The organizing and the balance between profession and profit in the Big Four accounting firms

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Abstract

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Introduction: Globalization has lead to a world with increasing similarities and a larger market where only efficient organizations survive why information is important for survival and success. Accounting firms fulfill an important role by securing information and contribute to the prosperity of society through an efficient market. But they differ both from non-PSF and among each other due to the need of managing the balance between profession and profit. The current research on accounting firms is limited and lacking. This thesis contributes to the current research by providing a new perspective to the existing research on accounting firms.

Purpose: The purpose of this thesis is to understand how the Big Four accounting firms organize in order to manage the balance between profession and profit.

Method: The thesis uses a qualitative research method in which data and information is collected from financial statements and websites that is compiled into multiple case studies on the Big Four accounting firms to give a detailed description of how they organize to manage the balance between profession and profit.

Conclusions: The result demonstrates that there are similarities between how the Big Four accounting firms organize to manage the balance between profession and profit. The thesis moreover shows that there are connections between the factors of organizing (goal, environment, strategy and structure latter of which is divided in organizational structure, partnership, knowledge, reward system, informal and formal management processes and responsibility distribution) and the balance between profession and profit which indicates that the Big Four accounting firms considers the balance between profession and profit in the organizing for the survival and success in the market.
Abbreviations

FAR – Professional Institute for Authorized Accountants

IAASB - International Auditing and Assurance Standards Board

ICC - International Chamber of Commerces

IESBA - International Ethics Standards Board for Accountants

IFAC – International Federation of Accountants

ISQC – International Standard on Quality Control

PSF – Professional Service Firms

SBPC - Swedish Supervisory Board of Public Accountants

SOX - Sarbanes-Oxley Act

UN – United Nations
# Table of content

1. Introduction .................................................................................................................. 1  
   1.1 Background ........................................................................................................... 1  
   1.2 Problem discussion .............................................................................................. 2  
   1.3 Purpose .................................................................................................................. 7  
   1.4 Disposition ............................................................................................................ 8  
2. Methodology ................................................................................................................ 10  
   2.1 Scientific approach .............................................................................................. 10  
   2.3 Reference credibility ............................................................................................. 11  
3. Theoretical framework ............................................................................................... 12  
   3.1 Factors of organizing ............................................................................................ 15  
      3.1.1 Goal ............................................................................................................... 16  
      3.1.2 Environment ................................................................................................. 18  
      3.1.3 Strategy ......................................................................................................... 20  
      3.1.4 Structure ....................................................................................................... 22  
         3.1.4.1 Organizational form ............................................................................... 22  
         3.1.4.2 Partnership ............................................................................................. 25  
         3.1.4.3 Knowledge ............................................................................................. 27  
         3.1.4.4 Reward system ...................................................................................... 29  
         3.1.4.5 Informal and formal management processes ........................................ 31  
         3.1.4.6 Responsibility distribution ...................................................................... 32  
   3.2 Summary of the factors of organizing and the propositions .................................... 34  
4. Empirical methodology ............................................................................................... 36  
   4.1 Research method .................................................................................................. 36  
   4.2 Research design .................................................................................................... 37  
   4.3 Data collection ...................................................................................................... 38
4.4 Data process .................................................................................................................. 40
  4.4.1. Selection of research entities ............................................................................... 40
  4.4.2 Case studies and documentation ......................................................................... 41
  4.4.3 Concepts ............................................................................................................... 43
4.5 Scientific credibility ...................................................................................................... 50
4.6 Research ethics ............................................................................................................ 50
5. Empirical data ................................................................................................................ 52
  5.1 Deloitte ......................................................................................................................... 52
    5.1.1 Goal ......................................................................................................................... 53
    5.1.2 Environment ............................................................................................................ 54
    5.1.3 Strategy .................................................................................................................. 55
    5.1.4 Structure ............................................................................................................... 56
      5.1.4.1 Organizational form .......................................................................................... 56
      5.1.4.2 Partnership ......................................................................................................... 57
      5.1.4.3 Knowledge ......................................................................................................... 58
      5.1.4.4 Reward system .................................................................................................. 59
      5.1.4.5 Informal and formal management processes ................................................. 60
      5.1.4.6 Responsibility distribution .............................................................................. 61
  5.2 Ernst & Young ............................................................................................................... 62
    5.2.1 Goal ......................................................................................................................... 62
    5.2.2 Environment ............................................................................................................ 64
    5.2.3 Strategy .................................................................................................................. 65
    5.2.4 Structure ............................................................................................................... 66
      5.2.4.1 Organizational form .......................................................................................... 66
      5.2.4.2 Partnership ......................................................................................................... 67
      5.2.4.3 Knowledge ......................................................................................................... 68
      5.2.4.4 Reward system .................................................................................................. 69
6.3 Strategy ........................................................................................................................................ 99

6.4 Structure ...................................................................................................................................... 103
  6.4.1 Organizational form ................................................................................................................. 103
  6.4.2 Partnership ............................................................................................................................... 109
  6.4.3 Knowledge ............................................................................................................................. 113
  6.4.4 Reward system ......................................................................................................................... 118
  6.4.5 Informal and formal management processes .......................................................................... 121
  6.4.6 Responsibility distribution ..................................................................................................... 126

6.5 Summary of the factors of organizing and the propositions ......................................................... 129

7. Results ............................................................................................................................................. 121
  7.1 Conclusions ................................................................................................................................. 121
  7.2 Implications ................................................................................................................................. 122
  7.3 Future research and limitations .................................................................................................. 123

References .......................................................................................................................................... 125
1. Introduction

Chapter 1 will introduce the subject of the thesis by presenting a background describing the connection between globalization and the functions of accountants and accounting firms. The background will be followed by a problem discussion with the purpose of highlighting the relevance of why it is important to understand how the Big Four accounting firms organize to manage the balance between profession and profit. The problem discussion leads to the research questions and the purpose of this thesis, concluding with the disposition of the thesis.

1.1 Background

Globalization has resulted in increasing integration and similarities between different countries around the world, which has lead to organizations competing in a larger market on a global scale (Yoshikawa & Rasheed, 2009; Säkerhetspolitik, 2006). In order to survive the tougher competition it is important that organizations are efficient (Parkin et al, 2008). For example, Hedlund et al (1985) and Demsetz & Lehn (1985) observed that the control of organizations was increasingly transferred to the executive team by the owners instead of the owners managing the organizations themselves, especially in larger organizations. Jonnergård & Larsson-Olaison (2010) noticed a similar development in Sweden although the majority of the owners still possessed the control of their organizations. The development of an ownership structure that is diffused instead of concentrated is similar to that of USA and UK and means that the owners are stakeholders outside rather than inside the organizations why it is important that the information given by organizations is accurate (Coffee Jr, 2005; Watts & Zimmerman, 1983).

Accountants fulfill an important role in the society by verifying the information given by organizations to the stakeholders in order to ensure that the information present a true and fair view of the organization’s activities (Öhman, 2004; Power, 1997). The importance of the accountants’ function has even been regulated in several laws (Watts & Zimmerman, 1983), such as Companies Act 2005:551 and Auditing Act 1999:1079 stating that the main function of accountants is to verify that the information given by
organizations is accurate. In other words it can be said that accountants fulfill the role of monitoring the executive team’s management of the owners’ capital in organizations and also creating and sustaining a relationship of trust between the owners and the executive team (Öhman, 2004; Hedlund et al, 1975; Fama, 1980).

As a result of the importance of the accountants’ function in the society even organizations using information and knowledge as their primary resource and asset, such as accounting firms where accountants are employed, has gained both attention and reputation because they are needed to secure an efficient market that contributes to the society’s prosperity (Empson, 2001; Malhotra et al, 2006). Accounting firms faced major changes during the 20th century growing both in size and increasing the services available to their clients which has indicated a shift in the accounting firm’s focus from profession and more to profit (Agevall & Jonnergård, 2012 se Björngren Cuadra & Fransson, 2012).

1.2 Problem discussion

Accounting firms are organizations that contribute to the growth of the society through their employees who ensure that the financial information given by organizations presents an accurate view of the organizations’ activities to the stakeholders in the society, as mentioned above (Empson, 2001; Brunosson, 2012). The concept of an organization has several different significations, for example Bakka et al (2007) claims that it could mean a specific entity in an organization or an entire organization. Alchian & Demsetz (1972), Abrahamsson & Andersen (2005) and Abramhamsson (1992) instead view organization as a result of the cooperation between individuals to achieve what they are unable to achieve on their own such as higher productivity and efficiency through cooperative production. Organizations are artificial entities created through the interest of the individuals with the function of maximizing profit to surviving in the global market and fulfill the needs of individuals (Koplin, 1963). This also applies to accounting firms as organizations why there is a need to organize their goal, strategy and structure to secure an efficient production generating profit to survive in a tougher global market and fulfill the needs of individuals (Widgren & Lindell, 2012; Abramsson & Andersen, 2005; Bakka et al, 2006; Holmström & Tirole, 2000).
Except for profit, accounting firms are also driven by a profession implying that accounting firms perform an institutionalized occupation to serve the interest of the society through services based on their employees’ expertise and knowledge. Accounting firms therefore obtain social status and monopoly exclusion whereas professional membership is given only to the individuals who fulfill the requirement of academic education, entry prerequisites, work-related training and experience (Lee, 1995; Lui et al, 2003). The quality of the services is regulated by the profession through norms and codes restricting the actions and the behaviors of the employees, for example employees are expected to have similar educations and expertise which has resulted in a homogenous group (Widgren & Lindell, 2012; Öhman, 2004, Miner et al, 1994).

As organizations driven by profession, accounting firms can be characterized by being a PSF with three distinctive characteristics which are knowledge intensity, low capital intensity and professionalized workforce whereas the most basic characteristic is knowledge intensity. These indicates that the production of output in accounting firms are dependent on the employees’ expertise without a need of a considerable quantity of capital or assets and includes several features such as monopoly, self-regulation, compliance to a set of norms and codes and acting in the interest of the society (Von Nordenflycht, 2010). The trust of society and the social status of accounting firms are based on the profession and the expertise why assets such as reputation are important for their survival in a global market, especially for larger accounting firms such as the Big Four i.e. PWC, KPMG, E&Y and Deloitte that are well-known both by clients and in the market (Van Lent, 1999; Lexander & Öggesjö, 2011; Hulaj & Nilsson, 2012; Weigelt & Camerer, 1988).

The need of profit and the profession are of equal importance for the survival of accounting firms in the global market why the inconsistency between profit and profession is a threat because it can lead to a conflict (Agevall & Jonnergård 2012; Björngren Cuadra & Fransson, 2012; Sorenson, 1967). If accounting firms neglect the importance of profit only to act out of the profession, there is a possibility for bankruptcy in accounting firms due to the fact of being unable to generate profit as organizations are dependent on profit to survive and fulfill the needs of the individuals (Abrahamsson & Andersen, 2005; Holmström & Tirole, 2000; Agevall & Jonnergård, 2012; see Björngren Cuadra & Fransson, 2012). But disregarding the importance of the
profession may lead to an equally adverse outcome. A typical example is the Enron-scandal where the accusations of an accountant from Arthur Andersen, one of the five biggest accounting firms at the time, for withholding vital information shook the reputation not only for Arthur Andersen but also for the entire audit market including the trust of the society (Svenska Dagbladet Näringsliv, 2008; Affärsvärlden, 2002; Greenwood & Empson, 2003; Öhman, 2004). As stated before, profession and profit are equally important but it is also important that neither profession nor profit dominates the other. This leads to a delicate balance between profession and profit in accounting firms that needs to be taken into consideration in their organizing for the purpose of survival and success in the global market today.

The existence of the balance between profession and profit in organizations relying on knowledge for production of output, such as accounting firms and law firms characterized by PSF, separates them from the majority of organizations characterized by being non-PSF. PSF, such as accounting firms, therefore face different conditions compared to non-PSF due to the need of managing the balance between profession and profit in order to survive and become successful in the global market (Van Lent, 1999; Von Nordenflycht, 2010). In this case, studying the organizing of any PSF is possible without focusing on accounting firms. Then why accounting firms? As mentioned above, accounting firms fulfill a significant role in the society by verifying the financial information given by the organizations and are necessary to the growth of the society by contributing to an efficient market, in similarity to PSF such as law firms (Empson, 2001; Malhotra et al, 2006; Öhman, 2004; Power, 1997; Von Nordenflycht, 2010). Furthermore, unlike any other currently known profession, large accounting firms such as the Big Four accounting firms appear to differ with widespread organized offices across countries and around the world (Sorenson, 1967).

The organizing of accounting firms differ from that of non-PSF, for example Van Lent (1999) noted that the main ownership structure in accounting firms is distinguished by partnership rather than that of a hierarchical form in non-PSF. Von Nordenflycht (2010) observed that the ownership in accounting firms is usually held within the organizations in difference to non-PSF. Before 2002, the entire ownership of accounting firms was to be held within the organizations as the total amount of shares was to be owned by the
employees in accounting firms according to the law (SBPC, 2003; Prescript, 1973). Today, according to Accountants Act 2001:883, shares with least three quarters of the vote are to be held within accounting firms permitting outside ownership although the majority is still held within accounting firms to ensure that the occupation is not affected by influences from outside owners.

There is no direct established limit on the organizing of accounting firms, in this case the ownership, meaning that accounting firms may choose to vary in how they organize in order to manage the balance between profession and profit. Not to mention that differences in organizing one factor, for example ownership as stated above, will inevitably affect the organizing of other factors such as goal, strategy and structure which in turn affects the probability of survival and success of accounting firms in the market. For example, Öhman (2004) noticed differences depending on the accounting firms’ location while Jonnergård & Stafsudd (2009) noted differences between genders in accounting firms and Lexander & Öggesjö (2011) observed differences in partnership between accounting firms. This indicates that there may be differences not only between but also within different accounting firms since they can choose to differ in their organizing to manage the delicate balance between profession and profit without an established limit.

According to Warren & Alzola (2009), the accountants are affected by several influences among one of which is from the accounting firms. For example, in the Enron-scandal the accountant’s actions was affected by Arthur Andersen who supported the inaccurate information given by the organization (Warren & Alzola, 2009). This implies that understanding the organizing of accounting firms to manage the balance between profession and profit may contribute to understanding accountants, especially as accountants have been criticized for mismanaging their function in the society as practitioners of a profession in relation to the increase of scandals (Jansson et al, 2010). But the majority of research mainly focuses on accountants, for instance Van der Plaats (2000) observes the relation between the independence of accountants and laws and Watts & Zimmerman (1983) studies the history of accountants and their role as monitors. Jonnergård & Stafsudd (2009) analyzes differences in gender among accountants and Öhman (2004) studies the accountants’ view on audit. Warren & Alzola (2009) however, claims that a contributing factor to the increasing scandals, such
as the Enron-scandal, is due to the accounting firms’ influence on the employees why understanding the organizing of accounting firms to manage the balance between profession and profit may contribute to the current understanding not only of accounting firms but also accountants.

Although the research mainly focuses on accountants, research on accounting firms is available even if it is limited (Greenwood & Empson, 2003; Van Lent, 1999). The current research on accounting firms centers on PSF, the balance between profession and profit or observing a factor in accounting firms. To clarify, the current research on accounting firms mainly involve accounting firms as a PSF, confirming or neglecting whether a balance between profession and profit exist or observe a factor of the accounting firms’ organizing. In this case, Lexander & Öggesjö (2011) observes partnership and audit quality while Van Lent (1999) focuses on human capital and brand name capital. Van Lent (1999) states that “very little time has been spent on studying the audit firm as an organizational form, and related, the governance of them” (Van Lent, 1999, pp. 225) which further indicates that the current research on accounting firms is limited, as mentioned above (Van Lent, 1999; Grenwood & Empson, 2003). The lack of research on accounting firms is surprising considering the importance that accounting firms fulfill as organizations securing financial information, contributing to an efficient market, supporting the prosperity of the society and as a contributing factor to increasing scandals and the critique on accountants (Empson, 2001; Malhotra et al, 2006; Warren & Alzola, 2009; Jansson et al, 2010).

Why is the research on accounting firms lacking? That the research focuses primarily on accountants instead of accounting firms is a possible reason because it is accountants who have mismanaged their functions rather than the accounting firms as organizations although accounting firms can be seen as a contributing factor, as mentioned above (Warren & Alzola, 2009; Van der Plaats, 2000; Watts & Zimmerman, 1983; Jonnergård & Stafsudd, 2009; Öhman, 2004). Another possible reason is that the majority of research on organizations is mainly focused on non-PSF because non-PSF is the dominant form of organizations in the world. Organizations that do not fit into the framework of non-PSF, such as accounting firms and other PSF, are forgotten due to a selective research on either accountants or non-PSF. As stated above, the current
research on accounting firms is limited but also lacking (Greenwood & Empson, 2003; Van Lent, 1999).

In summary, the organizing of accounting firms may differ not only from non-PSF but also between different accounting firms due to need of managing the balance between profession and profit and the lack of an established limit. How accounting firms organizes to manage the balance between profession and profit affects not only their survival and success in the market but also their employees. Surprisingly, the current research on accounting firms is limited and lacking focusing mainly on accounting firms as PSF, only on the balance between profession and profit or only on a factor of the organizing of accounting firms. In other words, no current research on accounting firms has been found that connects the organizing of accounting firms with the balance between profession and profit regarding the large accounting firms such as the Big Four accounting firms with professional development unlike any other profession, which will be the contribution and the subject of this thesis (Warren & Alzola, 2009; Sorenson, 1967; Van Lent, 1999, Von Nordenflycht, 2010; Greenwood & Empson, 2003; Öhman, 2004; Jonnergård & Stafsudd, 2009; Lexander & Öggesjö, 2009). The research question is therefore as followed:

Research question:

- How are the Big Four accounting firms organized in order to manage the balance between profit and profession?

1.3 Purpose

The purpose is to understand how the Big Four accounting firms organize to manage the balance between profession and profit in order to survive and become successful in the market.
1.4 Disposition

Chapter 1 – Introduction
The thesis is introduced with a background describing globalization, the functions of accountants and accounting firms followed by a problem discussion clarifying why the subject of the thesis is of relevance, which concludes with the research questions that the thesis will be based on.

Chapter 2 – Theoretical research methodology
To explain the approach and the choices in the thesis this chapter will present scientific approach and a presentation of the sources from which information is gathered.

Chapter 3 – Theoretical framework
This chapter aim to present the choice of theory, the perspective of which the accounting firms are viewed as organizations and the balance between profession and profit. The factors of organizing in larger accounting firms as organizations is then presented in order to explore the connection between the organizing and the balance between profession and profit theoretically.

Chapter 4 – Practical methodology
The purpose of this chapter is to explain the research method, the research design, the data collection, the process in which the data was gathered and presenting the scientific credibility to give insight in the approach conducted in this thesis.

Chapter 5 – Empirical data
In this chapter, a presentation of the empirical findings of the Big Four accounting firms, i.e. the research entities of this thesis, is given. The data is presented in cases studies based on the factors of organizing in both words and tables.

Chapter 6 – Analysis
This chapter discusses the data on the research entities in relation to the factors of the organizing to fulfill the purpose of the thesis. The analysis highlights each of the Big Four accounting firms are organized which are then summarized in a joint discussion.
The discussions are structured according to the factors of organizing with a similar structure as in the theoretical framework and the empirical data.

Chapter 7 – Results
In this chapter, the results of the thesis are presented in relation to the research question and the purpose of the thesis based on the results of the analysis. This chapter concludes with a presentation of implications, limitations and recommendations for future research.
2. Methodology

Chapter 2 aim to explain the approach and choices used in the thesis to give an insight in why and how the thesis has been performed as chosen. In this chapter, the scientific approach and the credibility of the references are presented.

2.1 Scientific approach

The purpose of this thesis is to understand the organizing of the Big Four accounting firms to manage the balance between profession and profit. To reflect the relationship between theory and data collection, two research approaches can be considered namely a deduction or induction. A deductive scientific approach is a based on acquiring an understanding of the subject of the thesis through existing theories before collecting data from research entities. An inductive scientific approach is a process in which the collection of data is established before creating new theories based on the data (Bryman & Bell, 2005; Johannesson & Tufte, 2003).

To accomplish purpose of the thesis, a deductive scientific approach has been chosen which implies that an understanding of the thesis subject is established before collecting data about the research entities i.e. the Big Four accounting firms (Bryman & Bell, 2005). By choosing a deductive scientific approach indicates that the thesis will be based on the existing research currently available about accounting firms, organizing, organizations and the balance between profession and profit to establish an understanding of the thesis subject. The traditional view also indicates that propositions will be deducted based on the theoretical framework and then tested on the data collection of the research entities to compare the theoretical framework with the data collection of the research entities (Patel & Davidson, 2003). Propositions will be deducted based on the current research on accounting firms, organizing, organizations and the balance between profession and profit. The propositions will then be tested on the data collection gathered on the Big Four to accomplish the purpose of understanding how they organize to manage the balance between profession and profit (Bryman & Bell, 2005).
The deductive scientific approach has been chosen mainly due to the reason that there exists research on accounting firms available to be used although it may be limited and lacking to some extent (Van Lent, 1999; Greenwood & Empson, 2003). In other words, the thesis will take advantage of the current knowledge on accounting firms by the usage of existing research on accounting firms. But as mentioned before, the current research on accounting firms is both limited and lacking which will prevented to some extent by using organizational theory and research on accountants applicable on accounting firms regarding such as the balance between profession and profit. Because a deductive scientific approach focuses on using existing research, the probability of discovering something new for example an additional organizing factor will diminish. However, it is important to note that the purpose of the thesis is to understand the organizing of the Big Four accounting firms to manage the balance between profession and profit i.e. finding a connection between the organizing and the balance between profession and profit in the Big Four accounting firms.

2.3 Reference credibility

Because a deductive scientific approach has been chosen to fulfill the purpose of the thesis, it is important to ensure the reliability of references on which the theoretical framework is based on. The theoretical framework of the thesis consists only of credible references which are further described below.

The theoretical framework is based on mainly two types of references, namely currently available research and websites. By ensuring that the research has been peer viewed before publication, the credibility of the research implemented in the theoretical framework increases. The credibility of the websites is ensured through the use of reliable sources, for example by using the websites of SBPC.
Chapter 3 is introduced by describing the choice of theory, the perspective on accounting firms as organizations and the balance between profession and profit. Thereafter the chapter will present the factors of organizing in accounting firms as organizations, focusing on larger accounting firms, in relation to the management of the balance between profession and profit theoretically.

Organizations are the cornerstone of society with a great impact on our daily lives through work, education and medical care why it can be said that we live in an organizational society where everything is related to organizations (Abrahamsson & Andersen, 2005; Alvesson & Sveningsson, 2012; Eriksson-Zetterquist et al, 2006; Bakka et al, 2006). There are several different significations to the concept of what organizations are which can be defined as a specific entity in an organization to an entire organization or viewed as a mechanism to a machine (Abrahamsson & Andersen, 2005; Bakka et al, 2006). Regardless of the definition of what they are, organizations are traditionally established through the cooperation of individuals to accomplish goals they are unable to achieve on their own. In other words organizations, such as accounting firms, are entities of coordinated activities and resources as a result of the cooperation between individuals, which are constructed to seek the goals of the individuals (Eriksson-Zetterquist et al, 2006, Alchain & Demsetz, 1972; Abrahamsson & Andersen, 2005; Alvesson & Sveningsson, 2012).

The importance and influence of organizations including accounting firms indicates that it is essential to comprehend how they operate. To understand how organizations organize, organizational theory (Alvesson & Sveningsson, 2012) will be implemented as the choice of theory in the thesis. There are two basic approaches explaining the existence of organizations, namely rationalistic theory and system theory (Abrahamsson & Andersen, 2005; Abrahamsson, 1992). Rationalistic theory indicates that organizations exist as the outcome of individuals collaborating to achieve goals. System theory views organizations as entities part of larger systems. The view and study of organizations will vary depending on which approach is chosen (Abrahamsson &
Rationalistic theory is based on the goals inside organizations while system theory is centered on organizations’ relationship with the society outside the organizations (Abrahamsson, 1992). The thesis will focus on rationalistic theory as the basic approach to explain the existence of organizations due to two reasons. As mentioned above organizations will be viewed as a form of cooperation between individuals. The main reason is that the purpose of the thesis is to understand the organizing of accounting firms to manage the balance between profession and profit whereas organizing can be seen mainly as a process inside rather than outside the accounting firms.

The organizing of organizations such as accounting firms is a process of coordinated activities and resources of individuals who engage in collective actions to achieve goals, resulting in the establishment of organizations (Eriksson-Zetterquist et al, 2006). In other words, “It is organizing that makes organizations, not the other way around” (Eriksson-Zetterquist et al, 2006, s. 13). The process of organizing with the focus on accounting firms can be divided into goals, environment, strategy and structure whereas structure involves organizational form, partnership, knowledge, reward systems, informal and formal management processes and responsibility distribution (Abrahamsson & Andersen, 2005; Von Nordenflycht, 2010, Ax et al, 2009, Abrahamsson, 1992; Eriksson-Zetterquist et al, 2006). Goals are the controlling factor and explain why organizations, including accounting firms, exist. In other words, goals are a type of guideline for how organizations should proceed to fulfill their purpose. Environment i.e. factors outside organizations, affects the goals and needs to be considered in how organizations organize in order to fulfill the goals efficiently. Strategy is the plan constructed to fulfill the goals including such as necessary activities and resources for example knowledge, information and capital. Structure involves the coordination of activities through the organizations depending on the goals and strategy of the organizations, which will affect the achievement of the goals in the organizations (Abrahamsson & Andersen, 2005; Abrahamsson, 1992; Eriksson-Zetterquist et al, 2006; Ax et al, 2009).
As known, accounting firms as organizations characterized by PSF differ from non-PSF (Von Nordenflycht, 2010) why it is important that accounting firms consider the management of the balance between profession and profit in their organizing to survive and be successful in the market. As mentioned before, profession implies that the production of the output in accounting firms is knowledge-based, a requirement of specific education to gain professional membership leading to rights of monopoly exclusion, self-regulation and compliance to a set of professional norms and principles. These are important features to secure that accounting firms act in the interest of the society as intellectual and independent practitioner (Jonnergård, 2012; Von Nordenflycht, 2010; Lui et al, 2003; Lee, 1995; Alvehus, 2012; Agevall & Jonnergård, 2012 see Björngren Cuadra & Fransson, 2012). As organizations, accounting firms are dependent on profit to survive and become successful in the market why generating residual gain is also important in addition to the profession. To generate profit, accounting firms may offer clients a wide selection of services in other areas except audit, such as tax and advisory (Agevall & Jonnergård, 2012 see Björngren Cuadra & Fransson, 2012; Holmström & Tirole, 2000; Koplin, 1963; Abrahamsson & Andersen, 2005).

Profession and profit may contradict each other as mentioned before, but are also connected. For example, the practice of the profession depends on selling services to clients (Agevall & Jonnergård, 2012 see Björngren Cuadra & Fransson, 2012; Senatra, 1980; Sorenson & Sorenson, 1974; Aranya & Ferris, 1984). The need to act professionally while generating profit indicates further that it is vital that accounting firms organize to manage the balance between profession and profit (Brierly, 1998; Agevall & Jonnergård, 2012 see Björngren Cuadra & Fransson, 2012).

Figure 1 below illustrates an oversight of the theoretical framework by presenting the connection between the organizing in the Big Four accounting firms and the balance between profession and profit, what factors in organizing are studied and how they are connected to each other. In other words, Figure 1 is a model that summarizes the structure of the theoretical framework.
3.1 Factors of organizing

As introduced above, the factors of organizing studied in this thesis are as followed: goal, environment, strategy, structure whereas structure can be divided into organizational form, partnership, knowledge, reward systems, informal and formal management processes and responsibility distribution. In addition to these, there are other factors such as the culture within organizations and the people employed which will not be included due to the difficulty of measuring culture and behavior accurately. Accounting firms as organizations will be viewed as entire entities existing through the cooperation of individuals, rather than seeing individuals as organizations. That is why the thesis will be based on the concept of organizations as entire entities that results from the cooperation of individuals with the focus on organizations instead of the

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**Figure 1**

Model of the relationship between the Big Four, organizing and its factors and the balance between profession and profit
individuals, as mentioned above. This is vital in order to draw proper conclusions on entire organizations by studying organizations instead of studying individuals within organizations which may provide inaccurate results and conclusions (Abrahamsson & Andersen, 2005; Abrahamsson, 1992). In difference to culture, people as a factor will not be entirely excluded. Accounting firms rely on the knowledge of their employees to produce output (Von Nordenflycht, 2010; Lee, 1995) why people will be viewed as a resource in organizations in relation to other factors, independent of their behavior.

3.1.1 Goal

Goal refers to a desired future state which accounting firms aspire to achieve through the production of output. According to rationalistic theory, accounting firms exist to fulfill goal. As the main controlling factor, goal can be seen as a type of guideline and a limitation specifying how the accounting firms shall proceed in order to achieve their goal and fulfill their purpose (Abrahamsson & Andersen, 2005; Bakka et al, 2006; Abrahamsson, 1992).

