00	32.00	1,992	18,908	20,900	9	363	0.57	95
1985	1,234.00	66.00	34.00	2,113	20,656	22,769	10	378	0.58	95
1986	1,488.00	59.00	41.00	2,291	22,173	24,464	10	381	0.65	95
1987	1,804.00	58.00	42.00	2,462	23,604	26,066	10	400	0.73	100
1988	2,218.00	55.00	45.00	2,626	26,736	29,362	10	409	0.84	97
1989	2,458.00	55.00	21.00	2,518	27,555	30,073	11	417	0.98	100
1990	2,881.00	0.00	0.00	3,007	31,229	34,236	10	448	0.96	108
1991	3,603.00	51.00	49.00	3,228	33,873	37,101	10	452	1.12	105
1992	3,761.00	50.00	50.00	3,221	33,298	36,519	10	450	1.17	110
1993	3,887.00	50.00	50.00	3,185	32,476	35,661	10	450	1.22	114
1994	3,975.00	51.00	49.00	3,213	33,375	36,588	10	450	1.24	114
1995	4,460.00	49.00	51.00	3,246	35,863	39,109	11	434	1.37	119
1996	5,020.00	47.00	53.00	3,307	38,735	42,042	12	420	1.52	119
1997	5,620.00	46.00	54.00	3,528	43,669	47,197	12	414	1.59	121

Table A3.46: Price Waterhouse, Scale and Scope of US Operations, 1983 - 1997

YEAR	TOTAL REVENUE Current US\$ m	ACC. REV. AS % OF TOTAL	NON-ACC. REV. AS % OF TOTAL	PARTNERS	PROF/NALS	TOTAL PARTNERS & PROF/NALS	PROF/NALS/ PARTNER RATIO	U. S. OFFICES	REVS/ PARTNER Current US\$ m
1983	493.00	65.00	35.00	629	5,832	6,461	9	84	0.78
1984	550.00	65.00	35.00	623	5,953	6,576	10	90	0.88
1985	645.00	63.00	37.00	706	7,731	8,437	11	94	0.91
1986	742.00	60.50	39.50	704	7,727	8,431	12	111	0.72
1987	845.00	58.30	41.70	747	7,900	8,647	11	112	1.13
1988	960.00	57.80	42.20	799	8,618	9,417	11	115	1.20
1989	1,100.00	49.00	51.00	900	10,000	10,900	11	100	1.22
1990	1,200.00	47.50	52.50	920	8,680	9,600	9	115	1.30
1991	1,282.00	45.00	55.00	950	8,510	9,460	9	113	1.35
1992	1,370.00	45.00	55.00	933	8,191	9,124	9	109	1.47
1993	1,430.00	44.00	56.00	928	8,708	9,636	9	106	1.54
1994	1,570.00	43.00	57.00	931	9,369	10,300	10	106	1.69
1995	1,780.00	40.00	60.00	957	10,671	11,628	11	106	1.86
1996	2,020.00	37.00	63.00	963	10,512	11,475	11	94	2.10
1997	2,340.00			1,062	12,556	13,618	12		2.20

Table A3.47: Price Waterhouse, Scale and Scope of UK Operations, 1983 - 1997

YEAR	TOTAL REVENUE Current GBP£ m	ACC. REV. AS % OF TOTAL	NON-ACC. REV. AS % OF TOTAL	PARTNERS	PROF/NALS	TOTAL PARTNERS & PROF/NALS	PROF/NALS/ PARTNER RATIO	U. K. OFFICES	REVS/ PARTNER Current GBP£ m
1983	60.20			185	2,086	2,271	11	18	0.33
1984	68.80			208	2,134	2,342	10	17	0.33
1985	84.90			243	2,451	2,694	10	21	0.35
1986	108.90	53.17	46.83	247	2,722	2,969	11	20	0.44
1987	139.60	52.60	47.40	282	3,043	3,325	11	19	0.50
1988	178.50	49.10	50.90	317	3,412	3,729	11	19	0.56
1989	222.00	45.50	54.50	363	3,888	4,251	11	22	0.61
1990	300.00	42.50	57.50	421	4,496	4,917	11	24	0.71
1991	377.40	40.00	60.00	482	5,160	5,642	11	26	0.78
1992	400.50	39.00	61.00	482	4,602	5,084	10	26	0.83
1993	385.70	39.60	60.40	482	4,328	4,810	9	26	0.80
1994	384.60	41.30	58.70	415	3,919	4,334	9	26	0.93
1995	383.20	43.00	57.00	415	3,919	4,334	9	26	0.92
1996	480.00			444	3,723	4,167	8	21	1.08
1997	520.00			479	4,809	5,288	10	19	1.09

Table A3.48: Price Waterhouse, Scale and Scope of ROW Operations, 1983 - 1997

YEAR	TOTAL REVENUE Current US\$ m	ACC. REV. AS % OF TOTAL	NON-ACC. REV. AS % OF TOTAL	PARTNERS	PROF/NALS	TOTAL PARTNERS & PROF/NALS	PROF/NALS/ PARTNER RATIO	ROW OFFICES	REVS/ PARTNER Current US\$ m
1983	432.71			937	9,499	10,436	10	244	0.46
1984	515.19			1,161	10,821	11,982	9	256	0.44
1985	466.74			1,164	10,474	11,638	9	263	0.40
1986	585.92			1,340	11,724	13,064	9	250	0.44
1987	697.95			1,433	12,661	14,094	9	269	0.49
1988	934.92			1,510	14,706	16,216	10	275	0.62
1989	1,000.58			1,255	13,667	14,922	11	295	0.80
1990	1,102.00			1,666	18,053	19,719	11	309	0.66
1991	1,615.26			1,796	20,203	21,999	11	313	0.90
1992	1,786.25			1,806	20,505	22,311	11	315	0.99
1993	1,886.16			1,775	19,440	21,215	11	318	1.06
1994	1,805.02			1,867	20,087	21,954	11	318	0.97
1995	2,086.04			1,874	21,273	23,147	11	302	1.11
1996	2,184.00			1,900	24,500	26,400	13	305	1.15
1997	2,422.00			1,987	26,304	28,291	13		1.22