There are various forms of goals, for example accounting firms may have official goals in accordance to laws and regulations. Accounting firms may also strive to achieve operative goals i.e. the goals which the organization itself aspires to fulfill. With different types of goals, it is possible that a conflict between the goals might occur in accounting firms because the official goals and the operative goals are inconsistent (Abrahamsson & Andersen, 2005). As mentioned above, the goal of profession may contradict the goal of profit in accounting firms even though both profession and profit are equally important for the survival and the success of accounting firms in the market (Agevall & Jonnergård 2012 see Björngren Cuadra & Fransson, 2012; Sorenson, 1967). Yet, at the same time, the professional goal and the profit goal are connected i.e. accounting firms produce services based on profession which in turn is executed by performing services (Agevall & Jonnergård, 2012 see Björngren Cuadra & Fransson, 2012; Senatra, 1980; Sorenson & Sorenson, 1974; Aranya & Ferris, 1984).
The current research on accounting firms demonstrates that the professional goals remain strong within accounting firms which indicates that they have been taken into consideration. Moreover, the current research on accounting firms also shows a growing focus on profit goals such as aspirations for higher viability and income by increasing the number of clients in accordance to a more competitive market (Agevall & Jonnergård, 2012 see Björngren Cuadra & Fransson, 2012). Based on this fact, the following proposition is:

**Proposition 1:** The Big Four accounting firms aspire to achieve both professional goals and profit goals in order to manage the balance between profession and profit.

Agevall & Jonnergård (2012), see Björngren Cuadra & Fransson (2012) further discuss that the increasing focus on profit goals may undermine the existing focus on professional goals in accounting firms leading to a possible disruption of the balance between profession and profit. In addition, Lexander and Öggesjö (2011) estimated that the Big Four accounting firms i.e. PWC, KPMG, E&Y and Deloitte together have the majority (around 99 percent) of the total market shares of the audit market regarding the public companies in Sweden meaning that the Big Four accounting firms have monopoly of the audit market.

In summary, goal is a desired future state that accounting firms aspire to achieve and is the purpose to their existence why goal can be seen as the controlling factor. Different types of goals indicates a possible a conflict between the goals due to inconsistency even though the goals may be connected. The current research on accounting firms notes that the Big Four accounting firms still values the professional goals, however, there are also signs showing an increasing focus on fulfilling profit goals. It is possible to assume that their dependence on fulfilling profit goals decreases seeing as the Big Four accounting firms already possesses 99 percent of the total market shares of the audit market in Sweden (Abrahamsson & Andersen, 2005; Bakka et al, 2006; Abrahamsson, 1992; Agevall & Jonnergård 2012 see Björngren Cuadra & Fransson, 2012; Sorenson, 1967).
3.1.2 Environment

Environment, i.e. factors outside accounting firms, affects what goals and how accounting firms will organize in order to achieve their goals which in turn will have an impact on their survival and success in the market (Abrahamsson & Andersen, 2005; Abrahamsson, 1992; Ax et al, 2009; Malhotra et al, 2006). Larger organizations such as the Big Four accounting firms are dependent on their status and reputation in the society, especially as accounting firms have the function of creating and sustaining a relationship of trust between organizations and stakeholders which requires them to uphold status and reputation themselves (Weigelt & Camerer, 1988; Öhman, 2004). To consider the environment is an important aspect to accounting firms, for example by complying with laws and regulations (Abrahamsson & Andersen, 2005).

The current research on accounting firms has shown a development in national and international laws and regulations which requires accounting firms to increase the standardization of their activities to improve the efficiency and the quality of their activities. Accounting firms have also implemented individual systems and routines, independent of laws and regulations, to control their activities in order to ensure that they comply with laws and regulations and secure their status and reputation in the society (Agevall & Jonnergård, 2012 see Björngren Cuadra & Fransson, 2012; Öhman, 2004; Brunsson, 2012; Weigelt & Camerer, 1988). Öhman (2004) states that increasing laws and regulations may be seen as an effect resulting from occurring scandals as means to mend the loss of society’s trust to accounting firms’ professional occupation.

In other words, the increasing laws and regulations both locally and globally demanding improved efficiency and quality reflects the increasing importance of profession in accounting firms. By obeying the laws and regulations, accounting firms can secure their status and reputation in the society and uphold the balance between profession and profit through the connection between profession and profit because a high status and reputation leads to increasing clients benefiting both profit and profession. As such, laws and regulations can be seen as a form of framework to assess the profession in accounting firms i.e. the accounting firms outside the framework are those violating the laws and regulation thus neglecting the profession and viceversa. This indicates that it is
vital for the Big Four accounting firms to ensure the society of their compliance with laws and regulations to secure their status and reputation in order to benefit both their profession and profit. In other words, it is important that the Big Four accounting firms ensure the society that they comply with laws and regulation to secure the balance between profession and profit (Abrahamsson & Andersen, 2005; Weigelt & Camerer, 1988; Lexander & Öggesjö, 2011).

**Proposition 2**: The Big Four accounting firms communicate with the society regarding the compliance with laws and regulation in order to uphold the balance between profession and profit.

Without an acceptable status and reputation in accordance to the society, accounting firms risk losing the trust of the society and the stakeholders as well as clients resulting in a loss for example of income, viability and market shares which increases the probability of bankruptcy (Abrahamsson & Andersen, 2005; Weigelt & Camerer, 1988; Lexander & Öggesjö, 2011). Enron-scandal is a typical case where the accounting firm Arthur Andersen lost its status and reputation along with the fall of Enron (Affärsvärlden, 2002; Time Business & Money, 2002). This lead to the cancellation of contract with pharmaceutical giant Merck, mortgage agencies Freddie Mac and Delta Airlines who were the most loyal and prestigious clients of Arthur Andersen (Time Business & Money, 2002) and loss of society’s trust for the entire audit market (Affärsvärlden, 2002). This means that the status and reputation of accounting firms is vital for their survival and success in the market.

To summarize, environment refers to factors outside accounting firms such as laws and regulations. Laws and regulations can be seen as an assessment for the profession in accounting firms, i.e. obeying laws and regulations secures their status and reputation because they act in accordance to the profession which upholds the balance between profession and profit. For the Big Four accounting firms who are well-known and possess the majority of the market shares in the audit market, the disobedience of laws and regulations may result in a loss of trust from society, clients and stakeholders with the risk of bankruptcy such as Arthur Andersen and the Enron-scandal. Upholding the status and reputation is vital, especially for the Big Four accounting firms, for the survival and success on the market (Abrahamsson & Andersen, 2005; Weigelt &
3.1.3 Strategy

Strategy is the plan that is established after determining the goals of accounting firms with the purpose of clarifying how the goals are to be accomplished as well as what resources and activities needed to achieve the goals. In other words, strategy binds the goals with the activities and resources in accounting firms and reflects what and how the goals are achieved. How the strategy is established depends on what goals the accounting firms aspire to achieve (Abrahamsson & Andersen, 2005; Alvesson & Svenningsson, 2012; Eriksson-Zetterquist et al, 2006; Baker, 1977).

Except for the goals, the strategy implemented is also affected by laws and regulations in the society which is why it is important that even laws and regulations are taken into consideration when forming a strategy to achieve the goals efficiently. The strategy may differ between accounting firms if, for instance, the accounting firms aspire to achieve different goals or comply with different laws and regulations (Abrahamsson & Andersen, 2005; Alvesson & Svenningsson, 2012; Eriksson-Zetterquist et al, 2006; Baker, 1977). As mentioned above, accounting firms should strive to fulfill the goal of profession and the goal of profit to maintain the balance between profession and profit because both goals are of equal importance for the survival and success in a competitive market (Agevall & Jonnergård, 2012 see Björngren Cuadra & Fransson, 2012; Senatra, 1980; Sorenson & Sorenson, 1974; Aranya & Ferris, 1984; Sorenson, 1967).

For example, if accounting firms aspire to achieve the profit goal they can choose to implement a strategy focusing on improving their relationship with clients and stakeholders in the society by extending the services to include areas such as tax and advisory except for only audit and accounting (Baker, 1977). The current research indicates that the range of services has increased in larger accounting firms, such as the Big Four accounting firms, the more dependent they are of profit and viability to survive because the income generated by services only in accounting and audit is insufficient to provide for the survival of the entire organizations. In other words, the
extended range of services are a necessity for the survival and success of the Big Four why income from services other than accounting and audit is a vital part of the total income (Agevall & Jonnergård, 2012; Björgren Cuadra & Fransson, 2012; Warren & Alzola, 2009; Wyatt, 2004; Hulaj & Nilsson, 2012). The Big Four may also implement a strategy focusing on quality as means to improve or maintain their status and reputation in the society. In this case, the status and the reputation that the accounting firms possess is a signal of what position they have in the market (Baker, 1977; Weigelt & Camerer, 1988). Mueller (2011) states that in addition to performing activities efficiently, it is also important to be visible. In other words, to improve or sustain their status and reputation as the foremost accounting firms in the audit market, the Big Four would need to implement a strategy focusing on sustaining or enhancing the quality of their services to the clients (Weigelt & Camerer, 1988).

**Proposition 3a:** The Big Four accounting firms implement a strategy to improve quality to fulfill the professional goal in order to manage the balance between profession and profit.

**Proposition 3b:** The Big Four accounting firms use a strategy to extend the range of services to clients to fulfill the profit goal to manage the balance between profession and profit.

Summarized, strategy is the plan established to describe how accounting firms should proceed to achieve the goals as well as clarify what activities and resources are needed in the process. Depending on the goals or the environment, the strategy may differ. Accounting firms should aspire to achieve both the professional goal and the profit goal to sustain the balance between profession and profit to survive and become successful in the market. For example, the Big Four accounting firms may implement a strategy focusing on extending the range of services to clients and sustain or improve the quality of the services to fulfill the professional goal and the profit goal (Abrahamsson & Andersen, 2005; Agevall & Jonnergård, 2012; Björngren Cuadra & Fransson, 2012; Sorenson & Sorenson, 1974; Sorenson, 1967; Baker, 1977).
3.1.4 Structure

Structure is defined as the coordination of a set of activities divided between the individuals within the accounting firms to achieve goals efficiently. In other words, structure involves the organizational form such as the locations of the accounting firms across the world, what services they offer to clients, the hierarchy for example flat or hierarchical and the standardization of activities (Abrahamsson & Andersen, 2005; Bakka et al, 2006; Ax et al, 2009; Alvesson & Svenningsson, 2012). Structure can be divided into organization form, partnership i.e. the ownership of accounting firms, knowledge, reward systems, informal and formal management processes and responsibility distribution (Ax et al, 2009; Van Lent, 1999; Von Nordenflycht, 2010; Greenwood et al, 2007; Greenwood & Empson, 2003; Morris & Empson, 1998; Vera-Muñoz, 2006; Holmes & Zimmer, 1998).

3.1.4.1 Organizational form

Organizational form refers to the horizontal and vertical structure of positions within accounting firms i.e. the skeleton of the organizations. Among the current classifications on organizational forms, one of the major contributions was by Mintzberg see Bolman & Deal (2005), Eriksson-Zetterquist et al (2006) and Abrahamsson & Andersen (2006) who stated that organizational form may be divided into five common models. But because the purpose of this thesis is to study the Big Four accounting firms, only three of the five models are relevant and will be described in further details.

In accordance to Abrahamsson & Andersen (2005), Bolman & Deal (2005) and Eriksson-Zetterquist et al (2006), Mintzberg classified accounting firms as professional bureaucracy. Professional bureaucracy is an organizational form in which the dominant are the employees at the operative level because the performance of activities is based on the knowledge of those employees. Employees at the operative level are given freedom by supervisors, managers and the executive team to use their knowledge to perform activities independently. Instead of restrictions from the few supervisors and managers, the employees at the operative level are instead controlled through the
education and training (Bolman & Deal, 2005; Eriksson-Zetterquist et al, 2006; Abrahamsson & Andersen, 2006).

Another organizational form used mainly by larger accounting firms is divisionalized organization. With divisionalized organization the entire organization is divided into several independent entities whereas each entity is separated from the entire organization and responsible for its individual actions, organization and market. The executive team gives the supervisors and managers freedom to manage the entities provided that certain prerequisites, such as goals, are fulfilled. For that reason, the supervisors and the managers are dominant as they are mainly responsible for the entity (Bolman & Deal, 2005; Eriksson-Zetterquist et al, 2006; Abrahamsson & Andersen, 2006).

The last organizational form by Mintzberg that will be described is machine bureaucracy which indicates that accounting firms are strictly regulated by standardization in systems, processes, routines and rules in order to control activities efficiently (Bolman & Deal, 2005; Eriksson-Zetterquist et al, 2006; Abrahamsson & Andersen, 2005). As mentioned above, the need of standardization may be due to laws and regulations (Öhman, 2004; Agevall & Jonnergård, 2012 see Björngren Cuadra & Fransson, 2012). The employees with specific knowledge and main responsibility of the standardization are dominant (Bolman & Deal, 2005; Eriksson-Zetterquist et al, 2006; Abrahamsson & Andersen, 2005).

Other organizational forms except for the models by Mintzberg are the corporation form in non-PSF. According to Van Lent (1999), the organizational form in accounting firms are altering to that of corporation because of benefits such as improved control systems and risk-bearing advantages which have become essential for efficiency, especially for larger accounting firms (Van Lent, 1999; Greenwood & Empson, 2003). It is therefore possible that there are high similarities between accounting firms and non-PSF regarding the organizational form.

Greenwood et al (1990) identifies that larger accounting firms are characterized by both divisionalized organization and professional bureaucracy. In other words, larger accounting firms are knowledge-based organizations as they rely on the knowledge of
their employees to perform activities in accordance to both the professional goal and the profit goal. Due to the size of larger accounting firms, the entire organizations are divided into independent entities for example per national office where each entity manage their entity separately to the entire organization as well as other entities.

**Proposition 4a:** The Big Four accounting firms are characterized by an organizational form which combines professional bureaucracy, divisionalized organization and corporation in order to manage the balance between profession and profit.

The positions within accounting firms vary, as shown by both Sorenson & Sorenson (1974) and Van Lent (1999). Sorenson & Sorenson (1974) states that accounting firms mainly consists of the following five positions: junior or staff accountant, senior accountant, supervisor accountant, manager and partner whereas junior or staff accountant is the lowest position while partner is the highest position. Meanwhile Van Lent (1999) demonstrates other positions which are trainee, junior manager, manager, senior manager and partner. Considering that Van Lent (1999) studied only one accounting firm in difference to Sorenson & Sorenson (1974), the main positions presented by Sorenson & Sorenson (1974) will be used. These main positions consists of junior or staff accountant, senior accountant, supervisor accountant, manager and partner whereas the highest position employees can possess is partners while recently recruited employees are junior or staff accountants. In other words, these steps represent the employees’ development of knowledge within the accounting firms in difference to the positions of non-PSF organizations. By using positions referring to the employees’ development of knowledge illustrates the importance of profession within accounting firms such as the Big Four accounting firms. Considering that they gain profit through their profession, it may be increasingly important that they communicate that they uphold their profession. This means that both profession and profit play a vital part in the Big Four accounting firms survival and success. The proposition is therefore:

**Proposition 4b:** The Big Four accounting firms use the main positions junior, senior, supervisor, manager and partner in order to manage the balance between profession and profit.
To summarize, accounting firms may be classified by different organizational forms which is defined as the horizontal and vertical structure within accounting firms (Abrahamsson & Andersen, 2005). Mintzberg contributes to three organizational forms which are professional bureaucracy, divisionalized organization and machine bureaucracy. Van Lent (1999) and Greenwood & Empson (2003) found that accounting firms are shifting to corporation, a similar organizational form as non-PSF. According to Greenwood et al (1990) larger accounting firms are characterized by divisionalized organization and professional bureaucracy. The main five positions within accounting firms are junior or staff accountant, senior accountant, supervisor accountant, manager and partner (Sorenson & Sorenson, 1974).

3.1.4.2 Partnership

The traditional ownership structure in accounting firms is characterized by partnership due to its efficiency of promoting the knowledge and independence of the employees (Van Lent, 1999). This implies that partnership is an ownership structure efficient for accounting firms to manage the knowledge of the employees which in turn is vital for the production of output and survival and success (Van Lent, 1999; Von Nordenflycht, 2010; Greenwood & Empson, 2003; Greenwood et al, 2007). For that reason, partnership is an ownership structure that has been prominent with organizations, such as accounting firms, that produces services which is why they have been owned through partnership for several centuries (Van Lent, 1999; Greenwood & Empson, 2003).

According to Alchain & Demsetz (1972), ownership can be divided into five rights which Van Lent’s research (1999) is based on when defining partnership within accounting firms. The five rights are as followed: to be a residual claimant, to observe input behavior, to be the central party common to all contracts with inputs, to alter the membership of the team and to sell the ownership rights of the organizations (Alchain & Demsetz, 1972). In accordance to these characteristics, Van Lent (1999) defines partnership as an ownership structure whereas two or more individuals i.e. the partners cooperate and engage in collective activities and by so doing, creates an accounting firm. The traditional view on partnership also involves the partners sharing the profit and loss equally, though this feature may vary depending on different views in the current research on accounting firms. For example, Van Lent (1999) shows that the
partners of KPMG Netherlands shares profit depending on the performance of each partner based on a profit point system. Partnership is also defined by unlimited responsibility implying that partners are responsible not only for their own actions but also the actions of their colleagues (Greenwood et al, 2007; Greeenwood & Empson, 2003; Von Nordenflycht, 2010; Van Lent, 1999; Holmes & Zimmer, 1998).

With partnership as the traditional ownership structure, accounting firms may allocate the ownership exclusively to the employees within the organizations which excludes outside owners and thereby decrease the effect of outside influence that may damage the profession (Van Lent, 1999; Von Nordenflycht, 2010; Greenwood et al, 1990). For example, Accountants Act 2001:883 states that least three quarters of the total votes shall be owned through shares by accountants (SBPC, 2003). In other words, using partnership as the traditional ownership structure within the Big Four accounting firms may be interpreted as a measurement to maintain the profession by excluding the ownership to outside owners. Maintaining the profession provides the Big Four accounting firms with a positive status and reputation as well as profit through for instance, increasing clients. With that said, the Big Four accounting firms may manage the balance between profession and profit through the use of partnership as a traditional ownership structure. With this, the following proposition is:

**Proposition 5:** The Big Four accounting firms are governed by a traditional ownership structure known as partnership in order to manage the balance between profession and profit.

Lexander & Öggesjö (2011) states that fewer partners result in each partner obtaining a higher share of the total amount of profit compared to if more partners were to share the same amount of profit. In accordance to this perspective, the probability of an unbalance between profession and profit increases with accounting firms with few partners and a high income due to the risk of partners acting solely for the profit goal without regard to the professional goal. Because the number of partners in larger accounting firms, such as the Big Four accounting firms, tend to be many indicates that the probability of a disruption of the balance between profession and profit in larger accounting firms decreases.
In short, the traditional ownership structure in accounting firms is partnership i.e. the cooperation between two or more individuals creating an organization in which profit and loss are shared in addition to the unlimited responsibility. Partnership excludes outside owners why partners are employees within accounting firms. Also, partnership allows the Big Four accounting firms to maintain the profession and thus manage the balance between profession and profit. Accounting firms with few partners and high income have a higher risk of an unbalance between profession and profit. But because the Big Four accounting firms have many partners, the risk may decrease (Van Lent, 1999; Von Nordenflycht, 2010; Lexander & Öggesjö, 2011).

3.1.4.3 Knowledge
As knowledge intensive organizations, the production of services in accounting firms depends on the knowledge of the employees. Implementing knowledge efficiently is vital for accounting firms to sustain their competitive advantage, economic growth and corporate status and reputation in the society. Knowledge is defined as stock of expertise, adequate understanding of facts and concepts or the basic information needed to perform a task and deliver a service (Vera-Muñoz et al, 2006; Chang & Birkett, 2004; Morris & Empson, 1998; Eriksson-Zetterquist et al, 2006; Alvesson & Svenningsson, 2012; Van Lent, 1999). According to Polanyi (1966), knowledge is classified as explicit or tacit knowledge whereas explicit knowledge is codified, categorized and stored through formal language while tacit knowledge is routine and subconscious practices based on insights, intuitions and values in people’s minds. 90 percent of the knowledge in organizations is characterized as tacit knowledge. Knowledge can furthermore be separated as a property of an individual or a group and also specialized or common knowledge. To use the knowledge of the employees efficiently, it is important that accounting firms create opportunities for individuals to develop and share their knowledge among each other within the organizations (Vera-Muñoz et al, 2006; Morris & Empson, 1998; Alvesson & Svenningsson, 2012; Eriksson-Zetterquist et al, 2006; Van Lent, 1999).

To manage the knowledge, accounting firms can assign teams of individuals each of which is responsible for different parts of the production of services to clients. This creates a need of individuals to share their knowledge with each other to complete the
assigned tasks efficiently and with quality. Accounting firms may also implement information technologies such as databases, Internet and group support systems to increase the knowledge sharing between the employees within the organization. Through the use of information technologies, accounting firms give employees access to for example statistics, surveys, best practice studies and expert knowledge registered that benefits the knowledge of the employees. Knowledge is also shared through personal interactions between employees. This involves working in teams as mentioned above, mentoring, feedbacks, communications and evaluations of the activities performed. For example, employees with lower positions can cooperate with employees with higher positions in similarity to an apprenticeship to increase the knowledge sharing. This implies that the knowledge increases with the positions. Working in teams gives the employees opportunities to communicate, discuss and give feedback directly affecting the cooperation, the knowledge sharing and the quality of the assigned activities. Increasing the employees’ organizational commitment, i.e. the employees’ involvement in the goals and values of accounting firms, may result in higher loyalty and performance to the accounting firms. Although knowledge is not necessary shared, accounting firms are able to retain the employees and thus their knowledge within the organizations. Codifying knowledge in manuals, training courses and educations are means to standardize knowledge within accounting firms and share it between the employees ensuring that the employees possess a standard of technical expertise (Vera-Muñoz et al, 2006; Morris & Empson, 1998; Alvesson & Svenningsson, 2012; Eriksson-Zetterquist et al, 2006). In other words, there are several methods for accounting firms such as the Big Four accounting firms to manage the knowledge within their organizations in order to acquire a competitive advantage. Moreover, investing in developing knowledge may generate a positive image of the Big Four accounting firms considering that they are knowledge intensive organizations. This means that the Big Four accounting firms may communicate that they act according to their profession which benefits their profit for example by increasing their clients. Based on the discussion above, the following proposition is drawn:

**Proposition 6:** The Big Four accounting firms communicate with the society regarding how they manage knowledge within the organizations in order to manage the balance between profession and profit.
In summary, knowledge is the basic information needed to produce services. With a production based on services that relies on knowledge, accounting firms are dependent of the knowledge of the employees for competitive advantage, economic growth and sustaining the reputation and status in society. Managing knowledge through manuals, educations, training courses, mentoring, feedback, communication, working in teams and using information technologies such as databases and Internet are examples of how accounting firms manages the knowledge of the employees.

3.1.4.4 Reward system

Reward systems are implemented in accounting firms for the purpose of encouraging the employees to act and perform activities efficiently for their own development and for the survival and success of the accounting firms. In other words, reward systems contribute to a relationship in similarity to that of symbiosis between the employees and the accounting firms which benefits both parts. How rewards systems are structured depends on the goals, the purpose of reward systems and the management of knowledge in the accounting firms why reward systems are connected to the goals of accounting firms and the balance between profession and profit (Ax et al, 2009; Güngör, 2011; Vera-Muñoz et al, 2006).

According to Von Nordenflycht (2010) and Almer et al (2012), the traditional reward system in accounting firms is up-or-out promotion which implies that employees are either promoted or forced to exit the accounting firms (Almer et al, 2012; Van Lent, 1999; Von Nordenflycht, 2010; Greenwood et al, 2007; Greenwood & Empson, 2003; Ax et al, 2009; Güngör, 2011). Up-or-out promotion also includes benefits such as sustaining a level of knowledge within accounting firms whereas the employees necessary to fulfill the purpose of accounting firms are retained or even promoted (Von Nordenflycht, 2010; Van Lent, 1999). Yet another reward system that may be used in accounting firms instead of up-or-out promotion is apprentice systems i.e. recently employed individuals are to gain tacit knowledge by learning under the tutelage of seasoned partners (Greenwood & Empson, 2003). Both reward systems are based on the need of employees to develop their knowledge, which may be seen as a logical response because accounting firms are knowledge intensive organizations (Von Nordenflycht, 2010; Van Lent, 1999).
Accounting firms promote the employees based on two types of rewards, i.e. financial or non-financial rewards. Financial rewards includes higher salary, bonuses or financial benefits while non-financial rewards involves higher authority or responsibility and rights within accounting firms, the right to participate and make decisions (Ax et al, 2009; Güngör, 2011). For example, employees with the position of partners obtain the right to gain shares in the organization and sharing the profit but also the loss of the accounting firms (Holmes & Zimmer, 1998; Von Nordenflycht, 2010; Van Lent, 1999). In short, these rewards are based on employees acquiring the position of partners within the Big Four accounting firms which includes experience and education developing their knowledge which in turn maintains the profession. As mentioned before, the Big Four accounting firms are knowledge intensive organizations that gain profit through the profession. With that said, the Big Four accounting firms maintaining the profession allows them to not only uphold their status and reputation in the society but also gain profit by for example increasing their clients and thereby manage the balance between profession and profit. Based on this information, the proposition is drawn as:

**Proposition 7:** The Big Four accounting firms reward their partners with the right to obtain rights and share the profits of the organizations in order to manage the balance between profession and profit.

To summarize, rewards systems tend to be implemented to encourage employees to act efficiently for the development of their knowledge and for the survival and the success of accounting firms. Accounting firms may adopt up-or-out promotion or apprentice systems whereas both reward systems are based on knowledge. The reward may be divided into financial (for example higher salary) and non-financial rewards (such as higher authority and responsibility). The reward system should be implemented with consideration to the goals of accounting firms (Ax et al, 2009; Güngör, 2011; Von Nordenflycht, 2010; Greenwood & Empson, 2003; Van Lent, 1999).
Informal and formal management processes

Informal management processes are defined as rules or systems which gives the employees freedom to perform the activities independent why informal management processes are characterized with little strategic planning and few formal restrictions in the form of rules and principles. In contrast, formal management processes refers to systems with standardization of how activities are to be performed within accounting firms which involves standardized routines, systems and rules to control and coordinate the activities and achieve goals efficiently (Von Nordenflycht, 2010; Greenwood et al, 1990; Malhotra et al, 2006; Abrahamsson & Andersen, 2005).

Accounting firms are traditionally characterized by using informal management processes which may cause inefficiency due to the risk of lacking coordination which affects the status, reputation and viability of accounting firms and the balance between profession and profit through the impact on quality and income (Von Nordenflycht, 2010). However, Van Lent (1999) and Malhotra et al (2006) found that larger accounting firms are increasing the standardization of their systems and rules which indicates a shift from informal to formal management processes because of inefficiency due to the size and coordination of a larger amount of activities (Van Lent, 1999; Malhotra et al, 2006; Greenwood & Empson, 2003). In this case, formal management processes is seen as a necessity not only to fulfill the goals of profession and profit binding it to the balance between profession and profit, but also to survive in the market. With that said, the following proposition is:

**Proposition 8:** The Big Four accounting firms have increased the standardization of the systems in order to manage the balance between profession and profit.

Standardization may also be an effect of laws and regulations in order to ensure that accounting firms act in accordance to the profession, as noted above (Greenwood & Empson, 2003; Von Nordenflycht, 2010). The advantage of formal management processes is that standardization clarifies for example how and who should perform activities and how different situation are to be managed (Greenwood et al, 1990). But according to Agevall & Jonnergård (2012) see Björngren Cuadra & Fransson (2012), increasing laws and regulations has resulted in a more structured audit based on the laws and regulations rather than the professional judgment. Öhman (2004, pp. 38) states
that accounting firms are focus on “doing things right” instead of “doing right things” to act according to the profession and maintaining the trust of society as laws and regulations have increased. In other words, formal management processes contributes to increasing control and coordination of activities but may in turn undermine the professional judgment which may disrupt the balance between profession and profit through the professional goal (Agevall & Jonnergård, 2012 see Björngren Cuadra & Fransson, 2012; Öhman, 2004; Van Lent, 1999; Malhotra et al, 2006; Greenwood & Empson, 2003; Greenwood et al, 1990).

In conclusion, accounting firms traditionally use informal management processes with little strategic planning and few formal rules. But because of inefficiency such as lacking coordination, larger accounting firms have shifted to use formal management systems i.e. standardization of activities, due to the size and the large amount of activities to fulfill the professional and profit goal and survive in the market. Laws and regulation may also enforce standardization to ensure accounting firms according to the profession. However, increasing laws and regulations may lead to undermining professional judgment by “doing things right” rather than “doing right things” (Von Nordenflycht, 2010; Abrahamsson & Andersen, 2005; Van Lent, 1999; Malhotra et al, 2006; Greenwood & Empson, 2003; Öhman, 2004, pp. 38).

### 3.1.4.6 Responsibility distribution

Responsibility refers to the requirement of the employees to perform distributed activities and the authority that employees possess related to their positions which gives them the right to decide on the activities in accounting firms (Ax et al, 2009, Abrahamsson & Andersen, 2005). The need of coordination is a natural response that occurs when activities are divided among the individuals within accounting firms to ensure that the activities are performed efficiently by individuals with the necessary prerequisites in order to achieve the goals of profession and profit (Abrahamsson & Andersen, 2005).
Responsibility distribution can be separated into two types, namely centralization and decentralization, to describe who and where decisions are made in accounting firms. Centralization indicates that decisions are made at the highest levels in accounting firms whereas decentralizations imply that decisions are made at lower levels in accounting firms (Abrahamsson & Andersen, 2005). The advantages with centralization is that decisions are made by individuals with knowledge and experience of the entire accounting firms that the individuals at lower levels may lack. But for larger accounting firms such as the Big Four accounting firms with high complexity i.e. information necessary to make decisions are widespread among several individuals, decentralization may be a preferable option in comparison to centralization due to increased flexibility for example quicker decisions (Fama & Jensen, 1983; Abraham & Andersen, 2005; Bakka et al, 2006; Carrington et al, 2011; Greenwood et al, 1990).

**Proposition 9:** The Big Four accounting firms tend to use decentralization to manage the balance between profession and profit due to their large size and high complexity.

According to Sorenson & Sorenson (1974), responsibility distribution in accounting firms tend to be based on the knowledge of the employees. Based on the positions in accordance to Sorenson & Sorenson (1974), the position with the highest responsibility is partner. As partner, the employees withhold the final and direct responsibility for the total of activities performed in accounting firms with the right to share profit and loss. Employees with the position of manager gain the right to participate in the executive team with the responsibility of deciding the number of audits in progress simultaneously and directing the activities of senior accountants. Supervisor accountant are employees who are responsible for the specific audit as per decision while also monitoring and assigning senior accountants and junior accountants to activities. Senior accountant refers to the employees with the responsibility of various audits while junior accountants are individuals recently recruited to the accounting firms. As junior accountant, employees undergo several training programs while being assigned to perform routine activities under a senior accountant’s direct guidance (Sorenson & Sorenson, 1974). Moreover, in order to perform specific activities with for instance high difficulty, employees with lower positions need the approval of employees with higher positions such as partner (Van Lent, 1999).
In summary, responsibility distribution is a natural consequence because of the need of coordinating activities when they are divided between the employees in order to fulfill the goals of accounting firms efficiently. Responsibility refers to what expectations are demanded by individuals and what rights they possess to decide related to the position. Responsibility distribution may be divided into centralization and decentralization whereas decentralization is seen as a preferable option for larger accounting firms such as the Big Four accounting firms due to high complexity. Responsibility distribution is based on the knowledge of the employees why employees with higher positions are deemed to have a wider range of knowledge but also more responsibilities than employees with lower positions (Abrahamsson & Andersen, 2005, Ax et al, 2009; Bakka et al, 2006; Sorenson & Sorenson, 1974).

3.2 Summary of the factors of organizing and the propositions

Table 1 Summary of the organizing factors and the propositions

<table>
<thead>
<tr>
<th>Organizing factor</th>
<th>Proposition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goal</td>
<td>1: The Big Four accounting firms aspire to achieve both professional goals and profit goals in order to manage the balance between profession and profit.</td>
</tr>
<tr>
<td>Environment</td>
<td>2: The Big Four accounting firms communicate with the society regarding the compliance with laws and regulation in order to uphold the balance between profession and profit.</td>
</tr>
<tr>
<td>Strategy</td>
<td>3a: The Big Four accounting firms implement a strategy to improve quality to fulfill the professional goal in order to manage the balance between profession and profit.</td>
</tr>
<tr>
<td></td>
<td>3b: The Big Four accounting firms use a strategy to extend the range of services to clients to fulfill the profit goal to manage the balance between profession and profit.</td>
</tr>
</tbody>
</table>
**Structure:**

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organizational form</td>
<td>4a: The Big Four accounting firms are characterized by an organizational form which combines professional bureaucracy, divisionalized organization and corporation in order to manage the balance between profession and profit.</td>
</tr>
<tr>
<td></td>
<td>4b: The Big Four accounting firms use the main positions junior, senior, supervisor, manager and partner in order to manage the balance between profession and profit.</td>
</tr>
<tr>
<td>Partnership</td>
<td>5: The Big Four accounting firms are governed by a traditional ownership structure known as partnership in order to manage the balance between profession and profit.</td>
</tr>
<tr>
<td>Knowledge</td>
<td>6: The Big Four accounting firms communicate with the society regarding how they manage knowledge within the organizations in order to manage the balance between profession and profit.</td>
</tr>
<tr>
<td>Reward system</td>
<td>7: The Big Four accounting firms reward their partners with the right to obtain rights and share the profits of the organizations in order to manage the balance between profession and profit.</td>
</tr>
<tr>
<td>Informal and formal management processes</td>
<td>8: The Big Four accounting firms have increased the standardization of the systems in order to manage the balance between profession and profit.</td>
</tr>
<tr>
<td>Responsibility distribution</td>
<td>9: The Big Four accounting firms tend to use decentralization to manage the balance between profession and profit due to their large size and high complexity.</td>
</tr>
</tbody>
</table>
4. Empirical methodology

Chapter 4 describes how the thesis has been performed by explaining the research method, research design and the process of data collection. The chapter also highlights the selection of research entities and the scientific credibility to give an insight to the choices and approach made in the thesis.

4.1 Research method

The purpose of this thesis is to understand how the Big Four accounting firms organize to manage the balance between profession and profit. Two research methods can be considered to conduct a research process: a quantitative approach and a qualitative approach. A quantitative research method is characterized by collecting and analyzing statistical and mathematic data in the form of tables, graphs and statistics to find correlations and test hypothesis on population and generalize the results. A qualitative research method is defined as collecting any type of data including numbers and words on a specific case or subject to find concepts and relationships between data and the research entities why generalization is argued as not possible (Bryman & Bell, 2005; Patel & Davidson, 2003; Denscombe, 2009).

In order to fulfill the purpose of this thesis, a qualitative research method has been chosen because it is deemed to be more appropriate than a quantitative research method due to several reasons. Firstly, with a qualitative research method the data and information collection is allowed more freedom based not only on statistical and mathematic data such as numbers but also words i.e. gathering various kinds of data increasing the probability of fulfilling the purpose of the thesis. Secondly, the advantage of a qualitative research method is the ability to adjust information during the writing of the thesis as the current research on accounting firms is both limited and lacking, as mentioned before. In other words, this is an important aspect to ensure the relevance of the information to fulfill the purpose of the thesis. Third, the research entities of the thesis only include the Big Four accounting firms rather than a population why the results may not be generable but instead give a detailed explanation. Lastly, it is vital to understand the organizing of Big Four in order to give a proper explanation of how they
organize to manage the balance between profession and profit why a qualitative research method is more appropriate allowing a more detailed analysis based on data and information with words and numbers (Bryman & Bell, 2005; Denscombe, 2009).

A main disadvantage to a qualitative research method is subjectivity, i.e. the probability of the thesis to be based on unsystematic data and information as a result of direct interaction with the research entities. In order to avoid this disadvantage, the data and information gathered is based on documents with no direct interaction with the research entities. However, it is still possible to be affected by subjectivity, i.e. the opinions of the Big Four accounting firms, through documents. Documents commonly refer to secondary data not written by the author themselves why subjective effects are still possible because organizing is a sensitive subject to accounting firms, including the Big Four. But to create an understanding of how the Big Four organize and if the organizing differ to manage the balance between the profession and profit, it is important to comprehend their perspective of organizing why the elimination of subjectivity may not be possible. Although the effect of subjectivity may not be eliminated, it is possible to minimize the effect of subjectivity of the data and information collected. In order to minimize the impact of subjectivity, the data and information collected will be based on the criterion of confirmability which implies that the data and information will not be collected with conscious subjectivity (Bryman & Bell, 2005).

4.2 Research design

To fulfill the purpose of explaining how the Big Four accounting firm organize to manage the balance between profession and profit it is important to create and understanding of the organizing of the Big Four why case studies are chosen as the research design of this thesis. Case studies are appropriate to analyze concrete cases highlighting the factors of the Big Four accounting firms’ organizing in order to explain how they organize to manage the balance between profession and profit (Bryman & Bell, 2005; Yin, 2007; Denscombe, 2009).
The research design is based on four case studies whereas each case study highlights the organizing of one of the Big Four accounting firms in order to comprehend how the specific accounting firm organizes to manage the balance between profession and profit. Conducting case studies based on the organizing on each of the Big Four provides a more solid ground to understand the organizing in each of the Big Four in managing the balance between profession and profit why this method of constructing the case studies have been chosen. Furthermore, using multiple case studies not only strengthens the results of the thesis but also the probability of generalizing the results because the results are based on several case studies rather than a single case study. The case studies also include a longitudinal design by studying the organizing of the Big Four during the period of 2005/2006 and 2011/2012 with a difference of approximately five years, to benefit the case studies and the results of the thesis (Bryman & Bell, 2005; Yin, 2007; Denscombe, 2009).

The disadvantages of multiple case studies are that the process is time-consuming, not replicable and generable because case studies are based on detailed information of specific research entities, in this case the Big Four accounting firms. But multiple case studies are the preferable option because it provides the detailed understanding necessary to fulfill the purpose of the thesis why multiple case studies are chosen although the process is time-consuming. The cases studies are based on data and information collected from documents which saves the time consumed on the case studies. Furthermore, with the use of data and information from documents, the probability of replication of the case studies increases. By studying four case studies, each of which represents one of the Big Four accounting firms, increases the generalization of the results not to every accounting firms, but possibly to the larger accounting firms in the market (Bryman & Bell, 2005; Yin, 2007; Denscombe, 2009).

4.3 Data collection

As mentioned above, the case studies will be complied based on the data and information collected through documents. Documents are commonly referred to as secondary data not written by the author (Bryman & Bell, 2005; Denscombe, 2009). The documents from which the data and information is gathered is based on the annual
financial statements of the period of 2005/2006 and 2011/2012 published by the Big Four accounting firms and also from the websites of the Big Four accounting firms. The information is therefore available either on the websites of the accounting firm or the database Affärsdata with information on organizations including accounting firms. In other words, the advantage of secondary data is that the data and information is compiled and available to use which saves time. Considering that the research design is based on multiple case studies time, choosing to use documents is a valuable advantage to counter the time consumed on the case studies.

Documents are also a preferable option chosen due to its availability because the subject of the thesis to study the organizing and the balance between profession and profit is a sensitive subject to accounting firms. The sensitivity of the subject of the thesis was notable, that is to say the primary approach of the thesis was to include data and information from both documents and interviews. However, because the subject of the thesis is of high sensitivity it was proven to be quite difficult to get access to interviews why interviews were excluded. Another additional method of data collection is observation but due to the time already consumed on case studies and the difficulty of accessing the accounting firms only for interviews, the probability of accessing the organizations for observation was deemed as low and unlikely (Bryman & Bell, 2005; Denscombe, 2009). In other words, the data collection in the thesis is therefore mainly based on documents not only by choice but also by circumstances. The availability of the documents increases the possibility to replicate the results of the thesis for future research (Bryman & Bell, 2005; Denscombe, 2009).

The disadvantages with documents are that the data and information is secondary data why the quality of the data and information is uncertain. The quality of the documents is therefore estimated based on the following criterions: authenticity (is the document authentic and original), credibility (is the content with no defect), representativeness (is the document typical) and meaningfulness (is the signification apparent and comprehendible). For that reason, the documents used are based on public documents available and controlled by for example the accounting firms or organizations and also gathered from reliable sources such as the database Affärsdata and the websites of the Big Four accounting firms (Bryman & Bell, 2005; Denscombe, 2009).
An additional disadvantage by using secondary data with documents based on the financial statements and websites of the Big Four accounting firms is subjectivity. In other words, using sources primarily based on the Big Four accounting firms may lead to increasing probability of subjectivity because the data and information is based on a sensitive subject of the Big Four. This implies that there is a possibility of the data and information to be inaccurate by displaying how they should act rather than how they act in reality. Considering that the Big Four are accounting firms that create and sustain trust in the society by verifying information, Öhman (2004) stated that it is therefore important that they also possess the society’s trust. With the increasing scandals and critiques during the 21st century such as Enron-scandal (Jansson et al, 2010), the need of accounting firms including the Big Four to be trustworthy is increased which indicates that there is a higher probability of the data and information in documents to be accurate. However, this do not necessarily eliminates the subjectivity which is managed as according to what is described above in 4.1 Research method.

4.4 Data process

The data process aim to clarify how the research entities are chosen and how the multiple studies and documents have been studied and structured to fulfill the purpose of this thesis. In difference to a quantitative research process where the variables are measured, a qualitative research process seeks to define the concepts relevant to the data and information collection. In other words, the concepts are a form of framework that is used to clarify what data and information is relevant collect in order to fulfill the purpose of the thesis (Bryman & Bell, 2005; Denscombe, 2009).

4.4.1. Selection of research entities

The research entities of the thesis consist of the Big Four accounting firms that fulfill three main criterions essential to the purpose of the thesis. The first criterion is that the research entity is an organization as a result of the cooperation between individuals to achieve goals by engaging in collective actions. According to a business economic perspective the goals of organization is to generate profit (Abrahamsson & Andersen, 2005). The interest of profit is essential to be able to study the organizing and the
balance between profession and profit which is why organizations such as nonprofit organizations are excluded from the thesis by this criterion.

The second criterion is that the research entity is an accounting firm i.e. an organization offering accountancy and professional services to clients based on the institutionalized knowledge of the employees (Lee, 1995). This criterion is important because the thesis is based on studying the organizing and the management of the balance between profession and profit the latter of which exist only in PSF such as accounting firms driven by an institutionalized occupation and knowledge known as profession and profit as an organization.

The third and last is the most vital criterion which states that the research entity is an organization that not only fulfills the two criterions mentioned above, but is also an organization characterized as the Big Four accounting firms i.e. the four largest accounting firms in the market. The Big Four accounting firms are known as Deloitte, Ernst & Young, KPMG and PWC (Lexander & Öggesjö, 2011) that fulfills not only the first, the second and the third criterion but also excludes other organizations and accounting firms from the thesis.

4.4.2 Case studies and documentation

As mentioned above, the multiple case studies are based on the Big Four accounting firms whereas each case study represents one of the Big Four accounting firms (Deloitte, E&Y, KPMG and PWC) which is why the thesis includes a total of four case studies. The case studies follow a similar structure as presented in the theoretical framework which implies that the case studies are structured according to the factors of organizing i.e. goal, environment, strategy, structure divided into organizational form, partnership, knowledge, reward systems, informal and formal management processes and responsibility distribution. The data and information in the case studies are based on documents commonly referred to as secondary data, which includes for example annual financial statements and transparency reports of the period of 2005/2006 and 2011/2012 and several of the Big Four accounting firms’ websites.
The data process is performed according to the following structure described below. Firstly, data and information is gathered mainly through financial statements and transparency reports of the period of 2005/2006 and 2011/2012. Additionally, data and information may also be collected from the global financial statements of 2005/2006 and 2011/2012. But since the focus is to study the national office of the Big Four accounting firms, data and information is gathered primarily about the national office. The financial statements and transparency reports of 2005/2006 and 2011/2012 are based on electronic documents mainly from either the Swedish websites of the Big Four accounting firms or the database Affärsdata. By studying financial statements and transparency reports before using websites, a solid ground to the case studies and understanding of the organizing of the Big Four accounting firms is created through detailed data and information. To ensure that the data collected is accurate with that of the electronic documents, the information gathered is constantly controlled and compared to that of the electronic documents.

Secondly, data and information is collected from the websites of the Big Four accounting firms. This involves both national and international websites, although the main focus is on the national websites due to the reason as mentioned above. Gathering data and information from the websites of the Big Four accounting firms fulfill two important aspects i.e. to complement the data gathered from electronic documents and ensure that the data gathered so far is accurate. As a complement, using websites provide with the opportunity to complete the information that may lack from solely electronic documents while at the same time controlling and comparing information to ensure the accuracy of the data and the relevance of the information. The data is further controlled by examining the entire national and international websites of the Big Four accounting firms. Due to these reason, websites are seen as a complement and a form of control to the electronic documents rather than the opposite why data from websites are collected after data has been collected through electronic documents. The table below provides a shortly summarized presentation over the time-schedule of the data collection of the Big Four accounting firms.
Thirdly, the data and information gathered through electronic documents and several websites are then summarized in accordance to the factors of organizing as mentioned above about the structure of the case studies. After the data is summarized, the information is compiled into the case studies of the Big Four accounting firms. Each of the case studies are performed individually and completed before data and information is collected on another of the Big Four accounting firms which explains the gap in the table 2. Due to the amount of information examined it is important to ensure that the information compiled is relevant and accurate. For that reason, the data and information is controlled and compared not only when summarizing the data of each of the organizing factors but also after the data is compiled into the case studies.

Fourthly, after the data and information has been gathered and compiled to the total of four case studies, the data and information is controlled and compared to ensure that the information is accurate and relevant. The controls can therefore be divided into three phases: when the data is collected through electronic documents and websites, when the data is summarized and compiled to the case studies and when the four case studies are completed. It is possible that information and data is gathered after the time-schedule shown in table 2 in cases when the data collected has been proven to be insufficient when controlled and compared.

### 4.4.3 Concepts

The data and information gathered through electronic documents and websites are summarized and compiled into multiple case studies based on the following concepts: goal, environment, strategy, structure divided into organizational form, partnership, knowledge, reward systems, informal and formal management systems and
responsibility distribution as stated above. To clarify what information is sought, each concept will be defined below. In this case, it is also important to note that because the thesis is of a deductive scientific approach, each of the organizing factors is connected to the theoretical framework to clarify what data and information is sought in the documents used in the thesis. To further clarify what data and information is sought in the concept, each concept will be concluded with a question to specify the main focus of what it considered in the concept.

Goal
Goal refers to the desired future state which the accounting firms strive to achieve according to Abrahamsson & Andersen (2005). In rationalistic theory, organizations are a result of individuals seeking to fulfill goals through cooperation why goals are defined as the purpose to both why and what the accounting firms aspire to fulfill as organizations (Abrahamsson & Andersen, 2005). In this thesis, goals is defined as what the Big Four accounting firms aspire to achieve with their organizations including both short term and long term aspirations. Empson (2001) stated that accounting firms verify the financial information given by organizations to the society which may be connected to quality meanwhile Abrahamsson & Andersen (2005) stated that it is important for organizations to achieve viability according to a business economic perspective. The data and information gathered in documents is mainly collected based on what the Big Four accounting firms refers to as their goals in the financial statements in 2005/2006 and 2011/2012. Furthermore, data and information in documents and websites is also gathered based the following question in an attempt to clarify the concept of goal: what do the Big Four accounting firms aspire to achieve both short term and long term, economical and non-economical during 2005/2006 and 2011/2012?

Environment
Environment refers to the factors outside the accounting firms according to Abrahamsson & Andersen (2005) which includes laws, regulations and the expectations of the clients and the society. The environment is restricted to focusing only on the international and national laws and regulations that affect the organizing on the Big Four accounting firms. However, the expectations of the clients and society are not entirely excluded as laws and regulations can be seen as a written manifestation of what the clients and the society expect of accounting firms. For example, according to
Öhman (2004) laws and regulations are developed after scandals to regulate the occupation to ensure the society of the reliability of the occupation, also Watts & Zimmerman (1983) states that laws were developed to institutionalize the occupation. The data and information is gathered based on mostly financial statements and transparency reports of 2005/2006 and 2011/2012 but also websites regarding what laws, international and national, that affect the Big Four accounting firms and also whether and, if so, the Big Four are able to influence the development of laws, regulations and the society. In other words, the focus in data and information collection concerning the concept of environment is to answer the following question: what international and national laws and regulations affect the Big Four accounting firms? Are the Big Four able to also affect the society and if so, how?

**Strategy**
Strategy is defined as the plan that the accounting firms establishes to achieve the goals of the organization, according to Abrahamsson & Andersen (2005) and Ax et al (2009). In other words, the strategy focuses on how the Big Four accounting firms plan to proceed to achieve the goals of the organization. For example, according to Baker (1977) accounting firms may implement a strategy focusing on extending services to improve the relationships with clients to achieve viability. Weigelt & Camerer (1988) states that accounting firms may also focus on improving their status and reputation for the purpose of viability and profession. In this case, the data and information gathered in the financial statements and transparency reports of 2005/2006 and 2011/2012 and also websites is centered on how the Big Four accounting firms plan to achieve their goals which refers to what attempts the Big Four undertakes during the years to achieve the goals of their organization such as development of their range of services. In other words, the focus in data and information collection regarding the concept of strategy is to answer the following question: what attempts and plans have the Big Four accounting firms established to achieve their goals?

**Structure**
Structure refers to the coordination of activities in the Big Four accounting firms in order to achieve the goals (Abrahamsson & Andersen, 2005) which is divided into organizational form, partnership, knowledge, reward systems, informal and formal management processes and responsibility distribution further described below.
Organizational form

According to Abrahamsson & Andersen (2005), organizational form is the horizontal and vertical structure of positions in accounting firms to manage the activities efficiently in order to achieve the goals of the organization. The thesis includes the organizational structure of the Big Four accounting firms regarding the national and global levels of the accounting firms, with the national office of the Big Four as The Big Four in Sweden. In this case, the global level has been included because it may be important to understand the organizational form of the global and overall structure in order to comprehend the national office because the global level may affect the national structure as a superior body. The organizational form involves a description of the structure of Big Four accounting firms globally and nationally also including the superior bodies of the Big Four accounting firms globally and also nationally. The data and information gathered from financial statements and transparency reports of 2005/2006 and also websites involves what the superior bodies, entities and positions there are in the Big Four accounting firms globally and nationally. In other words, the concept of organizational form focuses on the following question: how are the Big Four accounting firms structured on global level and on national level i.e. what are the entities, positions and superior bodies in the global and national Big Four accounting firms nationally and globally?

Partnership

Partnership refers to the ownership of accounting firms according to Van Lent (1999) and Von Nordenflycht (2010). Because the main focus is the national office of the Big Four accounting firms in Sweden, the partnership is therefore limited regarding only the national level of the Big Four in 2005/2006 and 2011/2012. In other words, the concept of partnership in the thesis is focused on the ownership of the Big Four accounting firms which is why the data and information collected mainly from financial statements and transparency reports of 2005/2006 and 2011/2012 is about the ownership. Furthermore, the concept of partnership also includes the number of partners, partners in relations to profit, revenue, dividends and the total number of employees within each of the Big Four accounting firms. The concept of partnership therefore aims to answer the following questions: who are the owners of the Big Four accounting firms? How many owners own the Big Four? Are the owners employees or outside owners and what is their employment? How much dividend are distributed during 2005/2006 and
2011/2012? What is the share of dividend, profit and revenue per partner? How many partners are there in relation to the total number of employees?

**Knowledge**

Knowledge is defined as stock of expertise or the basic information needed to perform a task and deliver a service which can be separated into explicit or tacit, individual and group and common or specialized knowledge according to Vera-Muñoz et al (2006) and Morris & Empson (1998). As accounting firms are knowledge intensive organizations with a production of services dependent on the knowledge, it is important to consider how the accounting firms manage knowledge as means to survive and become successful in the market. Knowledge is a resource vital to achieve the goals of the organizations. In this case, knowledge can be managed in several different ways regarding such as training, courses, educations and information technologies as mentioned by Vera-Muñoz et al (2006) and Morris & Empson (1998). The data and information gathered in financial statements and transparency reports of 2005/2006 and 2011/2012 and websites therefore involves how the Big Four accounting firms manage the knowledge in the organization i.e. what measurements they undertake to maintain and develop the knowledge of the employees as knowledge-based organizations in the market. The concept of knowledge in the thesis focuses on the following question: what measurements are used in the Big Four accounting firms to manage and develop the knowledge of the employees within the organization?

**Reward systems**

Ax et al (2009) defines reward systems as systems that are established within accounting firms mainly for the purpose of increasing the performance of the employees. Von Nordenflycht (2010) and Van Lent (1999) states that the reward systems are based on the knowledge of the employees implying that the higher position that the employee possess indicate that employees are of higher competence in comparison to employees with lower positions within the organization. This is visible with both up-or-out promotion and apprentice system and may be seen as obvious considering that accounting firms are knowledge intensive organizations. The concept of reward systems also partly highlights the rewards given to the employees in terms of the type of reward i.e. financial (for example higher salary) and non-financial (such as higher authority and responsibility) rewards. However, as the focus of the concept of
reward systems is not based on reward but reward systems, the aspect of reward is therefore only partly highlighted. The data and information gathered from financial statements and transparency reports of 2005/2006 and 2011/2012 and also websites therefore focuses on reward systems. In this case, the focus of the concept of reward system is based on the following question: what is the reward system in the Big Four accounting firms (up-or-out promotion or apprentice system)? What is the reward system based on, for example are there other relevant factors in addition to knowledge which the reward system is based on in the Big Four? What are the rewards in the Big Four accounting firms? In this case it is furthermore important to note that although the first question was considered, i.e. what kind of reward system the Big Four use, the data and information was not available why it was excluded from the thesis.

*Informal and formal management processes*

Von Nordenflycht (2012) defines informal management processes as systems and rules with little strategic planning and few formal rules which indicates that the employees have freedom to perform their activities in comparison to formal management processes used to standardize the performance of activities and employees. In this case, Von Nordenflycht (2010) characterize accounting firms as organizations that uses mainly informal management processes meanwhile Greenwood & Empson (2003) demonstrated that especially larger organizations have increased the standardization of the activities in order to control and coordinate them efficiently. However, except for these descriptions there is no further detailed explanation to the definition concerning especially informal management processes. The data and information in this concept of informal and formal management processes are therefore based on these respective characteristics and on interpretations due to this limitation and lack. The data and information regarding the concept of informal and formal management processes are gathered mainly from financial statements and transparency reports of 2005/2006 and 2011/2012 but also websites. Because informal management processes refers to systems with little strategic planning and few formal rules giving the employees freedom to perform activities according to Von Nordenflycht (2010), it has been connected to the values of the Big Four accounting firms globally and nationally. In this case, values are viewed as the systems and rules to which the employees are to comply with, except for the compliance the employees are free to act with the condition that the activities are accomplished. Furthermore, global values have been included as they may affect the
national values in the national office of the Big Four accounting firms. In turn, formal management processes refers to standardized systems why it includes what standardized systems the Big Four accounting firms used to control and coordinate the activities within the organization. For example, what systems are used in the Big Four to control quality and independence? The data and information gathered regarding the formal management processes are mainly based mainly on financial statements and transparency reports of 2005/2006 and 20011/2012 and also websites. The focus on the concept of informal and formal management therefore aims to answer the following question: what are the values globally and nationally in the Big Four? What systems are used in the Big Four to control activities and the employees?

Responsibility distribution
According to Ax et al (2009), responsibility distribution refers to how the responsibility of the activities is divided within the accounting firms based on the positions that the employees possess. In other words, responsibility distribution includes who are mainly responsible for the accounting firms and the responsibility of employees depending on their positions in the organization. In this case, Sorenson & Sorenson (1974) demonstrated that for example the supervisor accountants are responsible for monitoring the employees performing the services at the operative level of the accounting firms meanwhile partners are directly responsible for the entire accounting firms. Van Lent (1999) noted that accounting firms altered to a similar form of that of corporation indicating similarities between PSF and non-PSF. The concept of responsibility distribution is restricted to the national office of the Big Four accounting firms excluding the overall global body because the main focus is the national office and not the overall global level. However, because the global level may influence the national level, the global level is therefore instead included in the concept of organizational form as an influential factor of on the organizational structure. The data and information gathered concerning the concept of responsibility distribution includes the superior bodies and the positions in the national office of the Big Four accounting firms and their responsibilities to the organization. The focus in the concept of responsibility distribution is mainly based on the following question: what are the superior bodies and the positions within the Big Four and what are their responsibilities?
4.5 Scientific credibility

To ensure the quality of the data and information, it is important to consider the scientific credibility which in turn varies depending on the chosen research method. A qualitative research method may use external reliability and external validity (Bryman & Bell, 2005).

External reliability is defined as the possibility of the data, information and results to be replicable if the research process is repeated. Although the data and information is gathered and compiled into multiple case studies, the data and information is gathered from the publicly available documents on the database Affärsdata and the websites of the Big Four accounting firms. Using publicly documents available to the society increases the probability of a replicable research process without restrictions by either interviews with specific individuals or a specific social environment through direct observations (Bryman & Bell, 2005).

External validity refers to the probability of generalizing the data, information and results of the thesis. As mentioned above, the research design involves data and information collected from the Big Four accounting firms compiled into four case studies, each case representing one of the Big Four, which provides a more solid ground not only for the results but also increases the probability of the generalization of the results. The generalization of the results however has a limit i.e. the results is not generable to every accounting firm but possibly only to the larger accounting firm (Bryman & Bell, 2005).

4.6 Research ethics

Research ethics includes the confidentiality and the anonymity of the research entities during the data collection and the maintenance of objectivity. In other words, the respondents’ rights and privacy is to be respected and unharmed by participating in the thesis and ensuring that the thesis is performed with honesty and respect to the dignity of the respondents (Bryman & Bell, 2005; Denscombe, 2009).
Because the data collection is based on publicly available documents, the issue of confidentiality and anonymity is eliminated because the data and information used is publicly available to the society. Furthermore, with data collection based on publicly available documents indicates that direct interactions with the research entities are removed which further implies that the issue of confidentiality and anonymity is eliminated (Bryman & Bell, 2005; Denscombe, 2009).

The maintenance of objectivity involves avoiding subjective record by recording data and information accurately and fully (Bryman & Bell, 2005; Denscombe, 2009). As mentioned above, to ensure that subjectivity is reduced the thesis is performed based on confirmability i.e. the data and information are not collected with conscious subjectivity but instead on relevant facts in the documents (Bryman & Bell, 2005). Moreover, data and information is constantly controlled and compared to the source of the data and information to ensure that the data and information is presented both fully and accurately.
5. Empirical data

Chapter 5 presents the empirical findings on the research entities, i.e. the Big Four accounting firms. Each of the Big Four accounting firms are presented in a separate case study based on the factors of organizing.

The Big Four accounting firms refers to the four largest professional service organizations in the world, consisting of the following professional global networks:

- Deloitte Touche Tohmatsu Limited (DTTL)
- Ernst & Young Global Limited (EYG)
- Klynveld Peat Marwick Goerdeler International Cooperative (KPMG International)
- PricewaterhouseCoopers International Limited (PWCIL).

The Big Four accounting firms were once known as The Big Eight, The Big Six and then the Big Five due to a series of mergers and with the demise of Arthur Andersen which resulted in the current four largest accounting firms known as the Big Four (Accountingverse, 2013; Affärsdata, 2002).

5.1 Deloitte

Deloitte Sweden is a member of the global network DTTL but act independently to the network why they are responsible only of their own entity but with consideration to the overall rules and principles as a member of a larger network. Deloitte Sweden offer services in accounting and audit, tax, risk management, consulting, financial reporting, mergers and acquisitions, business health and education to public sector to national and international clients in private and public sector (Deloitte, 2013a; Deloitte, 2013b; Deloitte, 2013c).
5.1.1 Goal

Deloitte Sweden aim to support their clients and the society by performing services with high quality and consultation about economical issues such as new laws and regulations, markets situations and organizational issues about organizations for example management of internal controls and IT-infrastructure. In other words, Deloitte Sweden aims to provide the right knowledge, services and support to the clients in order to fulfill their needs and expectations. By fulfilling the needs and expectations of their clients, Deloitte Sweden contributes to increasing competition in the market which benefits the prosperity of the society with transparency and clarity. The main goal, however, is to secure the financial information given by organization to the society and the stakeholders. Deloitte Sweden therefore aims to become the accounting firm to which clients, stakeholders and employees seek for support in economical issues by setting the standard of audit quality. In short, the competitive market is connected to the welfare of the society and by contributing to the success of the clients Deloitte Sweden also contributes to the prosperity of the society which in turn benefits the success of Deloitte Sweden (Deloitte, 2006; Deloitte, 2012c; Deloitte, 2013b; Deloitte, 2013e; Deloitte, 2013f; Deloitte, 2013g).

Below is a table for the revenue, profit and employees in Deloitte Sweden during the period of 2005/2006 and 2011/2012.

Table 3 Oversight of the revenue, profit and employees and employees in Deloitte Sweden during 2005/2006 and 2011/2012

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>Net revenue</td>
<td>1 123 132</td>
<td>1 425 799</td>
</tr>
<tr>
<td>Profit</td>
<td>96 256</td>
<td>183 766</td>
</tr>
<tr>
<td>Number of employees</td>
<td>837</td>
<td>1 097</td>
</tr>
</tbody>
</table>

(Deloitte, 2006; Deloitte, 2012c)

The majority of the revenue is based on accounting and audit services during the period of 2005/2006 and 2011/2012 with 70 percent in 2005/2006 and 61 percent in 2011/2012 with the remaining revenue corresponding to services in tax, consulting and financial advisory (Deloitte, 2006; Deloitte, 2012a).
5.1.2 Environment

The environment affects Deloitte Sweden by laws and regulation both nationally and internationally from several influential entities. For example, Deloitte Sweden is affected by IAASB by regulations of audit quality in the financial information. In this case, IAASB influence Deloitte Sweden through the membership with DTTL implying that IAASB influence DTTL and thereby also every member of the network, including Deloitte Sweden, due to the need of the members complying to the rules set by DTTL. By performing services to international clients such as organization in the American stock market, Deloitte Sweden needs to fulfill the rules set by SOX. Furthermore, Deloitte Sweden is also affected nationally by SBPC in Sweden through regular inspections and evaluations of the quality control systems. Another national influential entity affecting Deloitte Sweden is FAR by creating common regulatory framework and ethical requirements. Also, the change of the preparation of consolidated financial statements in accordance to IFRS in 2005 and the Swedish Code of Corporate Governance issued July the 1st, 2005 increasing the focus on internal controls is additional examples of how the environment influences Deloitte Sweden. Moreover, DTTL has demanded the members including Deloitte Sweden to measure and reduce their environmental impact due to the increasing demand of sustainability (Deloitte, 2012a; IAASB, 2013; Deloitte, 2006; FAR, 2013; Deloitte, 2013h).

Except for being influenced by the environment, Deloitte Sweden also has the opportunity to affect the environment by participating in social events and activities. For instance, Deloitte Sweden donates, sponsors and assists in the development of educations in economic and tax at several university across Sweden such as Stockholm, Göteborg and Lund. For example, the employees of Deloitte Sweden are given the opportunity to lecture and teach the students at the universities. The donations and sponsorships are also given to Moderna Museets samlingar, Göteborgs Opera and organizations working against HIV/AIDS and by so doing, Deloitte Sweden contributes to the culture and welfare of the society. Deloitte Sweden also has influence in FAR, participates in Studieförbundet Näringsliv och Samhälle and in a forum discussing the ethic of the economy and society, known as Etikkollegiets vänkrets. Even through participating in media Deloitte Sweden is able to increase their status and reputation in
the market and cooperate with clients to increase the communication in order to meet the clients’ needs and demand (FAR, 2013; Deloitte, 2012a; Deloitte, 2006).

5.1.3 Strategy

Deloitte Sweden implements a strategy with the purpose of achieving the optimal performance of the accounting firm and creating competitive advantages in order to accomplish their goals. The strategy focuses on fulfilling the demands of their clients by offering several services in areas such as accounting and audit, tax, consulting and financial advisory which are performed based on the knowledge of the employees. The services are available to clients nationally and internationally in private and public sector within several markets. In other words, the strategy of Deloitte Sweden mainly consists of two areas i.e. extending the range of services to clients in order to fulfill their demands and develop the knowledge of the employees to ensure the quality and performance of the increasing services.

By extending the available services to the clients Deloitte Sweden is able to support their clients in competitive and changing markets, for example how new laws and regulations and market situations are managed, to help them create value and trust in society. During the period of 2005/2006, Deloitte Sweden extended the available services with tax management consulting as a result of the change of tax regulations by EG Court. Yet another advantage of extending the range of services, except fulfilling the needs and demands of the clients, is the contribution to Deloitte Sweden creating competitive advantages and thereby strengthening their position in the market. But Deloitte Sweden has also focused on developing their currently available services to secure that the quality meets the expectations of the clients and the society. In this case, Deloitte Sweden has succeeded in performing accounting and audit services to 14 of the 30 largest organizations in the stock market in Stockholm and by so doing, strengthened their position in the market while also focusing on extending services to middle-sized and growth organizations (Deloitte, 2006; Deloitte, 2013j; Deloitte, 2013k).
In order to secure the quality of the services in Deloitte Sweden, knowledge is a vital resource why developing the knowledge of the employees is included in the strategy. Knowledge involves up-to-date knowledge as well as specific knowledge about for example accounting and audit, tax or specific markets. The employees of Deloitte Sweden are offered to participate in educations, programs and courses to develop their knowledge. As a member of DTTL, Deloitte Sweden gives the employees the opportunity to a wider range of knowledge not only based on the national office but also the entire global network. Deloitte Sweden also invests in recruiting employees by offering a workplace where they seek to build their careers. To take advantage of the knowledge of each employee, Deloitte Sweden align the employees to the activities based on their knowledge i.e. tailoring teams with employees possessing necessary prerequisites to perform the activity efficiently (Deloitte, 2012c; Deloitte, 2013k; Deloitte, 2006; Deloitte, 2013h; Deloitte, 2013d).

5.1.4 Structure
This section is divided into the following: organizational form, partnership, knowledge, reward systems, informal and formal management systems and responsibility distribution.

5.1.4.1 Organizational form
As mentioned above, Deloitte Sweden is a member of DTTL in the EMEA-group (Europe, Middle East and Africa), but act independently as a separate entity related to DTTL in similarity to the other entities. DTTL is a global network with a total of 135 000 employees in 140 countries across the world during the period of 2005/2006 which increased to 182 000 employees in 150 countries in 2011/2012. The superior body within the network is the global board of directors responsible for making the most important decisions involving the establishment of the global strategy, transactions and the election of CEO. The directors of the board are CEO, chairman and the board members of the members of the network. The election of the directors is a right granted only to a few members of the network based on specific requirements such as size and total amount of clients. To ensure that the board is represented by both large and small members of the network, the small members elect three directors to the board. There are
also several committees responsible for coordination of financial, economic, environmental, administrative and social issues for example governance committee, committee for succession, committee for board composition, risk committee, audit and finance committee (Deloitte, 2006; Deloitte, 2012a; Deloitte, 2013a; Deloitte, 2012b).

DTTL is, however, only a coordinating global network to ensure that the members of the network perform a similar practice in delivering services to clients even though they are active in different countries across the world. DTTL therefore perform no services directly to clients while, at the same time, the members of DTTL are independent separate accounting firms owned by the partners. As a member of DTTL, Deloitte Sweden has access to the knowledge of the entire network and the brand name. In return Deloitte Sweden need to comply with the overall policies, values and rules but with adjustment to the geographical area where the members are active, such as national laws and regulations (Deloitte, 2006; Deloitte, 2012a; Deloitte, 2012b; Deloitte, 2012c).

Deloitte Sweden is governed by the partner meeting, the board of directors and the executive team whereas the partners meeting is the superior body per agreement although the shareholder’s meeting is the superior body according to Swedish Companies Act. The board and the executive team mainly consist of employees with high positions within the accounting firms such as partners and managers. The board is governed by the chairman or deputy chairman and the executive team is governed by CEO. Furthermore, employees in Deloitte Sweden are able to achieve the following positions: associate, senior, manager, senior manager, director or partner whereas director or partner is the highest position and associate the lowest position (Deloitte, 2012a; Deloitte, 2012b; Deloitte, 2012c; Deloitte, 2013l; Deloitte, 2013m).

5.1.4.2 Partnership
Deloitte Sweden is owned by the partners of the accounting firm who have the right to share the profit or loss of the organization. The partners consist of both accountants and specialists (Deloitte, 2006; Deloitte, 2012c).
Table 4 Oversight of partners, dividends and partners related to other factors in Deloitte Sweden during 2005/2006 and 2011/2012

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total partners</td>
<td>60</td>
<td>86</td>
</tr>
<tr>
<td>Total dividend</td>
<td>52,034</td>
<td>216,445</td>
</tr>
<tr>
<td>Dividend per partner</td>
<td>867.23</td>
<td>2,516.80</td>
</tr>
<tr>
<td>Partner per employee</td>
<td>7%</td>
<td>8%</td>
</tr>
<tr>
<td>Net revenue per partner</td>
<td>18,719</td>
<td>16,579</td>
</tr>
<tr>
<td>Profit per partner</td>
<td>1,604</td>
<td>2,317</td>
</tr>
</tbody>
</table>

(Deloitte, 2006; Deloitte, 2012c)

5.1.4.3 Knowledge

Deloitte Sweden is a knowledge-based organization why the performance of services with high quality is dependent on the knowledge of the employees for both the survival and the success in the market. Investing in developing and recruiting employees to the organization is vital to achieve the goals, secure and strengthen their status, reputation and position in the market (Deloitte, 2006; Deloitte, 2013n).

To develop the knowledge of the employees, Deloitte Sweden offer the employees to participate in educations, programs and courses as well as support systems and processes to encourage discussion between the employees on how to develop their knowledge and evaluate their performance. For example, Deloitte Sweden uses programs for senior managers to simulate and coach employees. Deloitte Learning Platform, i.e. a system with courses, books and videos, are available to the employees through the internet both day and night. Deloitte Academy is yet another education program collecting all educations and courses nationally and internationally to coaching, feedback and evaluations from experience of performing services. In other words, Deloitte Academy combines the formal education with the experience from the performing of services. Recently recruited employees are first educated formally to develop their technical knowledge before gaining permission to perform services. In some cases for example education about independence, the recruited employees need to pass a test after educations, courses and self-study through the internet. Even partners

58
and managers need to pass a test before obtaining their positions. The employees are also encouraged to create development plans with individual goals in accordance to the goals of Deloitte Sweden. The plans are regularly reviewed and evaluated by more experienced colleagues. The individual employee has further access to a coach to support, communicate, evaluate and give feedback to the employee. As a member of DTTL, Deloitte Sweden offers the employees to participate in annual mobility programs to take advantage of the knowledge in the global network which not only develops the knowledge of the employees but also strengthens the cooperation between the members in the network. To strengthen the cooperation and communication within Deloitte Sweden, the teams are adapted to offer the right knowledge to the right client why the teams may include employees with different position and knowledge such as audit, tax and consulting which contributes to the development of the employees knowledge and the cooperation between the employees in Deloitte Sweden (Deloitte, 2006; Deloitte, 2012a; 2013o; Deloitte, 2013p).

5.1.4.4 Reward system

To encourage the employees to increase their performance, Deloitte Sweden use reward system based on the knowledge and experience of the employees. As mentioned above, the knowledge is managed through the use of for example Deloitte Academy, mobility programs, coaching and plans of development (Deloitte, 2006).

The reward system consists of five positions which are associate, senior, manager, senior manager and director or partner. Associate is the lowest positions mainly consisting of recently recruited who start with education to develop their technical knowledge before they are given the opportunity to perform services and cooperate with clients. This is necessary to preserve the status and the reputation of Deloitte Sweden by ensuring that the employees possess the necessary prerequisites to fulfill the demands of the clients efficiently. The highest position granted to the employees is partner with the right to, for example profit sharing (Deloitte, 2006; Deloitte, 2013m). The higher position the employees obtains equals the need of more performance and responsibility which in turn is compensated through higher salary and rights (Deloitte, 2006; Deloitte, 2012a).
5.1.4.5 Informal and formal management processes

By the use of values, Deloitte Sweden is able to affect the actions of the employees within the accounting firm to act both professionally and in accordance to the goals of the organization. Deloitte Sweden implements values of ethics, integrity and quality in compliance to DTTL as a member of the network in order to ensure that each member act similarly to ensure the brand name of DTTL in the market. The ethical principles are honesty and integrity, professional behavior, competence, objectivity, confidentiality, fair business practices, responsibility to society, respect and fair treatment, accountability and decision-making. These values are divided into three sections: Tone at the Top (leadership responsibility, accountability and behavior), infrastructure (processes, systems and organizational structure to maintain ethical behavior) and competence (selection and development of employees subscribing the standards of ethical behavior) (Deloitte, 2013q).

Deloitte Sweden has divided the ethical principles into four sections i.e. integrity, outstanding value to markets and clients, commitment to each other and strength from cultural diversity. Integrity refers to employees performing services with high quality by applying high standards and acting professionally to secure the status and reputation of the accounting firm. Outstanding value to markets and clients considers the diversity and knowledge of the employees, cooperation with clients and among employees and provide with innovative solutions to deliver excellent services. Commitment to each other means creating a sustainable communication and trust with clients, listening actively, reward and support the employees’ performances and encourage cooperation as well as the development and sharing of knowledge (Deloitte, 2013d).

Deloitte Sweden also implements policies, systems and processes to ensure that the services performed based on the knowledge of the employees, fulfill the requirement of for example quality. For instance, Deloitte uses policies and processes to manage the ethical issues by regulation of the ethical standards of FAR, the global policy of DTTL and the standards of IFAC. In this case, through the effect of DTTL, Deloitte Sweden has implemented AuditSystem/2, a framework of how employees manage audit, documentation, technology and internal controls to reduce the risk of inaccurate audits, due to ISA issued by IAASB. To manage independence, Deloitte Sweden uses systems such as Deloitte Entity Search and Global Independence Monitoring system to identify
clients and control the independence of the employees in relation to the independence policy of Deloitte Sweden. Deloitte Risk Management System is a system to identify for example risks with new or current clients. Deloitte Sweden manages quality by assigning a manager or a partner to evaluate the quality of the services. The partner or the manager are not involved in the performance of the services to secure independence but possesses the necessary knowledge of laws, standards, market and regulations to evaluate the quality examination efficiently and accurately. If the service is of importance, such as in the interest of the society, the examination is performed by a partner. The quality examination is documented to ensure the process and the quality of the examination (Deloitte, 2012a).

5.1.4.6 Responsibility distribution

Deloitte Sweden is governed by several partners, the board of directors and the executive team as mentioned above. The partners execute their right to control the accounting firm by participating in the Partners Meetings and Shareholders Meeting held annually and whenever necessary. Moreover, two partner information meetings are held twice a year with information to partners on activities and issues. The board of directors is responsible for the governance issues and ensuring that overall principles and rules are fulfilled in the accounting firm. The directors participate in six to nine meetings a year. The re-election of the directors takes place every three years. Two of the total number of the directors is represented by the employees. The executive team has the authority and accountability for the execution of the strategy and the management of the operations in Deloitte Sweden as well as providing operational leadership. The executive team holds nine meetings a year and whenever necessary (Deloitte, 2013a).

Deloitte Sweden furthermore consists of several employees with different positions and responsibilities to the accounting firm. As stated above, the positions are partner or director, senior manager, manager, senior and associate. As partners or directors, the employees are responsible for the relationship with influential clients. Moreover, employees with the position of partners or director are expected to act professional in the form of a model to inspire and coach the employees to act professionally and efficiently to contribute to the growth of the entire accounting firm. Senior managers are
responsible for supporting the clients to create value and trust in the society and create a client base within Deloitte Sweden. Employees with the position of managers are also responsible for the clients but in a lesser extent to that of senior managers, and the supervision, support, evaluation and control of the activities and employees with lower positions. As seniors, employees are permitted to cooperate with clients and as associates, i.e. recently recruited employees, the employees are first educated to develop technical knowledge before they are permitted to cooperate with clients (2013m).

5.2 Ernst & Young

E&Y Sweden offers services in accounting and audit known as assurance, tax, consulting, advisory, transactions advisory to clients in both private and public sector nationally and internationally. E&Y Sweden is a member of a the global network known as EYG but act independently as an entity separated to the larger network, however, with the obligation to comply to the overall principles and rules set by EYG (E&Y, 2012a; E&Y, 2012b).

5.2.1 Goal

E&Y Sweden have divided their goals into four areas which includes employees, quality, growth and governance. In short, E&Y Sweden aim to recruit, develop and retain employees within the accounting firm (employee), achieve the highest client satisfaction and integrity in the market (quality). Moreover, E&Y Sweden aspire to strengthen and sustain their brand name (growth) and achieve the highest production and viability in the audit market (governance). By accomplishing their goals, E&Y Sweden creates value and trust for the clients and the society and contributes to an efficient market by conveying important information to stakeholders. E&Y Sweden focuses on delivering quality through performing services, support clients by up-to-date information and adapting the services to the changes in the market, the society and the demands of the clients through communication. For example, E&Y Sweden help clients to increase the efficiency and control of their organizations by providing suggestions to improvements involving such as management of liquidity and returns both in short and long term. Offering services with high quality also give E&Y Sweden the opportunity to
create and sustain relationships with clients and strengthening their brand name and position in the market for survival and success (E&Y, 2012a; E&Y, 2012b; E&Y, 2013a; E&Y, 2013b; E&Y, 2013c).

The quality of the service offered by E&Y Sweden is secured through the employees’ knowledge both nationally and internationally from various specialists with different expertise in terms of technical knowledge, specific knowledge about industries, markets, clients and for example audit, accounting or tax. As such, E&Y Sweden is able to offer clients the right knowledge at the right time and place. With the use of similar methodology and practice as the other members of the global network, E&Y Sweden is also able to maintain the quality of their services in accordance to the EYG, the clients and the society. Because the production of services is based on the knowledge of the employees, E&Y Sweden has invested in recruiting, developing and maintaining the employees within the accounting firms (E&Y, 2012a; E&Y, 2013c; E&Y, 2013d; E&Y, 2013e).

A table of the revenue, profit and employees in E&Y Sweden during the period of 2005/2006 and 2011/2012 is shown below.

**Table 5** Oversight of the revenue, profit and employees in E&Y Sweden during 2005/2006 and 2011/2012

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net revenue</td>
<td>2 259 580</td>
<td>3 088 620</td>
</tr>
<tr>
<td>Profit</td>
<td>248 639</td>
<td>320 707</td>
</tr>
<tr>
<td>Number of employees</td>
<td>1 688</td>
<td>2 098</td>
</tr>
</tbody>
</table>

(E&Y, 2006; E&Y, 2012a)

The revenue is mainly based on accounting and audit with 81 percent during the period of 2005/2006, which had reduced to 66 percent in 2011/2012 although accounting and audit remained as the majority of the income (E&Y, 2006; E&Y, 2012a).
5.2.2 Environment

E&Y Sweden are influenced by the environment both nationally and internationally. For example, E&Y Sweden are affected by policies and processes in accordance to ISQC issued by IAASB to ensure the quality, though the policies and processes are aligned with the geographical area such as national laws and regulations. E&Y Sweden is furthermore affected by IESBA, an entity of IFAC and FAR, to ensure that the policies and processes in E&Y Sweden fulfill requirement on quality but also independence. In this case, IESBA affects E&Y Sweden through the global network, EYG, resulting in the network establishing a policy to manage independence within the entire network and even E&Y Sweden. E&Y Sweden is also affected by SOX. Also, E&Y Sweden is influenced by the European Commission that presented a proposal to regulate the audit market. ICC is yet another influential entity with the purpose of regulating the communication of for example marketing to the market why the external communication is controlled through internal processes and rules within the accounting firm. Nationally, E&Y Sweden is affected by both FAR and SBPC through regular inspections on the accounting firm and the employees and also the common regulatory framework to ensure independence and quality (E&Y, 2012a; E&Y, 2012b; E&Y, 2006).

E&Y Sweden influence the society through the participation in social events and activities, for instance E&Y Sweden are members of the Private Sector Leaders Forum in the Worldbank, World Economic Forum and Transparency International Sweden. Furthermore, E&Y Sweden support UN’s initiative for sustainability, i.e. Global Compact as of 2009. In Sweden, E&Y Sweden cooperates with several entities such as the Council of Corporate Governance, the Advisory of financial reporting, FAR through representation in the board of director, SBPC through sustained communication, Näringslivets Miljöchefer and Sveriges Finansanalytikers förenings CR-grupp. The aim of the cooperation between E&Y Sweden and the entities is to create and sustain a relationship of trust and contribute with knowledge and experience to strengthen the audit market. For example, through the cooperation with FAR, E&Y Sweden gains the opportunity to influence EU-directive internationally. Lastly, E&Y Sweden supports organizations by sponsoring Stockholms konserthus and Skistar Swedish Open, Ung Företagsamhet and donating to Barnens rätt i samhället (BRIS), Cancerfonden, World
5.2.3 Strategy

In order to achieve the goals, E&Y Sweden has implemented a strategy divided into the four sections which are employees, quality, growth and governance in similarity to how the goals are divided. The main strategy of the four sections is the focus on the employees because E&Y Sweden is a knowledge intensive organization which implies that the accounting firm is dependent on the knowledge of the employees to fulfill the remaining three goals. E&Y Sweden has therefore invested into giving the employees the opportunity to develop their knowledge through educations, courses, coaching, experience and creating a workplace encouraging development. For example, E&Y Sweden has invested in Career Watcher, a program for female employees to access additional coaching, and Volunteering at work in which employees are able to volunteer during their during working hours. E&Y Sweden also focus on strengthening the cooperation within the EYG to increase flexibility and the quality of the services offered to clients nationally and internationally to further develop the knowledge of the employees and fulfilling the needs of their clients (E&Y, 2012a; E&Y, 2012b; E&Y, 2013g; E&Y, 2013h; E&Y, 2013i).

Except focusing on the employees, E&Y Sweden also invest in extending the range of the available services to clients to strengthen not only the relationship with clients but also the brand name of the accounting firm enabling E&Y Sweden to sustain their position in the market. Extending the range of services is aligned with the need of the clients to support them to become successful. For example, E&Y Sweden has invested into extending the range of their services in Advisory Services in 2005/2006. Advisory was furthermore combined with services in accounting and audit while E&Y Sweden invested in IT-support at the same time in order to increase efficiency in 2011/2012. To fulfill the needs and demands of the clients, E&Y Sweden also focuses on maintaining up-to-date knowledge and information in accounting firms, for example about the changes in the financial sector (E&Y, 2012a; E&Y, 2012b; E&Y, 2013g; E&Y, 2013h; E&Y, 2013i; E&Y, 2006).
5.2.4 Structure

This section is divided into the following: organizational form, partnership, knowledge, reward systems, informal and formal management systems and responsibility distribution.

5.2.4.1 Organizational form

EYG is the global network to all the members under the brand name of E&Y and is divided into four geographic areas which are USA, Asia and the Pacific, Japan and EMEIA i.e. Europe, Middle East, India and Africa. E&Y Sweden is a member of EYG in the EMEIA-group. E&Y Sweden are obliged to comply with the overall principles and rules set by EYG as a member of the network. In other words, EYG function only as a coordinating network to the members why EYG do not offer services directly to the clients. During the period of 2005/2006, EYG had a total of 114 000 employees in 140 countries which had increased to 167 000 employees in 147 countries across the world in 2011/2012 (E&Y, 2006; E&Y, 2012b; E&Y, 2013j).

The superior bodies in EYG are the global executive team, the global advisory council, the global executive committees and the global practice group. The global executive team consists of chairman, CEO, COO, the managing partners for the four geographic areas and the global service line vice chairs (assurance, advisory, tax and transaction advisory services). Furthermore, the global executive includes a representative from emerging markets practice and the global functional leaders of people, operations and finance, quality and risk management and markets. Among the members of the executive team, the dominant is the chairman and the CEO, who are elected through the approval of the global executive team and the global advisory council. The global executive team is responsible for development, approval and implementation of for example global strategies and plans, common standards, methodologies and policies and the promotion of global objective. The global advisory council consists of professional partners from the members in the network and is the main body of advisory concerning policies and strategies. In some cases, the approval of the global advisory council is necessary to perform or implement a policy or strategy. The global executive committees are divided based on the functions such as quality and risk management.
committee, and are chaired with members of the global executive team with the responsibility to make recommendation to the global executive team. The global practice group is another body consisting of the global executive team, the global executive committees and the managing leaders of the geographic areas with the purpose of ensuring an understanding between the members for the decisions made in the global executive team (E&Y, 2012b; E&Y, 2012c).

E&Y Sweden is a member in the EMEIA-group of the EYG. The EMEIA-group is in turn divided into several sub-areas whereas E&Y Sweden is a member of the Nordic sub-area along with Denmark, Norway, Finland and Iceland. The superior body in E&Y Sweden consists of several partners active within the accounting firm or partners from E&Y Europe of the EMEIA-group and the board of directors with directors and the chairman. Another superior body within E&Y Sweden is the executive team consisting of the CEO, the COO, the manager of human resources, the employee responsible for accounts and the functional leaders of assurance, advisory, transactions advisory and tax. The accounting firm is furthermore divided into seven sections which are the following: marketing and communications, business development, quality and risk management, finance and operations, IT, human resources and knowledge. Within E&Y Sweden, the employees are able to achieve positions such as junior, manager and lastly partner as the highest position in the accounting firm (E&Y, 2012b; E&Y, 2012c).

5.2.4.2 Partnership
The partners are the owners of E&Y Sweden with the right to share the profit or loss of the accounting firm. The partners are active employees, consisting of both accountants and specialists, with specific knowledge and experience of the occupation and the market (E&Y, 2006; E&Y, 2012a; E&Y, 2013j)
### Table 6: Oversight of partners, dividends and partners related to other factors in E&Y Sweden during 2005/2006 and 2011/2012

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total partners</td>
<td>174</td>
<td>169*</td>
</tr>
<tr>
<td>Total dividend</td>
<td>288 447</td>
<td>371 835</td>
</tr>
<tr>
<td>Dividend per partner</td>
<td>1 657, 74</td>
<td>2 200</td>
</tr>
<tr>
<td>Partner per employee</td>
<td>10 %</td>
<td>8 %</td>
</tr>
<tr>
<td>Net revenue per partner</td>
<td>12 986</td>
<td>18 276</td>
</tr>
<tr>
<td>Profit per partner</td>
<td>1 429</td>
<td>1 898</td>
</tr>
</tbody>
</table>

(E&Y, 2006; E&Y, 2012a)

* The 168 partners of E&Y Sweden together possess 91 percent of the total shares and 49 percent of the total votes. The remaining share of 9 percent with 51 percent of the votes is owned by E&Y Europe, which concludes a total of 169 partners including E&Y Europe (based on E&Y Europe as a sole owner).

#### 5.2.4.3 Knowledge

The knowledge of the employees is essential to ensure the quality of the services that E&Y offer to the clients why it is important that E&Y Sweden recruit, retain and develop the employees and their knowledge within the accounting firm. In this case, knowledge is the specific competence of for instance a market, audit or tax, the ability to understand, communicate and cooperate with clients and therefore comprehend and fulfill the clients’ needs and demand efficiently. Knowledge also includes up-to-date information of changes in the society or new laws and regulations (E&Y, 2012a; E&Y, 2012b; E&Y, 2013e).

For example, the employees with different positions and expertise within E&Y Sweden cooperate to fulfill the needs and demands of the clients which also benefit the development of the employees’ knowledge through the share of knowledge and experience. E&Y Sweden is also able to develop the knowledge of the employee as a member of EYG which indicates that employees can take advantage of the knowledge of the organization and the network for example by making contacts with other employees in the network or through mobility programs. Performance Management and Development Process is a system in E&Y Sweden which implies that the employees can establish their own goals in accordance to the goals of the accounting firms based on
what they aspire to achieve. Through discussion, evaluation and feedback based on the employees’ performance in achieving the goal, the knowledge of the employees is developed. E&Y Sweden also invests in establishing educations, programs, courses, coaching and practical experience to the employees. Educations, programs and courses are available through the internet for example recently recruited employees can develop their knowledge through introduction educations on the internet and internal educations, programs and courses in the accounting firm. Practical experience is the knowledge employees obtain through performing services. In other words, the activities are designed with the aim of fulfilling the needs of the clients and developing the employees’ knowledge. Employees also have the opportunity to coaching i.e. access to a counselor or mentor to support, discuss, evaluate and give feedback. For example, recently recruited employees can discuss the development of their career with their mentors. EYU, i.e. Ernst & Young and you, is a global framework with the purpose of developing the knowledge of the employees by combining education, practical experience and coaching aligned to the potential of each individual employee. Through the use of EYU, E&Y Sweden is able to take advantage of the diversity of the employees’ knowledge, sustaining a standard of the competence in the accounting firm while having access to up-to-date information from EYG (E&Y, 2013k; E&Y, 2013l; E&Y, 2013m; E&Y, 2013n; E&Y, 2013o; E&Y, 2013p; E&Y, 2013q).

**5.2.4.4 Reward system**

E&Y Sweden use reward systems to encourage the employees to reach their optimal performance. The employees are rewarded based on their knowledge such as technical knowledge, specific knowledge about for example a market and the ability to comprehend the demand and the needs of the clients which is developed through EYU, coaching educations, practical experience and mobility programs, as mentioned above (E&Y, 2013k; E&Y, 2013l; E&Y, 2013m; E&Y, 2013n; E&Y, 2013o; E&Y, 2013p; E&Y, 2013q).
In other words, based on the knowledge of the employees, the employees are able to reach different positions within E&Y Sweden. Recently recruited employees obtain the position of junior with relatively little responsibility. When employees reach the position of manager and director, the employees become more responsible for their actions and the accounting firm. For example, employees with the positions of manager and director are to behave professionally and become a model to other employees by obeying the principles, rules, policies and values of E&Y Sweden. Furthermore, they are to share their knowledge with other employees to contribute to the knowledge within the entire accounting firm. As partner, i.e. the highest position in E&Y Sweden, the employees are expected to have both experience and knowledge of the accounting firm, the clients and markets in addition to the responsibility of the managers and directors. In return for the higher responsibility and knowledge with the higher position, employees are compensated with rights such as the right to share profit as a partner within E&Y Sweden (E&Y, 2013j; E&Y, 2012a; E&Y, 2012b).

5.2.4.5 Informal and formal management processes

By using values, E&Y Sweden is able to regulate the behavior of the employees and by so doing, ensuring the quality in accordance to the goal of the accounting firm. The global code of conduct aim to secure that the employees act professionally independent of where they are employed within EYG why the global code of conduct is implemented by every member of the network. The global code of conduct is divided into five principles focusing on the cooperation between employees, clients and stakeholders, act with professional integrity, maintain objectivity and independence and also respect intellectual capital. The employees are also encouraged to report suspicious behavior involving corruptions and bribes i.e. unethical actions. EY/Ethics is a system of global communication to increase the efficiency of reporting unethical actions against laws, regulations and the global code of conduct (E&Y, 2013r; E&Y, 2012b).

The values of E&Y Sweden are aligned with the global code of conduct and involve three principles. Employees are expected to be committed, assume leadership when needed and guide other employees, build relationship on a professional basis, and stand for integrity, respect and cooperation. Through the use of the values, E&Y Sweden are able to secure the quality in their services and the trust with both clients and society. By
supporting the FN initiative of sustainability Global Compact since 2009, E&Y Sweden has implemented additional 10 principles to secure quality and independence. For example, E&Y Sweden is to work with the right clients, adopt the right assignments, always document the assignment, observe independence and objectivity, comply with laws and internal controls of quality and respect the confidentiality of clients (E&Y, 2012b; E&Y, 2013s; E&Y, 2012a).

E&Y Sweden uses policies, control systems, routines and processes to ensure the quality and the independence in the activities, for example E&Y Sweden comply to the overall policies and strategies set by EYG concerning quality, risk, independence, competence, IT and human resources. E&Y Audit Quality Review is a program aiming to ensure efficiency of the control systems within the accounting firm and the compliance of the employees to laws and rules in the society and the network each year. Furthermore, E&Y Sweden use E&Y Global Audit Methodology, a global framework for the audit methodology based on ISA through the compliance to the overall principles and rules established by EYG. To support E&Y Global Audit Methodology, E&Y Sweden uses a support system for the purpose of documenting the services performed to clients to improve the quality. The support system also benefits the information sharing between employees within the E&Y Sweden, for instance employees are able to access knowledge bases with professional norms, standards, framework for documentation and interpretation guidance of the execution of audits. To ensure the independence, E&Y Sweden has implemented Global Independence System concerning the management of independence between the employees and different type of clients. Lastly, E&Y Sweden uses several policies such as policy for documentation, acceptance of clients, environment and independence which are aligned with EYG, the international and national laws and regulations (E&Y, 2012a; E&Y, 2012b).

5.2.4.6 Responsibility distribution

The superior bodies of E&Y Sweden consist of several partners, the board of directors and the executive team. The partners are able to influence the accounting firm through the election board which makes recommendation of the election of the board of directors such as the chairman and the directors. The board is responsible of risk management, controlled through the established annually revised finance policy.
Together with the executive team, the board is also responsible to work against corruption. The executive team has the main responsibility of issues concerning sustainability, goals and strategy (E&Y, 2012a).

The positions within E&Y Sweden that employees are able to obtain are juniors, managers and directors as well as partners whereas the lowest position is junior and the highest position is partner. As the employees achieve higher positions within the accounting firm, the accounting firm also demands higher responsibility of the employees. For example, managers and directors are to act professionally to inspire other employees in difference to juniors. As partners, the employees are expected to have both experience and expertise of for example markets, clients, audit or tax in addition to the responsibilities as managers (E&Y, 2013j; E&Y, 2012a; E&Y, 2012b).

5.3 KPMG

KPMG Sweden is a member of the global network KPMG International and offers services in accounting and audit, tax and advisory to clients in private and public sector both nationally and internationally in different markets. KPMG Sweden is an independent and separated entity from KPMG International and is therefore responsible of their individual actions, but with the need of complying with the overall rules set by KPMG International as a member of the network (KPMG, 2012a; KPMG, 2013a).

5.3.1 Goal

KPMG Sweden aims to create value and trust for the clients in the society by offering services in accounting and audit, tax and advisory with high quality which leads to increasing transparency and clarity also benefiting the society except for the clients. To support the clients, KPMG Sweden furthermore aims to provide them with up-to-date information such as changes in the society and new laws and regulations to help them take advantage of opportunities and develop their organizations efficiently to achieve success. By helping the clients, KPMG Sweden also contributes to the prosperity and the welfare of society through an efficient and competitive market where the information given by organizations to the stakeholders is of high quality. In other
words, KPMG Sweden aims to fulfill the need and demands of both the clients and the society by offering services with high quality to the clients which in turn contributes to the prosperity and welfare of the society through an efficient market and accurate information (KPMG, 2012a; KPMG, 2012b; KPMG, 2013a; KPMG, 2013b; KPMG; 2013c).

The table below shows the revenue, profit and employees in E&Y Sweden in 2005/2006 and 2011/2012.

**Table 7 Oversight of the revenue, profit and employees in KPMG Sweden during 2005/2006 and 2011/2012**

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>Net revenue</td>
<td>1 741 396</td>
<td>2 142 104</td>
</tr>
<tr>
<td>Profit</td>
<td>193 545</td>
<td>230 960</td>
</tr>
<tr>
<td>Number of employees</td>
<td>1 376</td>
<td>1 562</td>
</tr>
</tbody>
</table>

(KPMG, 2006; KPMG, 2012b)

The majority of the revenue is based on accounting and audit with 1 320 000 during the period of 2011/2012, which correspond to 62 percent of the total revenue (KPMG, 2012b).

**5.3.2 Environment**

KPMG Sweden is affected by several international and national influences. For instance, KPMG Sweden is influenced by the international quality standards set by IFAC to secure the quality of the services offered by the accounting firm to the clients. ISQC1 is a quality standard implemented in KPMG Sweden regulating the management of quality in control systems, monitoring and evaluations. Furthermore, KPMG Sweden is affected by ISA through KPMG International, i.e. through the effect on KPMG International ISA is able to affect the members within the global network why KPMG Sweden is obliged to comply with ISA. In this case, ISA affects the audit methodology of KPMG International and therefore also KPMG Sweden. As a result, KPMG International implemented a manual for the management of the audit methodology aligned to ISA which the members of the network, including KPMG Sweden, are
obliged to follow. KPMG Sweden is also affected by changes and new laws and regulations within Sweden such as the implementation of a new Skatteförfarandelage which creates new needs resulting in KPMG Sweden extending the range of the services to fulfill the demands. Also, FAR and SBPC influences KPMG Sweden. For example, signing audit reports are to be made only by accountants who fulfill the requirement of FAR. SBPC affects KPMG Sweden through regular inspections of the quality control systems, common internal systems and the activities performed by accountants working for the accounting firm in stock markets (KPMG, 2012a; KPMG, 2012b; IFAC, 2013).

KPMG contributes to the prosperity and the welfare of the society through participation in social events and activities divided into four sections which are education, environment, health and entrepreneurship. For example, KPMG Sweden contributes with education programs and projects i.e. the employees are given the opportunity to lecture, mentor and educate students at several universities in Sweden. Environment implies that KPMG Sweden engage in environmental issues, for instance KPMG Sweden is one of the founders of Stockholm Water Prize. Moreover, KPMG Sweden is reducing their impact on the environment with Global Green Initiative, a program with the purpose of reducing the energy consumption, support environmental commitment and support employees, clients and suppliers to reduce the energy consumption. Health refers to KPMG Sweden establishing a working environment that contributes to the employees’ health and safety within the accounting firm. Entrepreneurship means that KPMG Sweden supports opportunities and initiative that contributes to increasing jobs and professional development. Donations are also given to several organizations such as Eldsjäl and Barncancerfonden. KPMG Sweden also participates in FN and several EU-entities such as the European Commission and the European Parliament which indicates that KPMG Sweden has knowledge of the functions of EU and EU-Directives (KPMG, 2012a; KPMG, 2012b; KPMG, 2013d; KPMG, 2013e; KPMG, 2013f).
5.3.3 Strategy

The strategy of KPMG Sweden focuses on extending the range of the services and improving the quality of the services in order to achieve their goals. In other words, the purpose of the strategy is to fulfill the needs and demands of the clients and developing the knowledge of the employees to deliver high quality because KPMG Sweden is an accounting firm dependent on knowledge. By providing services, KPMG Sweden supports the client in improving the efficiency in the organizations and achieving success in the market. For example, KPMG Sweden support clients provide up-to-date information and manage new laws and regulations. KPMG Sweden therefore cooperates and communicates with the clients to comprehend the situation, organization, market, goal and environment before giving proposal of possible improvements to contribute to the success of the clients. For instance, KPMG Sweden extended the services with Ekonomiservice i.e. a collection of adapted services mainly to smaller organizations as the mandatory auditing was abolished (KPMG, 2012a; KPMG, 2012b).

The strategy of KPMG Sweden also focuses on developing the knowledge of the employees to ensure the quality of the services. For that reason, the knowledge is specialized for example of a specific market, client, about accounting, audit or tax. The knowledge should also be up-to-date to help clients manage changes in the society affecting their organizations efficiently. As a member of KPMG International, KPMG Sweden has access to the knowledge of the network which contributes to the development of the employees’ knowledge. Moreover, KPMG offers the employees to participate in educations, courses and programs to develop the knowledge. KPMG Sweden furthermore aims to deliver the right knowledge to the right client why the accounting firm tailors the team with employees possessing necessary knowledge to perform the service in order to ensure the quality which contributes to employees sharing their knowledge and experiences with each other. Except for developing the employees’ knowledge, KPMG Sweden also invest in recruiting individuals to the accounting firm. For example, in the period of 2011/2012 KPMG Sweden focused on recruiting tax consultants to complement the accountants in the accounting firm in order to strengthen the quality of the services offered to the clients (KPMG, 2012b; KPMG, 2013g; KPMG, 2013h; KPMG, 2013i).
5.3.4 Structure

This section is divided into the following: organizational form, partnership, knowledge, reward systems, informal and formal management systems and responsibility distribution.

5.3.4.1 Organizational form

KPMG Sweden is a member of KPMG International, a global network with 145,000 employees within 153 countries across the world in 2011/2012 in comparison to 2005/2006 with 100,000 employees in 148 countries. KPMG International is divided into three regions which are USA, ASPAC (i.e. Asia Pacific) and EMA (i.e. Europe, the Middle East and Africa). However, KPMG International do not offer services directly to the clients why KPMG International only function as a coordinating network to its members in different geographic areas to ensure that the members act similarly under the common brand name. In other words, KPMG International sets policies, processes and systems that the members within the network, including KPMG Sweden, are obliged to comply with why the members implement similar policies, systems and processes. For example, KPMG Sweden uses KPMG Audit Manual to manage audit methodology set by KPMG International. Furthermore, the teams have access to support from KPMG International Standards Group (Bohlinsgruppen, 2006; Bohlinsgruppen, 2012; KPMG, 2012a; KPMG, 2012c; KPMG, 2013j).

KPMG International consists of the global board of directors and the global executive teams as the superior bodies of the global network. The global board is the main superior body responsible for the long term strategic decisions, the protection and growth of the KPMG brand name and also the decision-making of the policies, systems and processes that are established and implemented by the members of the network, including KPMG Sweden. The global board consists of the chairman, the deputy chairman and the chairmen of USA, ASPAC and EMA as well as of the members of the network such as USA, China, Japan, Italy, Denmark, Spain and Sweden. The global board is supported by several committees such as the Steering Committee to help the board perform efficiently. The global executive team consisting of the chairman of the global board, the deputy chairman of the global board, the chairmen of USA, EMA and ASPAC, global employees responsible for example, audit, tax, market and sales, the
COO of USA and the COO of ASPAC, the CEO of EMA and several senior partners of for example Germany, Australia and China. The global executive team is responsible for the alignment of the global values and the implementation and execution of the global strategy in order to sustain high integrity in the network (KPMG, 2012c).

As mentioned above, KPMG International i.e. the global network for the members under the brand name of KPMG, including KPMG Sweden, only function as a coordinating network why KPMG Sweden is responsible for their own organization. KPMG Sweden is an affiliate to Bohlinsgruppen AB together with the other affiliate Bohlinsgruppen i Sverige Försäkring AB but the entire organization is manly driven by KPMG Sweden. KPMG Sweden is governed by several partners, the board of directors with the chairman and several directors, and the executive team consisting of the CEO, the deputy CEO and the employees responsible for accounting and audit, tax, advisory, small and middle-sized organizations, larger organizations and financial organization as well as the director of communication. Furthermore, the employees within KPMG Sweden are able to achieve the following positions: associate, senior associate, manager, senior manager and partner whereas associate is the lowest position and partner is the highest position (Bohlinsgruppen, 2012; KPMG, 2013k; KPMG, 2012a; KPMG, 2013m).

5.3.4.2 Partnership
KPMG Sweden is owned by the partners of the accounting firm. The partners consist of active accountants and specialists in the organization based on the approval of the superior body i.e. the partners, the board of directors and the executive team.
Table 8 Oversight of partners, dividends and partners related to other factors in KPMG Sweden during 2005/2006 and 2011/2012

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Total partners</td>
<td>?*</td>
<td>94</td>
</tr>
<tr>
<td>Total dividend</td>
<td>69 127</td>
<td>100 000</td>
</tr>
<tr>
<td>Dividend per partner</td>
<td>?*</td>
<td>1 063, 83</td>
</tr>
<tr>
<td>Partner per employee</td>
<td>?*</td>
<td>6 %</td>
</tr>
<tr>
<td>Net revenue per partner</td>
<td>?*</td>
<td>22 788</td>
</tr>
<tr>
<td>Profit per partner</td>
<td>?*</td>
<td>2 457</td>
</tr>
</tbody>
</table>

* The information regarding the partnership in KPMG Sweden during the period of 2005/2006 was not found and is therefore not shown in the table above.

(KPMG, 2012a; KPMG, 2013k)

5.3.4.3 Knowledge

As a knowledge-based organization, KPMG Sweden is dependent of the knowledge of the employees why it is important to develop the knowledge in order to sustain the quality of the services offered to the clients (KPMG, 2013n).

In order to develop the knowledge of the employees, KPMG Sweden offers the employees educations, programs and courses concerning for example leadership, the management and implementation of new or changing laws, regulations and the policies, processes and systems of KPMG Sweden. The educations, programs and courses are updated regularly in accordance to the policies, processes and systems of KPMG to ensure that the employees possess the necessary knowledge to perform the services with high quality which secures the status and reputation of KPMG in the society. For example, the recently recruited employees in KPMG Sweden are educated on how to manage ethic and independence through a program of introduction. In addition, the employees have access to policies, databases and documentations with information of relevant standards internationally and nationally. For instance, KPMG Sweden uses an electronic audit tool known as eAUDIT which gives employees access to use the methodology and guidance of the entire network to improve the quality of the services while at the same time securing a similar practice of the services between the members...
within the network. By tailoring the teams based on the service, the employees are able to cooperate even though they possess different positions and different expertise which contributes to strengthening the cooperation and knowledge sharing within KPMG Sweden. In this case, the recently recruited employees are given the opportunity to cooperate with employees with higher positions. The employees are also able to establish their own goals in accordance to the goals of KPMG Sweden which are compiled into development plans evaluated based on the performance of the individual employee. The employees also have access to a performance manager to guide and support the employee in their career within KPMG Sweden. KPMG Sweden also gives the employees the opportunity to participate in mobility programs such as Global Mobility, to exchange employees with other members of the network to develop the knowledge and experience of the employees as well as the cooperation between the members of the network (KPMG, 2012a; KPMG, 2013p; KPMG, 2013q).

5.3.4.4 Reward system
To ensure the efficiency of the employees’ performance, KPMG Sweden uses a reward system based on the knowledge of the employees because KPMG Sweden is a knowledge intensive organization. For example, the employees are offered educations, programs and mobility programs to develop their knowledge as mentioned above.

The employees within KPMG Sweden are able to achieve the following five positions: associate, senior associate, manager, senior manager and partners whereas the highest position is partner and the lowest position is associate. As recently recruited, the employees obtain the position of associate. By developing their knowledge and gaining experience through performing services, the employees are able to obtain higher positions in KPMG Sweden. The higher position corresponds to the increasing responsibility demanded of the employees by the accounting firm, such as increasing responsibility of clients by as creating and sustaining relationships, and leadership to manage teams to efficiently perform services to benefit clients but also KPMG Sweden. The higher position and responsibility is compensated by employees gaining higher salary or rights, for example as partner the employees have the right to share profit and loss in KPMG Sweden (KPMG, 2012a; KPMG, 2013m).
5.3.4.5 Informal and formal management processes

The quality of the services are ensured by the employees professional actions and performance of the services based on the employees’ knowledge. For that reason, KPMG Sweden uses values and codes of conduct to regulate the behavior and actions of the employees. For example, KPMG Sweden uses values and codes of conduct of ethic and quality in accordance to the global codes and conduct set by KPMG International to secure the objectivity and independence of the network. According to the global codes of conduct, the employees are to obey four aspects. The global codes of conduct states that the employees are to comply with laws, regulations and the policies by KPMG Sweden. Furthermore, suspicious and unethical behavior and actions as well as violation of laws, regulations and policies by employees, clients or other stakeholders for example accepting bribes are reported. As a member of KPMG International, KPMG Sweden implemented the global values and codes of conduct of the network. The values of KPMG Sweden include setting a good example and cooperate, valuing employees and share knowledge and information, communicate with honesty and engage in social events and lastly to act with integrity. Among these values, the main value is that the employees act with integrity (KPMG, 2012a; KPMG, 2013n; KPMG, 2013).

Apart from the values and codes of conduct, KPMG Sweden is also governed by policies, processes and systems. For example, KPMG Sweden implements the overall policies set by KPMG International concerning ethic, independence and quality. In this case, KPMG Sweden uses KPMG Audit Manual in accordance to ISA to secure the quality of the services. Quality Performance Review is yet another global quality program that annually controls the quality through inspections of a few randomly chosen performed services in advisory, accounting and audit. KPMG Sweden also uses Risk Compliance Program based on self-assessment in order to control independence and risk. KPMG Sweden also establishes quality control systems according to FAR and SBPC, policies concerning the safety, finance and quality regarding how to manage for example the safety and finance in the accounting firm (KPMG, 2012a; KPMG, 2012b).
5.3.4.6 Responsibility distribution

KPMG Sweden is governed by the partners, the election board, the committees such as the shareholder committee, the board of directors, the executive team and the CEO. The partners participate in the shareholder meeting with the responsibility of making decisions concerning the governance of the accounting firm. For example, the shareholder meeting decides on the election of new partners, board of directors, accountant for KPMG Sweden, members of the shareholder committee and the election board. The election board is to act in the interest of the partners with the responsibility of making nominations of the directors of the board, members of the shareholder meeting, the election board, the accountant of KPMG Sweden and the chairman of the board. The shareholder committee is responsible to manage issues related to the partners for example the distribution of shares between the partners in KPMG Sweden. The board is responsible to annually establish the strategies, policies, making decisions concerning the systems and routines of the entire accounting firm such as the internal control system. The board is furthermore responsible for recommending the remuneration to partners, the election of the CEO and members to the remuneration committee which in turn is responsible for managing issues concerning the partners such as remuneration or resignation of partners. The executive team has the responsibility of ensuring that the strategy is implemented and to secure the efficiency of quality controls and control routines. The CEO is responsible for the quality of the services although the board has the main responsibility according to ISQC1 why the CEO answers to the board. Moreover, the responsibility is also shared with the managers of accounting and audit, tax and advisory who report to the CEO about the quality in the services in KPMG Sweden (KPMG, 2012a).

5.4 PWC

PWC Sweden offers services in accounting and audit, tax, corporate finance, consulting, risk management, human resource advisory, and education to organizations in private and public sector both nationally and internationally. PWC Sweden is a member of the global network PWCIL but acts independently as a separate entity to the network and is responsible for their own entity but comply with the overall principles and rules set by PWCIL as a member of the network (PWC, 2013a; PWC, 2012a).
5.4.1 Goal

PWC Sweden aims to deliver services with high quality to ensure that the financial information given by the organizations is reliable why it is important to invest in developing the knowledge of the employees and recruiting employees to the accounting firm. Furthermore, the quality of the services is secured by complying with international and national laws to create value and trust for the clients in the society and the market. By creating value and trust for the clients, PWC Sweden also contributes to an efficient market with increasing competition between the clients which benefits the prosperity of the society. PWC Sweden moreover aims to maintain their position in the market by sustaining the viability of the accounting firm and invest in fulfilling the needs and demands of the clients for example by providing up-to-date information. In other words, PWC Sweden aim to deliver high quality and sustain or improve their position in the market through viability or increasing their market shares in the audit market by fulfilling the needs of the clients and the society and invest in the employees. (PWC, 2012c; PWC, 2013a; PWC, 2006)

The table below shows the revenue, profit and employees in E&Y Sweden in 2005/2006 and 2011/2012.

Table 9 Oversight of the revenue, profit and employees in PWC Sweden during 2005/2006 and 2011/2012

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Net revenue</td>
<td>3 026 648</td>
<td>4 257 537</td>
</tr>
<tr>
<td>Profit</td>
<td>227 615</td>
<td>387 661</td>
</tr>
<tr>
<td>Number of employees</td>
<td>2 629</td>
<td>3 711</td>
</tr>
</tbody>
</table>

(PWC, 2006; PWC, 2012b)

The revenue is mainly based on the income of accounting and audit services which corresponds to a total of 2 475 647 (82 percent) in 2005/2006 and 3 219 615 (76 percent) in 2011/2012.
5.4.2 Environment

The environment influences how PWC Sweden achieves the goals of the accounting firm. For example, PWC Sweden is obligated to establish systems for quality control in accordance to ISA and ISQC by IFAC in order to secure the quality of the services offered to the clients. IESBA is another entity of IFAC that regulates the independence of accounting firms which affects PWC Sweden through PWCIL. The independence in PWC Sweden is furthermore affected by SEC and Public Accounting Oversight Board (PAOB) of USA through the global network. PWC Sweden is also affected by the principles and rules of the global network PWCIL concerning for instance the global code of conduct with the purpose of regulating the members and the employees of the entire network to act in similarity under a common brand name. As a member of PWCIL, the policies of PWC Sweden are established in accordance to the overall policies and rules of the network but adapted to the geographic area such as national laws and regulations. PWC Sweden is for example influenced by regular inspections of SBPC on the accounting firm in accordance to Accountants Act 2001:883 (PWC, 2013a; PWC, 2012d; PWC, 2012c)

By participating in social events and activities, PWC Sweden is able to affect the society. PWC Sweden support Nyföretagarcentrum both financially and by providing advice to entrepreneurs to contribute to the prosperity of the society through an efficient market. Also, PWC Sweden have memberships with several organizations such as Näringslivets miljöchefer, Företagarnas Riksorganisation och Handelskammarens lokala föreningar. PWC Sweden also contributes to the society with support to universities across Sweden for example as an advisor which in turn benefits PWC Sweden with the advantage of recruiting employees directly from the university and with proposals from teachers and students about the possible development of services. Moreover, the participating in the board and committees of FAR, Sveriges Redovisningskonsulters förbund, FEE Sustainability Group, European Sustainability Reporting Association and Sustainability Experts Advisory Panel gives PWC Sweden the opportunity of affecting the development of laws and regulations. PWC Sweden also contributes with sponsorship to Nationalencyklopedin and Stora dirigentpriset and also with support to a project known as LUST for life for children in India to support the development of knowledge not only in the society but also across the world (PWC, 2009).
5.4.3 Strategy

PWC Sweden has implemented a strategy focusing on two sections which are knowledge and the services available to the clients, in order to achieve their goals because PWC Sweden is an organization dependent on the knowledge of the employees. The focus in the strategy involving knowledge implies that PWC Sweden focuses on developing the knowledge of the employees in order to deliver services efficiently and with high quality to the clients. For that reason, it is necessary that the knowledge of the employees is up-to-date and specialized in order to fulfill the needs and demands of the clients with high quality which in turn ensures that the financial information given by organizations to the society is reliable. Focusing on knowledge enables PWC Sweden to maintain not only the quality of the services but also the clients and their position, status and reputation in the society because PWC Sweden is a knowledge-based organization as mentioned above (PWC, 2006; PWC, 2012c; PWC, 2013a).

PWC Sweden furthermore focuses the strategy on extending and improving the range of services available to the clients in order to fulfill the clients’ needs and demands. For example, PWC Sweden has invested in increasing the availability and the efficiency of the service as well as extending the range services in for instance tax and advisory except for accounting and audit. Also, the services are designed not only with consideration to laws and regulations but also to fulfill the needs and demands of the clients. For example, PWC Sweden has focused on extending the range of services with Affärsservice consisting of combined services such as accounting and audit, tax and advisory aiming mainly to small and middle-sized clients during the period of 2005/2006 (PWC, 2012c; PWC, 2006; PWC, 2012d; PWC, 2013a).

5.4.4 Structure

This section is divided into the following: organizational form, partnership, knowledge, reward systems, informal and formal management systems and responsibility distribution.
5.4.4.1 Organizational form

PWC Sweden is a member of PWCIL, a global network with 180,529 employees within 158 countries across the world during 2011/2012. PWCIL is governed by the global board of directors, the strategy council, the network leadership team and the network executive team. The global board is responsible for the governance of the network, the oversight of the network leadership team and the approval of the standards of the network. The global board consists of 18 directors from 13 countries such as Sweden, USA and UK. The strategy council, consisting of the senior partners of the largest members of the network, is responsible for the alignment of the execution of strategy and the agreement of the strategy direction of the network. The network leadership team consists of the chairman, the senior partner of USA, UK and China, a member assigned by the board. The network leadership team is responsible for the establishment of the overall strategy and the standards of PWCIL. The network executive team consisting of employees with the responsibility of for example accounting and audit, tax, people and technology, are responsible for appointing and reporting to the network leadership team (PWC, 2012a).

PWCIL is however only a coordinating network for the members why the members, such as PWC Sweden, are responsible for their own entity. In other words, the members including PWC Sweden control and own the individual entity but are obliged to comply with the overall principles and rules set by PWCIL as a member of the network. In return, PWC Sweden has access to the brand name, resources, methods and knowledge within the entire network which benefits for instance the quality of the service delivered to the national and international clients across the world (PWC, 2012a; PWC, 2012d).

PWC Sweden is a coordinating entity that is divided into two affiliates: Öhrlings PWC and PWC which are responsible of the administration and the performance of services to the clients. PWC Sweden is governed by the partners, the board of directors and the executive team whereas the partners are the superior body through the partner meeting. PWC Sweden is moreover governed by the shareholder group i.e. the election board that act in the interest of the partners of the accounting firm. The board consists of a total amount of 16 directors three of which are representatives of the employees. The executive team consists of the territory senior partner with the main responsibility of the activities, the chairman of the board, the CEO and two deputy CEOs. PWC Sweden also
consists of several managers of important aspects of the activities within the accounting firms such as risk and quality management. Except for the superior bodies, PWC Sweden also consists of several employees with different positions in the organization. Within PWC Sweden, the employees are able to achieve the following positions: associate, senior associate, assistant manager, manager, senior manager, director and partner whereas the lowest position is associate and the highest position is partner (PWC, 2012d; PWC, 2013b).

5.4.4.2 Partnership

The partners of PWC Sweden are the owners of the accounting firm with the right to share the profit and the loss of the organization. The partnership is defined as a borrowed ownership which is relinquished when the employees resign (PWC, 2013b; PWC, 2006; PWC, 2012b).

Table 10 Oversight of partners, dividends and partners related to other factors in PWC Sweden during 2005/2006 and 2011/2012

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total partners</td>
<td>224</td>
<td>247</td>
</tr>
<tr>
<td>Total dividend</td>
<td>167 750</td>
<td>389 950</td>
</tr>
<tr>
<td>Dividend per partner</td>
<td>748.88</td>
<td>1 578.74</td>
</tr>
<tr>
<td>Partner per employee</td>
<td>9 %</td>
<td>7 %</td>
</tr>
<tr>
<td>Net revenue per partner</td>
<td>13 512</td>
<td>17 237</td>
</tr>
<tr>
<td>Profit per partner</td>
<td>1 016</td>
<td>1 569</td>
</tr>
</tbody>
</table>

(PWC, 2006; PWC, 2012b)

5.4.4.3 Knowledge

As a knowledge-based organization, PWC Sweden is dependent on the knowledge of the employees in order to achieve the goals and survive in the market. PWC Sweden invests in developing the knowledge of the employees, retaining and recruiting employees to secure that the knowledge of the employees is both specialized and up-to-date (PWC, 2012d; PWC, 2006; PWC, 2013b; PWC; 2012c).
To develop the knowledge of the employees, PWC Sweden establishes career programs or known as performance management process in which the employees set individual goals in accordance to the goals of the accounting firm which are complied into development plans. The development plan is evaluated based on the employee’s performance to achieve the goal. The employee has access to a mentor and manager for support, feedback and evaluation during this process or as recently recruited employee. Moreover, the employees of PWC Sweden have the opportunity to participate in educations, courses and programs to further develop their knowledge. For example, as recently recruited employee the individual participates in e-learning and educations in a variety of subjects such as leadership and tax. The employees also develop their knowledge by performing services to clients and gaining practical experience. PWC Sweden furthermore tailors the teams based on the service of the clients in order to provide the right knowledge and service efficiently to fulfill the needs and demands of the clients. By so doing, the employees are therefore able to share the competence and expertise between each other to develop their knowledge. Also, PWC Sweden enables the use of social media in similarity to Facebook and Twitter within the accounting firms to increase the communication between employees with different positions which benefits the cooperation and development of knowledge of the employees and the accounting firm. For example, upward feedback is used to develop provide the employees with lower positions to evaluate and give feedback to the employees with higher positions to increase the communication, cooperation and benefit the development of knowledge. As a member of PWCIL, the employees of PWC Sweden are able to participate in mobility programs to gain experience and develop their knowledge. For example, the employees of PWC Sweden are given the opportunity to participate in Nordic Swap Programme to exchange employees with the Nordic members of the network to improve the cooperation and develop the employees’ knowledge (PWC, 2012d; PWC, 2013b; PWC, 2013c; PWC, 2012c).

5.4.4.4 Reward system
In order to encourage the employees to increase their performance, the reward system in PWC Sweden is based on the knowledge of the employees. As mentioned above, PWC Sweden invests in specialized and up-to-date knowledge developed through educations, courses, mobility programs, development plans and coaching (PWC, 2013b).
Within PWC Sweden, the employees are able to achieve the positions of associate, senior associate, assistant manager, manager, senior manager, director and partner based on the knowledge of the employees. The employees with higher positions also have higher responsibility within the accounting firm such as increasing responsibility of clients by creating and sustaining relationships and communication to contribute to the success of the accounting firm compared to the employees with lower positions. It is furthermore important that the employees behave professionally with respect and integrity as an inspiration to other employees. To achieve the positions of director and partner it is important that the employees contribute to the viability and development of PWC Sweden. In other words, the reward system is mainly based on knowledge of the employees but factors such as contributions and behavior is also vital. The higher positions and the higher responsibility are compensated with rights such as the right to share profit and loss as a partner and the right of a shareholder of PWC Sweden (PWC, 2012d; PWC, 2013b; PWC, 2006).

5.4.4.5 Informal and formal management processes

PWC Sweden uses values and codes of conduct to regulate the actions and the behaviors of the employees within the organization in order to ensure that the employees act in accordance to the goals of the accounting firm and secure the brand name in the market. The values and codes of conduct are adapted to the global values and codes of conduct of the network PWCIL why PWC Sweden not only uses similar but the same values and codes of conduct as the network. The values are divided into three areas involving teamwork, excellence and leadership. Teamwork refers to that the best solutions are a result of cooperation and teamwork between both the employees and the clients. Excellence indicates that the accounting firm not only upholds promises but also adds values beyond expectations why innovation, learning and agility are important. Leadership implies leading people and clients meaning that the features courage, integrity and vision are important. With PWC Experience, the values and the codes of conduct are connected with the activities within PWC Sweden (PWC, 2013d; PWC, 2013e; PWC, 2012d).
PWC Sweden also uses several policies, systems and processes to regulate the employees and the activities of the accounting firm. For example, PWC Sweden uses a system known as Acceptance and Continuance to assess if the risk of a specific client is manageable. PWC Sweden also uses a common audit methodology, a common practice for the performance of activities and policies established by PWCIL available on databases that are updated regularly due to for example changes in laws and regulations. Compliance testing is yet another process with the purpose of ensuring that the accounting firm complies with laws and regulations concerning such as risk and quality. Furthermore, PWC Sweden has implemented Central Entity Systems which is used to support the employees’ assessment of their independence before performing services to the clients. Global Portfolio System is used by employees with higher positions to gain approval about prior purchase of securities and assets in the trading market. Also, PWC Sweden uses a global system known as Authorisation for Services to improve the communication within the accounting firm. PWC Sweden also uses systems of self-evaluation and inspections of randomly chosen partners to ensure the compliance with independence and risk management standards of PWC Sweden and PWCIL. Moreover, PWC Sweden uses several databases for example to register relationships with clients and monitor the compliance of policies and directions within the accounting firm, with information available to the employees within the PWC Sweden (PWC, 2012d).

5.4.4.6 Responsibility distribution
PWC Sweden is governed mainly by several partners, the board of directors and the executive team. The main superior body is the partners who participate in the partner meeting or the shareholder meeting twice a year. The partners are mainly responsible for PWC Sweden and makes decisions concerning for example, the election of the board of directors, the territory senior partner, the CEO, the deputy CEO and the election board. The board holds five to six meetings a year and is responsible for the governance of the accounting firm. The executive team holds meetings whenever necessary but least once a month, and is responsible for implementation of policies, systems and routines and that the operating activities within the accounting firm are performed in accordance to the decisions made by the board (PWC, 2012d).
PWC Sweden also consists of employees with the responsibility of important aspects such as risk and quality management, accounting and audit, tax and advisory. For example, PWC Sweden has appointed a Compliance Officer responsible for managing and controlling clients to ensure the clients fulfill the requirements of acceptance. Lastly, PWC Sweden consists of employees with the positions associate, senior associate, assistant manager, manager, senior manager, director and partner with different responsibility to the accounting firm, for example the partner are main responsible for PWC Sweden (PWC, 2012d; PWC, 2013b).
6. Analysis

Chapter 6 presents a discussion about the empirical findings and the propositions in order to analyze the factors of organizing and the balance between profession and profit in the Big Four accounting firms.

The analysis is structured in accordance to the factors of organizing in similarity with the structure of the theoretical framework and the empirical data. Also, the analysis of each factor of organizing is structured in four parts:

- **Proposition** (or propositions) to reminisce and clarify what the discussion in each of the factor of organizing is centered around.
- **Definition** of the factor of organizing that is used in the discussion of the factor of organizing.
- **Summary** of how each of the Big Four accounting firms' are organized concerning the specific factor of organizing.
- **Joint discussion** with the main objective to summarize and bind together the three parts mentioned above.

The purpose of this structure is to clarify and summarize what the research has found in theory and empirical data.

6.1 Goal

**Proposition**

1: The Big Four accounting firms aspire to achieve both professional goals and profit goals in order to manage the balance between profession and profit.

**Definition**

According to Abrahamsson & Andersen (2005), goal is a desired future state which the accounting firms aspire to achieve by producing output why the goals of accounting firms may be seen as the main controlling factor and a form of guideline. The existence of different types of goals may cause a conflict due to the inconsistency between them though they are connected to each other and are of equal importance to the accounting firms.
Summary of the Big Four accounting firms’ goals:

Deloitte Sweden aspires to support clients and the society by performing services with high quality. In this case, the goal in Deloitte may be divided into two different types: official goals and operative goals. The official goal refers to Deloitte Sweden striving for delivering services with high quality meanwhile supporting clients may be seen as an operative goal because the profit in Deloitte Sweden is dependent on the revenue earned through the clients. The existence of the two goals indicates that both of the goals are important for the survival and the success of Deloitte Sweden in the market. What is interesting is that Deloitte Sweden manages the two goals by focusing mainly on the professional goal and using the connection between profession and profit to manage the balance between profession and profit.

The goals that E&Y Sweden aspire to achieve are divided into four areas concerning employees, quality, growth and governance which may be divided into official goals and operative goals i.e. official goals refer to employee and quality necessary to the profession goal whereas operative goals are growth and governance that reflects the profit goal. In this case, employees and quality may be seen as necessary to the profession as E&Y Sweden is an accounting firm. Strengthening the brand name and achieving the highest production and viability may instead refer to E&Y Sweden increasing the profit why the goal of growth and governance may be seen as the operative goals in E&Y Sweden. E&Y Sweden strive to achieve both professional goal and profit goal to survive and become successful in the market. E&Y Sweden focuses mainly on the goal of employees to fulfill the three remaining goals i.e. focuses on the profession and using the connection between the professional and profit to manage the balance between profession and profit.

KPMG Sweden strives to perform services with high quality in order to create value and trust for the clients in the society. This goal may be separated into two different types of goals which are official goal and operative goal. Performing services with high quality may refer to the official goal i.e. KPMG Sweden deliver services with high quality and thereby act in the interest of the society by contributing to increasing transparency and clarity. Creating value and trust for the client in the society by supporting them may refer to the operative goal, indicating that clients are necessary for KPMG Sweden to earn profit and thus survive and become successful in the market. In other words,
KPMG Sweden aspires to achieve both a professional goal and a profit goal in order to survive and become successful in the market why both goals may be considered as equally important. It can therefore be said that KPMG Sweden focuses on achieving the professional goal and uses the connection between the profession and profit to manage the balance between profession and profit.

The goals in PWC Sweden are to deliver services with high quality and maintain or improve their position in the market by supporting the clients and the society which may be separated into two types of different goals i.e. official goal and operative goal. Delivering high quality may be seen as an official goal connected to the profession. In turn, maintaining or improving the position of PWC Sweden in the market may be identified as the operative goal to achieve a stabile profit and viability by securing the marker share in the audit market through clients. With that said, PWC Sweden therefore aspires to achieve a professional goal and a profit goal in order to survive and become successful. However, unlike with Deloitte Sweden, E&Y Sweden and KPMG Sweden, PWC Sweden manages the professional goal and profit goal separately without the use of the connection between them. But the existence of both a professional goal and a profit goal as the two primary goals within PWC Sweden shows that they are both equally important in managing the balance between profession and profit.

Joint discussion
Based on what is mentioned above, it is shown that the Big Four accounting firms are mainly driven by two central goals as means to manage the balance between profession and profit, which are: a professional goal that is related to the quality and a profit goal related to the clients. In this case, it can also be said that the Big Four accounting firms are quite similar to each other in their management of the goals. Each of the Big Four accounting firms (excluding PWC Sweden) are also quite similar in their management of the goals and the balance between profession and profit by focusing on the profession and using the connection between profession and profit. As mentioned above, PWC Sweden differs from the other three of the Big Four accounting firms by focusing on the one hand a professional goal and on the other hand a profit goal to manage the balance between profession and profit. This may increase the inconsistency between the goals and lead to a possible conflict because the two goals are seen separately rather than connected to each other without using the connection between the profession and profit.
However, the benefit of managing the goals separately may be that the goals affect each other less as they are seen separately but the effect, how they affect each other and to which degree the effect of one goal have on the other goals is uncertain and unpredictable as it also depends on several factors such as the environment, the market and the society.

Agevall & Jonnergård (2012) see Björngren Cuadra & Fransson (2012) observed a growing focus in profit that undermines the focus of profession in accounting firms which in turn may disrupts the balance between profession and profit. Table 3 shows an increasing profit in Deloitte Sweden from the period of 2005/2006 and 2011/2012, however, this do not determine that the focus on profit has increased because the number of employees also increased during the same period. This development is furthermore found in E&Y Sweden according to table 5, in KPMG Sweden according to table 7 and in PWC according to table 9. In other words, the Big Four accounting firms are shown to have increased not only financially but also in size which may be seen as though not only profit, but the profession within the Big Four accounting firms has increased and the balance between profession and profit is managed stably.

However, this is not enough to determine if the focus on profit has increased in the Big Four accounting firms why the distribution of the revenue during 2005/2006 and 2011/2012 is taken into consideration. Firstly, the accounting and audit services corresponded to 70 percent of the total revenue in 2005/2006 in Deloitte Sweden which decreased to 61 percent in 2011/2012. In E&Y Sweden, 81 percent of the total revenue consisted of accounting and audit services in 2005/2006 compared to 66 percent in 2011/2012 and in PWC Sweden the accounting and audit services corresponded to 82 percent in 2005/2006 in difference to 76 percent in 2011/2012.

The decrease may indicate that there is an increasing focus on profit in three of the Big Four accounting firms (excluding KPMG Sweden), but not necessarily. The decrease may be a result of the clients’ increasing demands on services other than accounting and audit to which the Big Four accounting firms need to adapt to survive and become successful in the market because profit is vital to accounting firms as organizations. As larger accounting firms, it is natural to assume that the Big Four accounting firms have a large amount of clients to which services are performed which implies that the Big
Four accounting firms need to adapt to the many clients to secure a stable. The current research on accounting firms has observed that especially larger accounting firms have extended services other than accounting and audit because the profit earned only through accounting and audit services is insufficient to sustain the survival and success of larger accounting firms. The dependence on profit therefore increases rather than decreases which in turn affects the balance between profession and profit in the Big Four accounting firms negatively. But in this case, the increasing focus in profit is due to the adaption to the clients rather than based on the self-interest of the Big Four accounting firms (except KPMG Sweden, for which data was not available) even though the increasing focus on profit indirectly affects the focus on profit in the accounting firm.

Independent of the reason, the decrease of the percentage of the total revenue consisting of accounting and audit services indicate that there is a possibility of an increasing focus on profit in the Big Four accounting firms which may affect the balance between profession and profit negatively. But even though the dependence on profit has increased, the majority of the total revenue still consists of accounting and audit services in the Big Four accounting firms. This may imply that the Big Four accounting firms are trying to adapt and maintain the focus on the professional goal along with the profit goal, according to Carrington et al (2011), to manage the balance between profession and profit as both are equally important to the survival and the success of the Big Four accounting firms.

6.2 Environment

Proposition
2: The Big Four accounting firms communicate with the society regarding the compliance with laws and regulation in order to uphold the balance between profession and profit.
Definition

Environment refers to the factors outside the accounting firms that affect the goals, the survival and the success of the accounting firms such as laws and regulations in accordance to Abrahamsson & Andersen (2005). Considering that the accounting firms depends on their status and reputation according to Weigelt & Camerer (1988), it is therefore important that they comply with laws and regulations both nationally and internationally to retain clients and act in accordance to the profession as well as the interest of the society.

Summary of the Big Four accounting firms' environment

Deloitte Sweden complies with both international and national laws and regulations. For example, Deloitte Sweden is influenced by IAASB through DTTL and also FAR, SBPC and SOX. These laws and regulations mainly secure the quality and the efficiency of the services to the clients. That is to say, complying with laws and regulations enables Deloitte Sweden to act within the framework of the profession and securing their status and reputation in the society which in turn is vital to ensure a stable profit by retaining clients and the trust of the society. However, Deloitte Sweden is also able to affect the environment for example Deloitte Sweden donates, sponsors and assists several universities across Sweden, Moderna Museets samlingar, Göteborgs Opera and organizations working against HIV/AIDS, participates in FAR and medias. In other words, Deloitte Sweden manages the balance between profession and profit by communicating that they comply with international and national laws and regulation which ascertains that they act in accordance to profession and ensures a stable profit.

E&Y Sweden is influence by laws and regulations both internationally and nationally for instance E&Y Sweden is affected by IESBA through EYG and also SBPC, SOX and the European Commission which have the purpose to secure the quality and the independence of E&Y Sweden. In other words, E&Y Sweden complies with laws and regulations and thus ensures that they act in accordance to the profession which secures their status and reputation in the society that in turn is important to retain clients and the trust of the society and secure a stabile profit. E&Y Sweden may furthermore affect the environment by participating in social events and activities such as participation in FAR, SBPC, Private Sector Leaders Forum in the Worldbank, Global Compact, Stockholms konserthus, BRIS and World Child Foundation. By compliance with
international and national laws and regulations the balance between profession and profit is managed as E&Y Sweden communicates that they act according to the profession which also ensures a stable profit.

*KPMG Sweden* is influenced by international and national laws and regulations such as ISA through KPMG International, ISQC1, FAR and SBPC to which the accounting firm complies with. These laws and regulations mainly secure the quality of the services in KPMG Sweden and by complying with the laws and regulations enable KPMG Sweden to ensure their status and reputation in the society which is important to retain clients and the trust of the society and secure a stable profit. By participating in social events and activities, KPMG Sweden is also able to affect the environment. In this case, KPMG Sweden has divided their participation in social events and activities into four areas concerning education, environment, health and entrepreneurship involving such as lecture, mentoring and educating at universities to supporting the development of the welfare of the society. Moreover, KPMG Sweden participates in FN and several EU-entities. In short this means that KPMG Sweden communicates compliance with international and national laws and regulations and thus acts in accordance to the profession which in turn secures profit in order to manage the balance between profession and profit.

*PWC Sweden* complies with laws and regulations internationally and nationally. For instance, PWC Sweden is influenced by ISA, ISQC, IESBA, SBPC and PAOB in which ISA, ISQC and SBPC affects PWC Sweden directly meanwhile IESBA and PAOB affects PWC Sweden through the global network PWCIL. The laws and regulations mainly involve quality and independence, and by complying with these laws and regulations PWC Sweden is able to secure their status and reputation in the society and thereby act in the interest of the society. PWC Sweden also participates in social events and activities such as the board and committees of FAR, European Sustainability Reporting Association and Sustainability Experts Advisory Panel while also supporting Nyföretagarcentrum, Näringslivets miljöchefer, Företagarnas Riksorganisation and Handelskammarens lokala föreningar. With that said, PWC Sweden communicates that they act in accordance to the profession and also secures a stable profit by complying with international and national laws and regulations to manage the balance between profession and profit.
Joint Discussion

Even though the Big Four accounting firms are affected by different laws and regulations internationally and nationally, it is evident from the definition and the summary that the Big Four accounting firms are affected in similar ways. There are two main ways in which they may be influenced which are either directly or indirectly through the larger global network. For example, the Big Four accounting firms are affected by several laws and regulations internationally and nationally of which ISA influences Deloitte Sweden through DTTL and KPMG Sweden through KPMG International while IESBA affects E&Y Sweden through KPMG International and PWC Sweden through PWCIL. The Big Four accounting firms are moreover affected directly by SBPC and FAR as well as SOX. The direct effect of the indirect effect may also be divided into international and national laws and regulations, for example ISA and IESBA are international organizations meanwhile SBPC and FAR are national organizations (in this case Sweden). In other words, it is of importance that the Big Four accounting firms communicates that they act in accordance to the profession world-wide and also within the nation to uphold a positive status and reputation in the society and gain profit thereby managing the balance between profession and profit.

In addition to the environment, it is notable that the Big Four accounting firms manage the balance between profession and profit by complying with laws and regulations internationally and nationally. These laws and regulations mainly have the purpose of ensuring that the Big Four accounting firms uphold the quality and the independence of the actions of the employees and services to the clients. Complying with laws and regulations benefits the status and reputation of the Big Four accounting firms by ensuring that they act in accordance to the profession by acting within the framework of the profession. This in turn benefits the Big Four accounting firms as they are able to retain clients and secure a stable profit, according to Weigelt & Camerer (1988). In other words, The Big Four accounting firms manage the balance between profession and profit by acting accordance to the laws and regulations and securing their status and reputation in the society. Apart from the influence affecting the Big Four accounting firms, by participating in social events and activities indicates that they are able to affect the development of laws and regulations as well as the prosperity and the welfare of the society to secure a positive status and reputation in the society. This may indicate that status and reputation in the Big Four accounting firms are important why there is a need
to participate in social events and activities as Mueller (2011) states that is important to be visible in addition to performing activities efficiently to survive and become successful in the market. In short, it can be said that the Big Four accounting firms communicates that they not only comply but also affect the development of laws and regulations as well as participating in social events to manage the balance between profession and profit.

6.3 Strategy

Propositions

3a: The Big Four accounting firms implement a strategy to improve quality to fulfill the professional goal in order to manage the balance between profession and profit.

3b: The Big Four accounting firms use a strategy to extend the range of services to clients to fulfill the profit goal to manage the balance between profession and profit.

Definition

According to Abrahamsson & Andersen (2005), strategy is the plan established to determine how the goals are achieved why the strategy implemented in accounting firms depends on the goals of the accounting firms and also the environment of the accounting firms.

Summary of the Big Four accounting firms' strategy:

Deloitte Sweden has established a strategy that mainly focuses on two basic aspects. The first aspect is to extend the range of services that the accounting firms offer to clients in order to create competitive advantages and fulfill the needs and demands of the clients. The second aspect is to develop the knowledge of the employees to secure the quality of the services performed to the clients. For instance, Deloitte Sweden extended the range of services during 2005/2006 with tax management consulting due to the change of tax regulations by EG Court. Also, ensuring the quality of the services enables Deloitte Sweden to secure their status and reputation in the society by acting in accordance to the profession and thereby the interest of the society. In other words, the two basic aspects of the strategy implemented by Deloitte Sweden can be roughly
separated into profession and profit in which both are of equal importance. This is in consistent with their goals as to manage the balance between profession and profit.

The strategy implemented in *E&Y Sweden* is divided into the following four aspects: employees, quality, growth and governance. Among these four aspects, E&Y Sweden mainly focuses on developing the knowledge of the employees considering that they are knowledge intensive organizations that relies on the knowledge of the employees to produce services with high quality for example, to secure the status and reputation in the society. By focusing on the aspect of employees, E&Y Sweden also aims to fulfill the remaining three goals of the accounting firm. E&Y Sweden also aim to extend the range of the services to clients to strengthen the brand name and the relationship with clients. For example, E&Y Sweden extended the services in Advisory Service during the period of 2005/2006 and strengthened IT-support in 2011/2012. This indicates that E&Y Sweden's strategy focuses on profession and the profit. Although the main focus of the strategy is the profession, it is evident that both profession and profit is important to E&Y Sweden to manage the balance between profession and profit.

*KPMG Sweden* uses a strategy that focuses on mainly two aspects which are to extend the range of services available to clients and develop the knowledge of the employees to secure the quality of the services. For example, KPMG Sweden extended the range of services with Ekonomiservice i.e. a collection of adapted services aiming mainly to smaller organizations as the mandatory auditing was abolished. In turn, developing the knowledge benefits the quality of the service because KPMG Sweden is an accounting firm depending on the knowledge to produce services with high quality which enables them to for instance, secure their status and reputation in the society by acting in accordance to the profession. With that said, KPMG Sweden has established a strategy with a focus on both profession and profit to manage the balance between profession and profit as profession and profit is of equal importance.

*PWC Sweden* has implemented a strategy that focuses mainly on two aspects which are extending the range of services to clients and developing the knowledge of the employees. For example, during the period of 2005/2006, PWC Sweden extended the range of services with Affärsservice consisting of combined services such as accounting and audit, tax and advisory aiming mainly to small and middle-sized clients. Except
focusing on extending the range of services, PWC Sweden also invest in developing the knowledge of the employees which is important as PWC Sweden is an accounting firm in which knowledge is the essential asset and resource to produce services with high quality. High quality is in turn important to ensure that the needs of the clients are fulfilled but also to ensure that PWC Sweden act in accordance to the profession and in the interest of the society. In this case, the strategy within PWC Sweden can be divided into on the one hand profession relating to quality and on the other hand profit by focusing on clients. Seeing as these two approaches are the main aspects of the strategy within PWC Sweden implies that both profession and profit is equally important to manage the balance between profession and profit within the accounting firms.

**Joint discussion**

From what is mentioned above, it is evident that each of the Big Four accounting firms mainly focus on two aspects in their strategies which are to extend the range of services to clients and to develop the knowledge of the employees to secure the quality. In this sense, they are quite homogenous with similar focus in managing the balance between profession and profit. For example, each of the Big Four accounting firms focuses on developing the knowledge of the employees which may be connected to the fact that they are accounting firms i.e. knowledge intensive organizations with knowledge as a vital resource, asset and competitive advantage to the accounting firms relating to the profession. Also, the Big Four accounting firms focus on extending the range of services available. For instance, Deloitte Sweden extended the range of services during 2005/2006 with tax management consulting due to the change of tax regulations by EG Court and E&Y Sweden extended the services in Advisory Service during the period of 2005/2006. KPMG Sweden extended the range of services with Ekonomiservice i.e. a collection of adapted services aiming mainly to smaller organizations whereas extended the range of services with Affärservice consisting of combined services such as accounting and audit, tax and advisory aiming mainly to small and middle-sized clients. This in turn may be seen as means to satisfy the demands and needs of the clients which may be related to profit. In short, it can be said that the Big Four accounting firms manage the balance between profession and profit by establishing a strategy focusing on profession and profit as main aspects.
Furthermore, as mentioned above the strategy implemented within the Big Four accounting firms is dependent on the goals of the Big Four accounting firms or the opposites, that is to say the strategy is a reflection of what goals are important for the accounting firms to achieve. In this case, the strategy in the Big Four accounting firms focuses mainly on the one hand a professional goal and on the other hand a profit goal. The aspect of the strategy in the Big Four accounting firms that focuses on developing the knowledge of the employees in order to secure the quality of the services and thereby the status and reputation of the Big Four accounting firms may be connected to the professional goal. According to Weigelt & Camerer (1988), the status and the reputation is a signal of what position the accounting firms have in the market. This indicates that the higher quality leads to a more positive status and reputation which in turn is connected to the profession and also how the Big Four accounting firms manage the balance between profession and profit.

Meanwhile extending the range of services to clients to fulfill the clients’ needs and demands may be connected to the profit goal in accordance to Baker (1977). According to the current research on accounting firms, it has been observed that especially larger accounting firms are dependent on extending the range of services in order to earn profit and viability to survive and become successful in the market. This implies that the revenue earned by only performing services in accounting and audit is insufficient for the Big Four accounting firms' survival and success why extending the range of services in other areas except for only accounting and audit may be a necessity rather than by self-interest. In this case, extending the range of services within the Big Four accounting firms may be seen as an attempt in managing the balance between profession and profit for the survival and success in the market.

The dependence on services other than accounting and audit in the Big Four accounting firms is evident through the revenue distribution which shows that the percentage of the total revenue on accounting and audit services has decreased among the Big Four accounting firms from 2005/2006 to 2011/2012. In Deloitte Sweden 70 percent of the total revenue was based on revenue of accounting and audit services in 2005/2006 which has decreased to 61 percent in 2011/2012. 81 percent of the revenue in E&Y Sweden consisted of accounting and audit services in 2005/2006 compared to 66 percent in 2011/2012 and in PWC Sweden the accounting and audit services
corresponded to 82 percent in 2005/2006 in difference to 76 percent in 2011/2012. This indicates a higher dependence on service other than accounting and audit in order to sustain the survival and the success of the Big Four accounting firms as the percentage of the total revenue of accounting and audit services has decreased from 2005/2006 to 2011/2012. This may lead to a possible negative impact on the balance between profession and profit in the three of the Big Four accounting firm, excluding KPMG Sweden (due to data being unavailable). But as mentioned before, although the percentage of the total revenue on services other than accounting and audit services has increased, the majority of the services consists of the revenue of accounting and audit services which may lessen the negative effect on the balance between profession and profit in three of the Big Four accounting firm, excluding KPMG Sweden. In other words it can be said that the balance between profession and profit within three of the Big Four accounting firms is managed stably.

6.4 Structure

Structure refers to the coordination of activities within the accounting firms in order to achieve goals efficiently. It may be divided into the following: organizational form, partnership, knowledge, reward system, informal and formal management processes and responsibility distribution.

6.4.1 Organizational form

Propositions

4a: The Big Four accounting firms are characterized by an organizational form which combines professional bureaucracy, divisionalized organization and corporation in order to manage the balance between profession and profit.

4b: The Big Four accounting firms use the main positions junior, senior, supervisor, manager and partner in order to manage the balance between profession and profit.
Definition

Organizational form is the horizontal and vertical structure within accounting firms, according to Abrahamsson & Andersen (2005). Furthermore, Sorenson & Sorenson (1974) shows that accounting firms tend to use mainly five positions which are: junior or staff accountant, senior accountant, supervisor accountant, manager and partner with junior or staff accountant as the lowest position and partner as the highest position.

Summary of the Big Four accounting firms' organizational form:

*Deloitte Sweden* is a member of the global network DTTL but they act as an independent entity to the network and are thereby responsible for their own actions why DTTL only functions as a coordinating network to its members by deciding overall rules but without performing services. Deloitte Sweden is also governed by the superior bodies the partners, the board of directors and the executive team. In order to control activities, Deloitte Sweden has furthermore implemented policies, systems and processes such as AuditSystem/2, Deloitte Entity Search, Global Independence Monitoring system and Deloitte Risk Management System. However, Deloitte Sweden also uses values such as integrity, outstanding value to markets and clients, commitment to each other and strength from cultural diversity to control the employees. The employees are able to attain the following positions within Deloitte Sweden, which are: associate, senior, manager, senior manager, director or partner with director or partner as the highest position and associate as the lowest position. With that said, Deloitte Sweden may be seen to have a organizational form consisting of professional bureaucracy, divisionalized organization and corporation as well as partly machine bureaucracy to manage the balance between profession and profit. Also, using positions such as associate, senior, manager, senior manager, director or partner that relates to the development of the employees' knowledge demonstrates the importance of profession within Deloitte Sweden as means to manage the balance between profession and profit.

As a member of EYG, *E&Y Sweden* complies with the overall rules set by the global network but they act as an independent entity to the network responsible for their own actions. In other words, EYG only functions as a coordinating network to its members. The governance of E&Y Sweden consists of several partners, the board of directors and the executive team. E&Y Sweden furthermore implements policies, control systems, routines and processes for example, E&Y Audit Quality Review, E&Y Global Audit
Methodology, support system and Global Independence System to control the activities within the accounting firm. E&Y Sweden also uses values involving employees commitment, leadership and guidance, building relationships and standing for integrity, respect and cooperation to restrict the employees. The employees in E&Y Sweden are enable to attain positions such as junior, manager and lastly partner as the highest position. In short, E&Y Sweden manages the balance between profession and profit by using an organizational form which combines professional bureaucracy, divisionalized organization, corporation and partly machine bureaucracy. Moreover, by the use of positions relating to the development of the employees' knowledge and also the profession such as junior, manager and lastly partner communicates the importance of profession in managing the balance between profession and profit within E&Y Sweden.

KPMG Sweden is a member of KPMG International, a global network that functions only as a coordinating network to the members which is why KPMG Sweden act as an independent entity to the network and is therefore responsible for their own actions. KPMG Sweden is governed by several partners, the board of directors and the executive team. Moreover, KPMG Sweden uses policies, processes and systems such as KPMG Audit Manual, Quality Performance Review and Risk Compliance Program to control activities in the accounting firms. To control the employees, KPMGS Sweden also uses values of integrity, setting a good example and cooperate, valuing employees and share knowledge and information, communicate with honesty and engage in social events. In addition, within KPMG Sweden the employees may achieve the positions of associate, senior associate, manager, senior manager and partner in which associate is the lowest position and partner the highest position. In other words, KPMG Sweden uses an organizational form of combines professional bureaucracy, divisionalized organization and corporation and also partly machine bureaucracy in order to manage the balance between profession and profit. The importance of profession in KPMG Sweden is shown through the use of positions that relates to the employees' development of knowledge as means to manage the balance between profession and profit which in this case are: associate, senior associate, manager, senior manager and partner.
PWC Sweden is a member of the global network PWCIL that sets overall rules that the members are obliged to comply with. However, PWC Sweden acts as an independent entity to PWCIL because the network only functions as a coordinating network for the members why PWC Sweden is responsible for its own actions. The governance of PWC Sweden consists of the following superior bodies: the partners, the board of directors and the executive team. PWC Sweden uses policies, systems and processes such as Acceptance and Continuance, a common audit methodology, Compliance testing, Central Entity Systems, Global Portfolio System, Authorisation for Services and databases in order to control the activities within the accounting firms. In order to restrict the employees, PWC Sweden uses values teamwork, excellence and leadership. The employees within PWC Sweden are able to reach the positions associate, senior associate, assistant manager, manager, senior manager, director and partner with the lowest position as associate and the highest position as partner. Also in this case, PWC Sweden is characterized by an organizational form that consists of combines professional bureaucracy, divisionalized organization, corporation and partly machine bureaucracy to manage the balance between profession and profit. Furthermore, PWC Sweden also uses positions that relates to the development of the employees' knowledge that in turn highlights the importance of the profession to manage the balance between profession and profit within the accounting firm.

Joint discussion
The discussion that follows will include an extended clarification of especially the propositions and the summary of the Big Four accounting firms' organizational form with the definition. Firstly, propositions 4a was as following: in order to manage the balance between profession and profit, the Big Four accounting firms may be characterized as professional bureaucracy, divisionalized organization, machine bureaucracy and corporation. Note that each of the Big Four accounting firms have a rather similar organizational form. This may be due to the fact that as leading accounting firms in the market it is important that the Big Four accounting firms optimize their efficiency to survive and become successful in the market which in turn may lead to isomorphism which may explain the similarity in organizational form among the Big Four accounting firms.
Secondly, each of the Big Four accounting firms are members of a larger global network for instance Deloitte Sweden is a member of DTTL, E&Y is a member of EYG, KPMG is a member of KPMG International and PWC is a member of PWCIL. However, even though they are members of a larger network each of the Big Four accounting firms act independently to the network why they are responsible for their own entity. The entire organization is therefore divided into smaller entities which act separated to the larger organization for example due to the large size and high complexity. In other words, it is inefficient to manage the entire organization due to the large size and high complexity which is why larger organization is divided to improve efficiency. This type of organizational form is characterized as divisionalized organization according to Mintzberg see Eriksson-Zetterquist et al (2006) why the Big Four accounting firms may also be characterized as divisionalized organization.

Thirdly, the large size and high complexity also indicates difficulties in controlling the activities performed in the Big Four accounting firms which creates a need to use formal control systems and routines. For example, Deloitte uses Acceptance and Continuaus, a common audit methodology, Compliance testing, Central Entity Systems, Global Portfolio System, Authorisation for Services and databases whereas E&Y Sweden uses E&Y Audit Quality Review, E&Y Global Audit Methodology, support system and Global Independence System. KPMG Sweden uses KPMG Audit Manual, Quality Performance Review and Risk Compliance Program while PWC Sweden uses Acceptance and Continuaus, a common audit methodology, Compliance testing, Central Entity Systems, Global Portfolio System, Authorisation for Services and databases to control activities. Greenwood & Empson (2003) observed that especially larger accounting firms used formal systems except in addition to informal management processes to manage the large size and high complexity in order to increase the efficiency to survive and become successful in the market. In other words, this type of organizational form is characterized as corporation and partly machine bureaucracy according to Greenwood & Empson (2003) and Bolman & Deal (2005) i.e. in this case the existence of superior bodies such as the board of directors and the executive team resembles the corporation form of non-PSF. This indicates that the Big Four accounting firms also may be seen as using a organizational form characterized by corporation and partly machine bureaucracy.
Fourthly, the fact that the Big Four accounting firms are characterized as partly machine bureaucracy instead of entirely machine bureaucracy is because the Big Four accounting firms are not entirely driven by the formal systems on the organizations. That is to say, the Big Four accounting firms are knowledge intensive organizations that are dependent on the knowledge of the employees to produce services with high quality why knowledge and therefore the employees are important resources to survive and become successful in the market. The employees have freedom to perform activities independently with little supervision but are in turn controlled by the profession. Deloitte Sweden uses values integrity, outstanding value to markets and clients, commitment to each other and strength from cultural diversity to control the employees while PWC uses the values teamwork, excellence and leadership. E&Y Sweden uses the values commitment, leadership and guidance, building relationships and standing for integrity, respect and cooperation. KPMG Sweden uses the values integrity, setting a good example and cooperate, valuing employees and share knowledge and information, communicate with honesty and engage in social events. That is to say, the employees are controlled by the values but they are given freedom to act independently under the conditions that they oblige to the values. To further control the activities, the Big Four accounting firms also uses formal systems as mentioned above which may be seen as a form of insurance to ensure that the employees act professionally and in accordance to the goals of the Big Four accounting firms. In this case, this type of organizational form in which the employees are allowed freedom in performing activities in an organization dependent on the employees may characterize as professional bureaucracy according to Bolman & Deal (2005) and Eriksson-Zetterquist et al (2006). This in turn indicates that the Big Four accounting firms may also be seen to use an organizational form as a professional bureaucracy. However, in this case it may be more appropriate to imply that the Big Four accounting firms use partly professional bureaucracy as an organizational form considering that the employees are not entirely independent but controlled by formal systems to a certain degree in the performance of the activities.

To summarize, the organizational form used by the Big Four accounting firms combines partly professional bureaucracy, divisionalized organization, corporation and partly machine bureaucracy to manage the balance between profession and profit in order to survive and become successful in the market.
Lastly, it is noticeable that there are few variations between the positions mentioned in the proposition 4b, the positions between the Big Four accounting firms as well as the positions demonstrated by Sorenson & Sorenson (1974). Even if there are similarities for example each of the Big Four accounting firms have partners, juniors or associate and also managers in accordance to what Sorenson & Sorenson (1974) observed, the positions demonstrated by Sorenson & Sorenson (1974) is not entirely applicable regarding the Big Four accounting firms. However, important to note that the main objective of the positions are based on the same factor i.e. the development of the employees' knowledge in difference to the positions of non-PSF organizations. Another similarity is that the positions used by the Big Four accounting firms differs from that of non-PSF by relating to the profession. Using positions relating to the development of the employees' knowledge illustrates the importance of the profession in the Big Four accounting firms to manage the balance between profession and profit, especially considering the fact that they communicate that they uphold the profession by the use of positions based on the development of the employees' knowledge.

6.4.2 Partnership

Proposition

5: The Big Four accounting firms are governed by a traditional ownership structure known as partnership in order to manage the balance between profession and profit.

Definition

According to Van Lent (1999) the traditional ownership in accounting firms is partnership which is defined by two or more individuals engaging in cooperate actions sharing the profit and the loss of the organization and also the responsibility of the actions of the colleagues. The ownership excludes outside owners why the owners of the accounting firm consists only of employees within the organization.

Summary of the Big Four accounting firms' ownership structure

The characteristics of partnership are evident in Deloitte Sweden in which the owners are the partners within the accounting firms who shares the profit and loss of the accounting firm. The partners consists only of employees i.e. both accountants and
specialists thereby excluding outside owners why Deloitte Sweden may be deemed as not influenced by outside owners and thus securing the profession. This means that the ownership structure of Deloitte Sweden is that of partnership in similarity to the partnership in accordance to Van Lent (1999). It also means that Deloitte Sweden communicates that they value the importance of profession in their management of the balance between profession and profit seeing as the partners consists only of employees thereby excluding outside owners and influences.

E&Y Sweden is owned through partnership by several partners consisting of employed accountants and specialists sharing the profit and the loss in the accounting firm which excludes outside owners and also the influence of outside owners on the profession that may damage the profession. In other words, E&Y Sweden has implemented an ownership structure that resembles the partnership according to Van Lent (1999) in order to manage the balance between profession and profit. Furthermore, it may be interpreted that E&Y Sweden values the importance of the profession as the partnership consists only of employees which excludes outside owners and influences.

The owners of KPMG Sweden consist only of partners employed either as accountants or specialists and thus excluding outside owners from influencing the accounting firm which decreases the probability of the damaging the profession from influences outside KPMG Sweden. With that said, although it is uncertain whether if the partners share the profit and loss of KPMG Sweden it may unclear if the ownership structure of KPMG Sweden may be seen as that of partnership in accordance to Van Lent (1999). However, considering that the partners consist entirely of employees without outside owners and outside influences may indicate that the profession is important within KPMG Sweden to manage the balance between profession and profit.

PWC Sweden is owned by several partners within the accounting firm sharing profit and loss of the organization. The partners consist only of employed individuals that are either accountants or specialists during their employment. As the partners consists only of employees outside owners are excluded from PWC Sweden why the ownership in PWC Sweden may be characterized as partnership. In short, the ownership structure implemented within PWC Sweden is similar to that of partnership in accordance to Van Lent (1999). Also, the use of partnership consisting only of employees during their
employment as well as excluding outside owners and outside influences further highlights the importance of profession in PWC Sweden in their management of the balance between profession and profit.

The table below shows a oversight of partners, dividends and partners related to other factors in the Big Four accounting firms during 2005/2006 and 2011/2012.

**Table 11** Oversight of partners, dividends and partners related to other factors in the Big Four accounting firms during 2005/2006 and 2011/2012

<table>
<thead>
<tr>
<th></th>
<th>Deloitte Sweden</th>
<th>E&amp;Y Sweden</th>
<th>KPMG Sweden</th>
<th>PWC Sweden</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total partners</td>
<td>60</td>
<td>86</td>
<td>174</td>
<td>169*</td>
</tr>
<tr>
<td>Total dividend</td>
<td>52 034</td>
<td>216 445</td>
<td>288 447</td>
<td>371 835</td>
</tr>
<tr>
<td>Dividend per partner</td>
<td>867, 23</td>
<td>2 516, 80</td>
<td>1 657, 74</td>
<td>2 200</td>
</tr>
<tr>
<td>Partner per employee</td>
<td>7 %</td>
<td>8 %</td>
<td>10 %</td>
<td>8 %</td>
</tr>
<tr>
<td>Net revenue per partner</td>
<td>18 719</td>
<td>16 579</td>
<td>12 986</td>
<td>18 276</td>
</tr>
<tr>
<td>Profit per partner</td>
<td>1 604</td>
<td>2 317</td>
<td>1 429</td>
<td>1 898</td>
</tr>
</tbody>
</table>

* The 168 partners of E&Y Sweden together possess 91 percent of the total shares and 49 percent of the total votes. The remaining share of 9 percent with 51 percent of the votes is owned by E&Y Europe, which concludes a total of 169 partners including E&Y Europe (based on E&Y Europe as a sole owner).

**Joint discussion**

The fact that the ownership structure within each of the Big Four accounting firms not only is that of partnership but also consisting only of employees thereby excluding both outside owners and outside influences demonstrates the importance of profession within the organizations. For the Big Four accounting firms it may communicate a positive image and result in positive status and reputation that benefits their profit and also their survival and success in the market. In other words, it can be said that the Big Four
accounting firms manage the balance between profession by using partnership consisting solely of employees excluding outside owners and outside influences.

In addition, it is notable that the partnership share similar nature such as consisting only of employees, excluding outside owners and outside influences as well as sharing the profit and loss of the organization. In other words, the ownership structure partnership is quite similar between the Big Four accounting firms. It is also important to note that the partnership in each of the Big Four accounting firms consists of both accountant and specialists which in turn may pose a possible threat to the balance between profession and profit because although specialists are employed in the Big Four accounting firms, it does not guarantee that they act in accordance to the profession. For example, tax consultant may not necessarily act in accordance to the profession compared to accountants but rather for profit. But because the ownership consists of employees acting in accordance to the profession and with the focus on profit implies that an ownership structure consisting of both accountants and specialists balances the profession and profit in the ownership of the Big Four accounting firms. In other words, it can be said that the Big Four accounting firms manage the balance between profession and profit through a partnership consisting of both accountants and specialists even if there is a risk of a possible negative impact on the balance between profession and profit in the Big Four accounting firms.

Furthermore, the balance between profession and profit may be threatened depending on the amount of partners and profit shared in the Big Four accounting firms, according to Lexander & Öggesjö (2011). That is to say, if the Big Four accounting firms have few partners sharing the total profit it may lead to a higher possibility of the partners disregarding the professional goal by acting only for the profit goal compared to if there are many partners sharing the same amount of profit. In this case, table 11 shows that both the dividends and the profit per partner has increased in three of the Big Four accounting firms (excluding KPMG Sweden) from 2005/2006 to 2011/2012 even though the amount of partner per employees are similar. This may be interpreted as through there is a possible increase in the focus on profit among the Big Four accounting firms in 2005/2006 and 2011/2012 which may threaten the balance between profession and profit even with many partners. However, the increasing profit and dividend per partner may also be used to encourage the partners to act efficiently due to
the existence of many partners in the Big Four accounting firms rather than based on an act of self-interest. Either way, the increasing focus on profit independent on what underlying reason, indicate a possible negative effect on the balance between profession and profit in the Big Four accounting firms even if there are many partners in the Big Four accounting firms. In other words, even with many partners in the Big Four accounting firms the balance between profession and profit may still be affected by increasing focus on profit as in this case where the dividend and profit increased while the numbers of partners remained the same.

Table 11 also shows that there are large variations between the Big Four accounting firms regarding the amount of partners. For example, Deloitte Sweden has a total of 60 partners in 2005/2006 compared to PWC Sweden with 224 partners during the same period. However, the partners per employees remain approximately the same not only within but also between the Big Four accounting firms in difference to the change in dividend and profit per partner during 2005/2006 and 2011/2012. In other words, this indicates that there is an increasing focus on profit in three of the Big Four accounting firms (excluding KPMG Sweden due to unavailable data) which may affect the balance between profession and profit in these Big Four accounting firms negatively.

6.4.3 Knowledge

Proposition

6: The Big Four accounting firms communicate with the society regarding how they manage knowledge within the organizations in order to manage the balance between profession and profit.

Definition

According to Von Nordenflycht (2010) and Lee (1995), accounting firms are knowledge intensive organization i.e. relies on the knowledge of the employees in order to produce services with high quality and earn profit why knowledge is an important competitive advantage. Knowledge is defined as the stock of expertise needed to perform activities that may be divided into different categories. There are also several methods available to use in order for accounting firms to manage knowledge. Morris & Empson (1999)
and Vera-Muñoz et al (2006) observed that accounting firms may use several methods to develop knowledge such as educations, courses, information technologies, discussions and personnel interactions.

**Summary of the Big Four accounting firms' knowledge management:**

*Deloitte Sweden* uses several methods such as educations, programs, courses, support systems and processes to manage and develop the knowledge of the employees. Deloitte Learning Platform, Deloitte Academy, development plans and mobility programs between Deloitte Sweden and the members of DTTL are examples of how Deloitte Sweden manages the knowledge of the employees within the accounting firm. Through coaching and assignment to different tailored teams, the employees within Deloitte Sweden may furthermore develop their knowledge. To begin with it is notable that Deloitte Sweden uses several methods to manage the knowledge of the employees as demonstrated by Morris & Empson (1999) and Vera-Muñoz et al (2006) which shows the importance of knowledge and profession to the society. In other words, it is evident that Deloitte Sweden communicates their knowledge management to the society by showing the importance of profession in order to manage the balance between profession and profit.

*E&Y Sweden* develops the knowledge of the employees by establishing educations, programs and courses in which the employees may participate. For example, Performance Management and Development Process is used to evaluate the employees’ performance to achieve their individual goals. Also, the employees in E&Y Sweden also have access to coaching for support and are assigned to different tailored teams to develop their knowledge. EYU is moreover an example on how E&Y Sweden manages knowledge by combining education, practical experience and coaching with consideration to the each of the employees’ potential. In short, by using several methods in managing knowledge E&Y Sweden communicates with the society the importance of both knowledge and profession in order to manage the balance between profession and profit. This also affirms the observations made by Morris & Empson (1999) and Vera-Muñoz et al (2006) regarding accounting firms using several methods in knowledge management.
KPMG Sweden uses educations, programs and courses to manage and develop the knowledge of the employees concerning such as leadership. For example, recently recruited employees are educated in ethic and independence. Even databases and documentations such as eAudit are used to standardize and control activities. KPMG Sweden moreover tailors the teams and use developments plans, coaching and mobility programs to develop the knowledge of the employees within the accounting firm. Firstly, in accordance to Morris & Empson (1999) and Vera-Muñoz et al (2006) KPMG Sweden uses several methods in managing the knowledge within their organizations. Secondly, communicating the usage of several methods in managing knowledge to the society indicates that knowledge and the profession are important to KPMG Sweden in order to manage the balance between profession and profit.

PWC Sweden implements several methods to develop the knowledge of the employees, for example PWC Sweden uses career programs to evaluate the employees’ performance to achieve their individual goals i.e. development plans, coaching to support the employees by giving employees access to mentors or managers. PWC Sweden furthermore establishes educations, programs and systems such as e-learning and educations on leadership and tax, uses social medias and mobility programs to develop the knowledge of the employees. With that said, it is notable that PWC Sweden communicates the importance of knowledge and profession through the use of several methods in their knowledge management in order to manage the balance between profession and profit. This in turn furthermore affirms what Morris & Empson (1999) and Vera-Muñoz et al (2006) observed regarding accounting firms’ use of several methods to manage knowledge within their organizations.

Joint Discussion

In summary, it may first be said that the observations made by Morris & Empson (1999) and Vera-Muñoz et al (2006) concerning accounting firms using several methods to manage knowledge is affirmed concerning he Big Four accounting firms. This demonstrates that knowledge is a vital resource and competitive advantage to the Big Four accounting firms which may be due to the fact that they are knowledge intensive organizations. That the Big Four accounting firms communicate how they invest and manage the knowledge of the employees to the society indicates that the profession is important. This may result in positive status and reputation beneficial not only to the
profession but also the profit such as increasing clients. In other words, in order to manage the balance between profession and profit the Big Four accounting firms communicate with the society regarding how they manage the knowledge of the employees within the organizations.

How knowledge is managed within the Big Four accounting firms may differ depending on what type of knowledge the employees possess or should possess according to the standards of the Big Four accounting firms. In turn the opposite may be said, that is to say what knowledge the employees in the Big Four accounting firms possess or should possess is reflected in what methods they use to develop the knowledge of the employees. For example, E&Y Sweden focuses mainly on developing the specialized and individual knowledge of the employees which in turn is reflected by the use of Performance Management and Development Process as a form of development plans, coaching and EYU.

This also indicates that specific methods are more appropriate to develop a specific kind of knowledge. For instance, it is evident that each of the Big Four accounting firms use educations, programs and courses to develop the knowledge of the employees. Considering that educations, programs and courses involve a large amount of individuals it may indicate that the use of this method to develop knowledge is mainly used to develop the group or common knowledge rather than individual and specialized knowledge of the employees within the Big Four accounting firms. In other words, the use of several methods to develop different kinds of knowledge benefits the overall knowledge of the Big Four accounting firms and affects the balance between profession and profit because knowledge is a vital resource and asset to the production of service with high quality why knowledge is a competitive advantage. In this case, it is affirmative that the Big Four accounting firms use several methods to develop the knowledge of the employees such as educations, programs and courses, information technologies, coaching, development plans, personnel interactions and mobility programs. Based on the fact that the methods develops different kinds of knowledge, the use of several methods implies that the Big Four accounting firms focuses on developing the overall knowledge of the employees to manage the balance between profession and profit even if for example E&Y Sweden majorly also focuses on specialized knowledge.
Furthermore, using different methods to develop the knowledge involving information technology such as databases, assigning teams and coaching for personnel interactions, discussions, evaluations and feedback also gives the employees opportunities to improve the communication and the cooperation within the Big Four accounting firms. In this case, it is notable that the each of the Big Four accounting firms tailors teams with employees who possess necessary knowledge to perform activities efficiently. This indicates that the teams may include employees with different positions, expertise and experiences. Through discussion, feedback, communication, evaluation and cooperation the employees not only accomplishes the activities but also share their knowledge with each other which benefits their development in knowledge through personnel interactions. Even information technologies is an example, that is to say expertise and experience is recorded and standardized for the employees to use to efficiently perform activities while, at the same time, developing the knowledge of the employees.

It is furthermore evident that the methods used between the Big Four accounting firms are similar to each other although with few variations in for example names. For example, each of the Big Four accounting firms uses educations, programs and courses to develop the knowledge of the employees. Because educations programs and courses are connected to the common and group knowledge within the Big Four accounting firm, it may indicate that it is important for the Big Four accounting firms to develop this kind of knowledge among the employees to for instance secure a level of competence. Another example is the use of coaching and also development plans the latter of which is called career program in PWC Sweden and Performance Management and Development Process in E&Y Sweden that evaluates the performance of the individual employee in achieving their established goals. In other words, the use of methods to develop the knowledge of the employees between the Big Four accounting firms are not only many but also quite homogenous.
6.4.4 Reward system

Proposition

7: The Big Four accounting firms reward their partners with the right to obtain rights and share the profits of the organizations in order to manage the balance between profession and profit.

Definition

The purpose of establishing reward system is to encourage the employees to act efficiently, according to Ax et al (2009). Considering that accounting firms are organizations that relies on the knowledge of the employees to produce services with high quality to survive and become successful in the market, it may be seen as particularly important for them to use reward systems to influence the performance of the employees to act efficiently and in accordance to the goals of the accounting firms.

Summary of the Big Four accounting firms' reward system:

Deloitte Sweden uses reward system based on the knowledge of the employees to encourage the employees to act efficiently. In other words, as employees develop their knowledge they can achieve higher positions with higher responsibilities. For example, as associates the employees are first educated with technical knowledge before performing services to clients to secure the status and reputation of Deloitte Sweden in the market. When employees achieve higher positions, they are rewarded with higher salaries and rights such as sharing profit and loss in return for the performance and responsibility. Considering that the highest position is that of partner it is possible that employees are able to achieve this position and thereby gain the rights to share the profits and loss of Deloitte Sweden.

E&Y Sweden established reward system with the purpose of encouraging the employees to perform activities efficiently why the reward system is based on the knowledge of the employees in the accounting firm. In order to achieve higher positions within E&Y Sweden, the employees therefore have to develop their knowledge. With higher positions also indicates higher responsibilities for their behaviors and actions to the accounting firm. For example, partners consist of employees who act professionally and possess knowledge and experience with compensation such as sharing the profit and the
loss of E&Y Sweden. In other words, this affirms the possibility of the employees achieving the position of partner within E&Y Sweden with the rights to share profit and loss of the organization.

The reward system in *KPMG Sweden* is based on the knowledge of the employees in order to encourage the employees to act efficiently. By developing their knowledge, the employees are able to achieve higher positions in the accounting firm. For example, recently recruited employees obtain the position of associate and by developing their knowledge they can achieve the positions of senior associate, manager, senior manager and lastly partner. However, higher positions correspond to higher responsibilities for such as managing clients but with compensation such as higher salaries and rights. With that said, the employees within KPMG Sweden are able to attain the highest position as partner thereby attaining the right of sharing profit and loss of the organization.

*PWC Sweden* implements reward systems in order to encourage the employees to perform activities efficiently based on the knowledge of the employees within the accounting firm. In other words, the employees achieve higher positions by developing their knowledge in the accounting firm. However, with higher positions the employees also obtain higher responsibilities for example to create and maintain relations with clients to contribute to the viability and the development of the accounting firm, especially as partners. The employees are in turn compensated, for instance partners are compensated with rights to share profit which in turn implies that the employees within PWC Sweden are enabled to gain the position of partner of PWC Sweden.

*Joint discussion*

In other words, the reward systems in the Big Four accounting firms are not only of the same purpose i.e. to encourage the employees in order to increase their performance through efficiency, but the reward systems are also based on similar factors i.e. knowledge. In short, the rewards system within the Big Four accounting firms are quite homogenous. Lee (1995), Von Nordenflycht (2010) and Van Lent (1999) stated that accounting firms are knowledge intensive organizations why the fact that the reward systems in the Big Four accounting firm is based on knowledge may be seen as understandable. That is to say, knowledge is a vital resource or asset for accounting firms to produce services with high quality for clients why the production of services
relies on the level of knowledge in accounting firms. What knowledge the employees possess is therefore the competitive advantage of the Big Four accounting firms which may be why the reward systems implemented have the purpose of encouraging the employees to develop their knowledge. Either way, the fact that the reward systems are based on knowledge with the purpose of encouraging the employees is similar between the Big Four accounting firms is evident, as mentioned before. To compensate the employees for their performance, the Big Four accounting firms are further shown to provide the employees with similar rewards such as higher salaries and rights to share the profit and loss of the organization i.e. financial and non-financial rewards. Also, the use reward system based on the development of the employees' knowledge may be related to the profession. This illustrate the importance of knowledge and profession within the Big Four accounting firms which may result in positive status and reputation and also increasing profits. In other words, the Big Four accounting firms manage the balance between profession and profit by communicating to the society that they use reward systems based on the development of the employees' knowledge.

Furthermore, even though the reward systems are mainly based on the knowledge of the employees it is notable that there are additional conditions that the employees need to fulfill in order to achieve the higher positions. These conditions refer to for example the importance of viability except that of the knowledge in order to ensure the survival and the success of the organization in the market. This implies that with higher positions, the employees are affected by increasing focus on profit except that of the profession due to such additional conditions which in turn may pose a possible negative effect to the balance between profession and profit in the Big Four accounting firms even if profit is a necessity for the survival and the success of the Big Four accounting firms. Moreover, the increasing focus on profit with employees with higher positions in difference to the employees with lower levels who focus mainly on developing knowledge (because they are not yet affected by the additional conditions) may lead to a possible conflict between the employees in the Big Four accounting firms which in turn may have a negative effect on the cooperation. Considering that the decisions are made by employees with higher positions indicates that there is a risk that the Big Four accounting firms may be governed based on a focus of profit rather than the profession which poses yet another possible negative impact on the balance between profession and profit within the Big Four accounting firms. In other words, the possible conflict
concerning profession and profit may have a negative effect not only on the cooperation between employees but also the balance between profession and profit within each of the Big Four accounting firms.

6.4.5 Informal and formal management processes

Proposition
8: The Big Four accounting firms have increased the standardization of the systems in order to manage the balance between profession and profit.

Definition
According to Von Nordenflycht (2010) informal management processes refers to the rules and systems with little strategic planning and few formal restrictions. In contrast, formal management processes refers to systems with standardization such as routines to control how activities are performed.

Summary of the Big Four accounting firms' informal and formal management processes
Deloitte Sweden uses the ethical principles integrity, outstanding value to markets and clients, commitment to each other and strength from cultural diversity to ensure that the employees act professionally and in accordance to the goals of the accounting firm. Shortly, the principles involves delivering high quality services to clients by application of high standards and professional behavior and also cooperation and communication within and outside Deloitte Sweden to secure the status, reputation and relations with the clients. In other words, the use of values in Deloitte Sweden is connected to the balance between profession and profit. For example, by maintaining relations with clients Deloitte Sweden secures a stable profit and securing the status and reputation is a signal that Deloitte Sweden acts in accordance to the profession. In addition, Deloitte Sweden also uses policies, systems and processes in accordance to laws and DTTL. For example, Deloitte Sweden manages the ethical issues regulated by the ethical standards of FAR, the global policy of DTTL and the standards of IFAC through the use of policies and processes. AuditSystem/2, Deloitte Entity Search, Global Independence Monitoring system and Deloitte Risk Management System are examples to control the activities within Deloitte Sweden. AuditSystem/2 is a framework restricting the
management of audit, documentation, technology and internal controls to reduce the risk of inaccurate audits. In other words, indications of increasing standardization is notable within Deloitte Sweden which are further highlighted in the discussion below.

In order to regulate the actions of the employees, secure the quality of the services performed to the clients and secure the status and reputation with clients and society, E&Y Sweden mainly uses values involving three principles which involves employees commitment, leadership and guidance, building relationships and standing for integrity, respect and cooperation. With that said, the values in E&Y Sweden is therefore connected to the balance between profession and profit as means used to secure the status and reputation and thus ensuring that E&Y Sweden not only act in accordance to the profession but also to secure a stable profit for the survival and the success of E&Y Sweden. Furthermore, E&Y Sweden have also implemented policies, control systems, routines and processes such as E&Y Audit Quality Review, E&Y Global Audit Methodology, support system and Global Independence System with the purpose of controlling activities concerning for example quality, independence, competence and risk. For instance, E&Y Audit Quality Review is used to ensure the efficiency of the control systems and compliance with laws and regulations, E&Y Global Audit Methodology is used to control the audit methodology in E&Y Sweden and the purpose of Global Independence System is to manage the independence. With that said, there are implications that standardization has increased within E&Y Sweden which are further highlighted in the discussion below.

The values used by KPMG Sweden involve integrity, setting a good example and cooperate, valuing employees and share knowledge and information, communicate with honesty and engage in social events. The purpose of the values established in KPMG Sweden is to ensure that the employees act and behave professionally with objectivity and independence because KPMG Sweden is a knowledge intensive organization with a production based on services with high quality which in turn is performed by the employees within the accounting firm. To ensure that employees act and behave professionally is vital for example to ensure the status and reputation of KPMG Sweden to secure the quality and a stable profit therefore connecting it to the profession and the profit and thus also the balance between profession and profit. KPMG Sweden also uses policies, processes and systems for example KPMG Sweden uses KPMG Audit Manual,
Quality Performance Review and Risk Compliance Program to control activities and secure for instance ethic, independence and quality in the activities performed by the employees in the accounting firm. In this case, KPMG Audit Manual and Quality Performance Review are two examples which KPMG Sweden uses to secure the quality of the activities performed meanwhile Risk Compliance Program controls the risk and independence among employees within the organization. In short, there are indications of standardization increasing in KPMG Sweden which are further highlighted in the discussion below.

**PWC Sweden** uses values and codes of conduct in order to regulate the behavior and actions of the employees to secure that they act in accordance to the goals of the accounting firm and to secure the brand name in the market. The values in PWC Sweden are divided into three areas which are teamwork, excellence and leadership. In short, PWC Sweden values cooperation and teamwork, delivering services with high quality and leadership to guide employees and clients. This implies that the values used in PWC Sweden is connected to how the balance between profession and profit is managed, for example securing the brand name and quality of the services results in a secured profit in accordance to the profession. Moreover, PWC Sweden uses policies, systems and processes in order to regulate the employees and control the activities within the accounting firm such as Acceptance and Continuance, a common audit methodology, Compliance testing, Central Entity Systems, Global Portfolio System, Authorisation for Services and databases. These are used to improve communication, quality, risk and independence of the activities and the employees within the accounting firm. In this case, implications of increasing standardization within PWC Sweden is evident which are further highlighted in the discussion below.

**Joint discussion**

According to Von Nordenflycht (2010), accounting firms have a tendency to use informal management processes. But considering that informal management processes may lead to inefficiency affecting the status, reputation and viability and thus the balance between profession and profit negatively, Van Lent (1999) and Malhotra et al (2006) observed increasing use of formal management processes especially in larger accounting firms due to the size and high complexity. Based on what has been mentioned above, it can first be said that the existence of both informal and formal
management processes within the Big Four accounting firms is affirmed. This in turn also affirms the observation found by Van Lent (1999) and Malhotra et al (2006) regarding least the Big Four accounting firms.

Secondly, the use of formal management processes leads to increasing control of the activities. But in contrast, the disadvantage is that the restriction negatively influences the employees to “do things right” rather than “do right things”, according to Öhman (2004, pp. 38). In turn this may undermine the professional judgment and affect the balance between profession and profit negatively. Even so, the fact that the Big Four accounting firms use formal management processes despite the disadvantage indicates that there is a need to control the activities except using only informal management processes. In other words, formal management processes are necessary to the Big Four accounting firms possibly due to for example the large size and high complexity of the Big Four accounting firms. But as mentioned before, there is a risk of undermining the profession within the Big Four accounting firms with the use of formal management processes that may result in a negative effect on the balance between profession and profit. In this case, the use of formal management processes in the Big Four accounting firms involves terms such as quality, independence and audit that relates to the profession. This approach may indicate that the risk of undermining the profession is decreased. However, this may in fact result in “do things right” rather than “do right things” in accordance to Öhman (2004, pp. 38). In other words, the possible negative effect on the balance between profession and profit in the Big Four accounting firms with the use of formal management processes remains intact even if they relate the use of formal management processes with the profession. However, considering the large size and complexity of the Big Four accounting firms, this risk may be inevitable to the Big Four accounting firms as formal management processes is a necessity to manage the balance between profession and profit.

Thirdly, as mentioned above there are implications of increasing standardization within the Big Four accounting firms. The increasing standardization may be due to the larger global network i.e. DTTL, EYG, KPMG International and PWCIL, increasing laws and informal management processes. As mentioned before, DTTL, EYG, KPMG International and PWCIL only operates as a coordinating network for its members with overall policies and systems to which the members must comply with. In other words,
this may be seen as a form of standardization. Yet another form of standardization may result from increasing laws and regulations whether it is internationally or nationally. In this case, what is interesting is that laws and regulations have two possible ways of affecting the Big Four accounting firms i.e. directly or indirectly through the larger global network. Lastly, the increasing standardization may result from informal management processes. The purpose of informal management processes is to allow the employees a degree of freedom in the performance of the activities why informal management processes involves rules and systems with little strategic planning and few formal restrictions. For that reason, the Big Four accounting firms use ethical values and principles on how the employees should behave. However, in another perspective this may in fact be counter-productive in which this leads to a form on standardization regarding the employees behavior instead of the intended degree of freedom to which the employees are supposed to be allowed in performing the activities. This means that the informal management processes established by the Big Four accounting firms such as values and principles may be seen as a framework instead of guidelines on the employees behavior. In other words, how the employees should behave instead results in how the employees must behave. The effect of increasing standardization may thereby result in "doing things right” rather than “doing right things” in accordance to Öhman (2004, pp. 38) which in turn may undermine the profession within the Big Four accounting firms. In short, increasing standardization may lead to a possible negative impact on the profession which in turn may affect the balance between profession and profit in the Big Four accounting firms negatively.

Lastly, note that the informal and formal management systems used by the Big Four accounting firms is quite similar to each other even if the processes used vary in terms for example names and division. For instance, PWC Sweden uses values based on teamwork, excellence and leadership meanwhile Deloitte Sweden uses integrity, outstanding value to markets and clients, commitment to each other and strength from cultural diversity. However, the purpose of the informal and formal management processes between the Big Four accounting firms is considerably similar concerning for example the need of securing quality, independence, cooperation and relations with clients in order to secure the status and reputation in the market by restricting the employees. That is to say, the purpose of the informal and formal management
processes is homogenous even if they might possess different names and functions to achieve the purpose and manage the balance between profession and profit.

6.4.6 Responsibility distribution

Proposition

9: The Big Four accounting firms tend to use decentralization to manage the balance between profession and profit due to their large size and high complexity.

Definition

According to Ax et al (2009) and Abrahamsson & Andersen (2005) responsibility is the obligation to perform distributed activities. What obligations the employees are expected to perform depends on the positions they possess. Responsibility may also be identified as the authority that employees possess to distribute activities in the accounting firm why responsibility distribution may be divided into centralization and decentralization depending on who and where decisions are made.

Summary of the Big Four accounting firms' responsibility distribution

In Deloitte Sweden, the employees are able to achieve the following positions: associate, senior, manager, senior manager, director or partner each of which have different responsibilities according to their position. For example, seniors may cooperate with clients, managers are responsible for clients and the supervision, support and evaluations of employees with lower position whereas directors or partners have the responsibility of influential clients and are expected to act professionally. Deloitte Sweden is furthermore governed by the superior bodies: partners meeting and shareholder meeting, the board of directors and the executive team but comply with the conditions of the global network DTTL. DTTL is in turn governed mainly by the global board of directors consisting of for instance the CEO and the chairman. But DTTL functions only as a coordinating network why Deloitte Sweden is an independent member to the network owned and governed by individually. This implies that decentralization and centralization is used to manage the balance between profession and profit as Deloitte Sweden operates as an independent entity to the global network.
E&Y Sweden consist of employees with positions such as juniors, managers, directors and partners whereas partners are the highest position and juniors are the lowest positions. For example, partners are employees that act professionally as a model to other employees and possess both expertise and experience meanwhile managers are employees that act professionally to inspire other employees. E&Y Sweden moreover consists of the superior bodies: the election board, the board of directors and the executive team. As a member of EYG, E&Y Sweden comply with the conditions of the network although EYG acts only as a coordinating network which in turn mainly is governed by the global executive team and the global advisory council. But only with the function of a coordinating network, EYG do not control E&Y Sweden entirely. In other words, E&Y Sweden is an independent entity to the network that governs its own entity but with compliance to the conditions of EYG which indicates that decentralization and centralization is used to manage the balance between profession and profit.

The employees are able to achieve the positions of associate, senior associate, manager, senior manager and partners in KPMG Sweden with partners as the highest positions and associates as the lowest positions. In KPMG Sweden, it is employees with higher positions who are mainly responsible for relations with clients and guide teams. The superior bodies of KPMG Sweden consist of shareholder meeting, the election board, the board of directors and the executive team who are responsible for the governance of the accounting firm. But as a member of KPMG International, the governance of KPMG Sweden complies with the conditions of the global network, KPMG International that is governed by the superior bodies the global board of directors and the global executive team. KPMG Sweden is therefore an independent entity to that of KPMG International that is responsible for its own actions but with the need to comply with the conditions of KPMG International as a member of the network. In other words this means that in order for KPMG Sweden to manage the balance between profession and profit, decentralization as well as centralization is used.
The positions achievable to the employees in *PWC Sweden* are associate, assistant manager, manager, senior manager, director and partner. The higher positions that the employees possess correspond to increasing responsibility to manage relations with clients and contribute to the survival and the success of PWC Sweden. The governance of PWC Sweden is decided by the superior bodies consisting of the partner meeting or shareholder meeting, the board of directors and the executive team. However, as a member of a larger network, PWC Sweden complies with the conditions made by PWCIL which is governed by the global board of directors, the strategy council, the network leadership team and the network executive team. Because PWCIL only functions as a coordinating network, PWC Sweden is an independent entity to the network and is therefore responsible for its own governance and actions. In short, this indicates that decentralization and also centralization is used to manage the balance between profession and profit within PWC Sweden.

*Joint discussion*

To begin with it is evident that there are variations in what positions exist in the Big Four accounting firms compared to the main five positions (associate, senior, manager, director and partner) observed by Sorenson & Sorenson (1974). This implies that the five positions observed by Sorenson & Sorenson (1974) are not generable on the Big Four accounting firms. But although there are differences between the Big Four accounting firms and Sorenson & Sorenson (1974), the differences are quite small. For example, each of the Big Four accounting firms have partners, juniors or associate and also managers in similarity to that of what Sorenson & Sorenson (1974) observed.

Furthermore, it is more apparent in this section compared to 6.4.1 *Organizational form* that higher positions in the Big Four accounting firms corresponded to increasing responsibility of clients such as creating and maintaining relations with clients which may indicate that there is an increasing focus on profit in higher positions compared to lower positions in the Big Four accounting firms. This in turn may result in a negative effect on the balance between profession and profit in the Big Four accounting firms. For example, if the partners as the highest position in the Big Four accounting firms act more for profit instead of profession and execute their rights through the partners meeting or the shareholder meeting to make decisions it may lead to a possible threat to the balance between profession an profit. What is interesting is also the fact that the
superior bodies in the Big Four accounting firms resembles that of corporation form as that of non-PSF as observed by Van Lent (1999) with the exception of the partners meeting. In other words, the alteration that Van Lent (1999) observed in accounting firms is not entirely proven but it is evident that the Big Four accounting firms have a governance in similarity to that of non-PSF i.e. corporation form.

Lastly, it is further noticeable that each of the Big Four accounting firms are similar in the case that they are members of a larger global network even though they still act as an independent entity to the network. The Big Four accounting firms are therefore individually responsible for the governance of their own independent entity however, with the obligation to comply with the conditions of the global network as members. That is to say, the Big Four accounting firms is of decentralization rather than centralization which imply that the decisions are made in the national offices of the Big Four accounting firms rather than the global level which may be due to the advantages of decentralization for larger organizations. However, as mentioned above, the national offices of the Big Four accounting firm comply with the conditions of the larger network why decisions are also made in higher levels in the Big Four accounting firms. This indicates that although the Big Four accounting firms mainly characterizes as decentralization, there is also an impact of centralization. For the Big Four accounting firm, this combination may be a necessity for the survival and success in the market for example, to ensure that the members active in different geographic areas act similarly to secure the brand name and a stable profit. In other words, the Big Four accounting firms combines decentralization and centralization in order to manage the balance between profession and profit.

6.5 Summary of the factors of organizing and the propositions

Table 12 below shows a summary of the propositions i.e. accepted or neglected for each of the Big Four accounting firms, based on the discussion in the analysis above. The purpose of the table is to summarize and give an overview of how each of the Big Four accounting firms are organized to manage the balance between profession and profit.
Table 12 Summary of the organizing factors and the propositions based on the analysis

<table>
<thead>
<tr>
<th>Organizing factor</th>
<th>Proposition</th>
<th>Deloitte</th>
<th>E&amp;Y</th>
<th>KPMG</th>
<th>PWC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goal</td>
<td>1: The Big Four accounting firms aspire to achieve both professional goals and profit goals in order to manage the balance between profession and profit.</td>
<td>Accepted</td>
<td>Accepted</td>
<td>Accepted</td>
<td>Accepted</td>
</tr>
<tr>
<td></td>
<td>2: The Big Four accounting firms communicate with the society regarding the compliance with laws and regulation in order to uphold the balance between profession and profit</td>
<td>Accepted</td>
<td>Accepted</td>
<td>Accepted</td>
<td>Accepted</td>
</tr>
<tr>
<td>Strategy</td>
<td>3a: The Big Four accounting firms implement a strategy to improve quality to fulfill the professional goal in order to manage the balance between profession and profit.</td>
<td>Accepted</td>
<td>Accepted</td>
<td>Accepted</td>
<td>Accepted</td>
</tr>
<tr>
<td></td>
<td>3b: The Big Four accounting firms use a strategy to extend the range of services to clients to fulfill the profit goal to manage the balance between profession and profit.</td>
<td>Accepted</td>
<td>Accepted</td>
<td>Accepted</td>
<td>Accepted</td>
</tr>
<tr>
<td>Structure:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Organizational form</td>
<td>4a: The Big Four accounting firms are characterized by an organizational form which combines professional bureaucracy, divisionalized organization and corporation in order to manage the balance between profit and professional goals.</td>
<td>Partly accepted*</td>
<td>Partly accepted*</td>
<td>Partly accepted*</td>
<td>Partly accepted*</td>
</tr>
</tbody>
</table>
4b: The Big Four accounting firms use the main positions junior, senior, supervisor, manager and partner in order to manage the balance between profession and profit.

<table>
<thead>
<tr>
<th>Partnership</th>
<th>5: The Big Four accounting firms are governed by a traditional ownership structure known as partnership in order to manage the balance between profession and profit.</th>
<th>Accepted</th>
<th>Accepted</th>
<th>Accepted</th>
<th>Accepted</th>
</tr>
</thead>
</table>

Knowledge

6: The Big Four accounting firms communicate with the society regarding how they manage knowledge within the organizations in order to manage the balance between profession and profit.

<table>
<thead>
<tr>
<th>Reward system</th>
<th>7: The Big Four accounting firms reward their partners with the right to obtain rights and share the profits of the organizations in order to manage the balance between profession and profit.</th>
<th>Accepted</th>
<th>Accepted</th>
<th>Accepted</th>
<th>Accepted</th>
</tr>
</thead>
</table>

Informal and formal management processes

8: The Big Four accounting firms have increased the standardization of the systems in order to manage the balance between profession and profit.

<table>
<thead>
<tr>
<th></th>
<th>Accepted</th>
<th>Accepted</th>
<th>Accepted</th>
<th>Accepted</th>
</tr>
</thead>
</table>

Partly accepted** | Partly accepted** | Partly accepted** | Partly accepted** |
| Responsibility distribution | 9: The Big Four accounting firms tend to use decentralization to manage the balance between profession and profit due to their large size and high complexity. | Partly accepted*** | Partly accepted*** | Partly accepted*** | Partly accepted*** |

*The discussion in the analysis indicates that the Big Four accounting firms are characterized by an organizational form combining partly professional bureaucracy, divisionalized organization, corporation and partly machine bureaucracy (thereby partly accepted).

**The discussion in the analysis demonstrates few variations but also similarities between the positions used by Sorenson & Sorenson (1974) compared to the positions found within the Big Four accounting firms (thereby partly accepted).

***The discussion in the analysis illustrates that the Big Four accounting firms use decentralization as they are independent entities to the network, however, they are under the obligation of complying with the overall rules of the network leading to centralization as well (thereby partly accepted).
7. Results

Chapter 7 presents the results of the thesis related to the research questions and the purpose of the thesis based on the results of the analysis about how the Big Four accounting firms organize to manage the balance between profession and profit. Lastly, the chapter concludes with a presentation of implications, limitations and recommendations for future research.

7.1 Conclusions

The purpose of this thesis is to understand how the Big Four accounting firms organize in order to manage the balance between profession and profit for the survival and the success in the market. In order to achieve this, propositions have been deducted based on the current research on accounting firms. However, since the current research on accounting firms is both limited and lacking, propositions have also been deducted based on current research on organizations and accountants with adaption to accounting firms, with the main focus on larger accounting firms as the research entity of the thesis is the Big Four accounting firms. Furthermore, the view on organizations chosen in the thesis is rationalistic theory that explains that accounting firms exist to seek out goals. The propositions are deducted based on the factors of organizing involving goal, environment, strategy and structure (i.e. organizational form, partnership, knowledge, reward system, informal and formal management processes and responsibility distribution) that relate to the balance between profession and profit. The empirical findings are based on data and information gathered through a qualitative research method from different types of documents electronically such as financial statements, transparency reports and websites.

The thesis illustrates several findings in conclusion to the discussion in the analysis. Firstly, the purpose of the thesis i.e. how the Big Four accounting firms organize in order to manage the balance between profession and profit is summarized by table 12. Secondly, note that the propositions correspond quite accurately with the findings in empirical data of the Big Four accounting firms. Considering that the propositions are deducted based on the current research on accounting firms, organizations and
accountants, this means that the theory is quite consistent with the reality regarding the Big Four accounting firms. Thirdly, it is further noticeable that each of the Big Four accounting firms are organized considerably similar in managing the balance between profession and profit. In other words, there is a form of isomorphism. This isomorphism may be a result from the Big Four accounting firms' need to optimize the efficiency in order to manage the balance between profession and profit for the survival and success in the market, especially as leading accounting firms. But what is interesting in this case is that even though the Big Four accounting firms are organized similarly there are visible differences between them regarding for example the amount of income, employees and partners. However, as the primary focus of the thesis is the Big Four accounting firms' organizing and because of unavailable data due to issues concerning sensitivity, further study into this area is not included in the thesis. Last but not least, Agevall & Jonnergård (2012), see Björngren Cuadra & Fransson (2012) observed an increasing focus on profit that may result in an undermining the focus on profession and thereby negatively affect the balance between profession and profit between accounting firms including the Big Four accounting firms. The thesis shows that there are indications on an increasing focus on profit within the Big Four accounting firms which affirms the observations made by Agevall & Jonnergård (2012), see Björngren Cuadra & Fransson (2012) with limitation to the Big Four accounting firms. However, there are also indications of the Big Four accounting firms continuing to maintain the importance of the profession within the organizations. This further indicates that even with the increasing focus of profit, the Big Four accounting firms attempt to manage the balance between profession and profit through organizing using a professional goal and profit goal that permeates the organizing of the organizations.

7.2 Implications

The current research on accounting firms is not only limited but also lacking which is surprising according to several authors such as Van Lent (1999) why there is a need of understanding accounting firms considering that they fulfill the role of securing financial information and contribute to an efficient market and the prosperity of the society. For example, the accountants are affected by several influences among one of which is from the accounting firms according to Warren & Alzola (2009). In other
words, this implies that understanding accounting firms may lead to an understanding of accountants both to the accountants themselves and to the society since accountants have been criticized for mismanaging their functions with the increasing scandals. Furthermore the result of the thesis may also benefit not only the Big Four accounting firms but also other larger accounting firms on understanding the connection between organizing and the balance between profession and profit as no other research about the research subject has been found. This also implies that the thesis contributes to the existing research on accounting firms, mainly larger accounting firms and specifically on the Big Four accounting firms concerning organizing and the balance between profession and profit.

7.3 Future research and limitations

In this thesis, the main focus has been to study how the Big Four accounting firms organize in order to manage the balance between profession and profit based on a qualitative research approach. Alternatively, a recommendation for future research is to apply a quantitative research approach to study the connection between the factors of organizing and the balance between profession and profit. Additional recommendations for future research are as following:

Firstly, the thesis mainly focuses on studying a set of specific factors of organizing in relation to the balance between profession and profit. In other words, the thesis includes the following factors: goal, environment, strategy and structure latter of which is divided into organizational form, partnership, knowledge, reward system, informal and formal management processes and responsibility distribution. However, except these there are additional factors that have been excluded that may have an impact on how the Big Four accounting firms organize to manage the balance between profession and profit. For example, a factor that has been excluded is culture. An option to study the culture of the Big Four accounting firms to determine how the culture affects how they manage the balance between profession and profit is to use direct observations, especially as the data and information gathered in the thesis is limited to documents.
Secondly, an alternative to future research is to study how the organizing within the Big Four accounting firms affects the balance between profession and profit. For instance, this thesis focuses mainly on the national office in Sweden and partly on the global scale i.e. the global network of the Big Four accounting firms. An additional option is to study if and how entities within the network of a specific accounting firm vary in the organizing to manage the balance between profession and profit. In this case, it may also be of interest to study if and how entities within the network vary between different accounting firms. For example, if and how Deloitte Sweden differs from Deloitte USA or Deloitte UK and if there are differences between the entities of DTTL and for instance, the entities of KPMG International.

Lastly, future research may focus on studying why the Big Four accounting firms differ concerning for instance the amount of income, employees and partners even though they are similar. In other words, it would be interesting to understand if the difference depends on efficiency or another unknown factor as this area of study is not included in the thesis. However, this would involve sensitive and perhaps inaccessible data that the Big Four accounting firms are unwilling to distribute as it would involve for example price lists on the services, list of clients and list of the employees' salary and bonuses. An optional addition is to include why the clients prefers a specific accounting firm compared to another of the Big Four accounting firm even though for instance, the price of a certain service is less expensive.
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