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Citation: Murphy, R., Seabrooke, L. & Stausholm, S. N. (2019). A Tax Map of Global Professional Service Firms: Where Expert Services are Located and Why. Denmark: Copenhagen Business School.

This is the published version of the paper.

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A TAX MAP OF GLOBAL PROFESSIONAL SERVICE FIRMS: WHERE EXPERT SERVICES ARE LOCATED AND WHY

COFFERS D4.6
FEBRUARY 2019

Richard Murphy
City University of London

Leonard Seabrooke
Copenhagen Business School

Saila Stausholm
Copenhagen Business School



COFFERS
EU Horizon 2020 Project



This project has received funding from the European Union's Horizon 2020 research and innovation programme under grant agreement No 727145.

Abstract

The role of multi-disciplinary Global Professional Service Firms (GPSFs) in the architecture of international tax abuse has been very little studied. Although it has been known that some of these firms operate in many of the world's secrecy jurisdictions the scale of their activity in these, and other, locations has been little understood. Nor has their own representations of their tax services been appropriately considered. This working paper seeks to redress this deficiency. We locate the activities of these firms in the broader context of their activities around the globe, since it is the boast of many of them that they operate in more than 140 jurisdictions, worldwide. The research has revealed the opacity of the data surrounding these firms, and the unusual nature of their ownership structures. Financial reports of these firms are not available for most jurisdictions in which they work, whilst common control through ownership structures rarely crosses national boundaries. Using global directories of the firms as indication of presence in a location and the number of employees by jurisdiction as an indication of scale, our research indicates the disproportionate activity of particular GPSFs firms, namely the 'Big Four' accountancy firms, providing tax based services in secrecy jurisdictions. This suggests that they are major suppliers of offshore financial services. We consider the evolution of these GPSFs since the 1990s, suggesting they have been conscious participants in this activity but that their behaviour has adapted over time to reflect prevailing taxation morés to preserve the reputations of those supplying these services. As we show, these morés are reflected in their own presentation of their services as promoted on their web sites, which have changed significantly over time to reflect this fact, with little evidence that there has been any real underlying change in behaviour. As a result we suggest that these firms display a form of adaptive behaviour worthy of further study.

Introduction

A classic question for scholars of institutional change is how particular organizational forms spread across the globe (Meyer and Rowan 1977). In this paper we address this classic question by assessing how particular Global Professional Service Firms (hereafter GPSFs) are located across the world and the likely tax services they provide. Our particular concern is with the 'Big Four' accountancy and audit firms – KPMG, PriceWaterhouseCoopers, Deloitte & Touche and Ernst & Young – and the location and replication of their services provide. These GPSFs have a global presence and are important in advising both the private and public sector. They are a key source of expert authority on tax optimization and corporate structuring in the international political economy. Their staff numbers grossly outweigh those of the largest intergovernmental organizations by ten to sixty-fold. These firms have been a source of inspiration for what are now clas-

sic theories of organizational replication through 'isomorphism' (DiMaggio and Powell 1983; Greenwood et al. 2010). They have also been a site for studying legitimacy claims between private firms and regulators (Greenwood and Suddaby 2006), for investigations into how GPSFs place pressures on re-scaling and re-scoping professional practices in various countries (Muzio and Faulconbridge 2013; Faulconbridge and Muzio 2016), as well as sites of investigation for how professionalization and socialization occur within large corporate organizations (Grey 1998; Annisette 2000). The Big Four have been sites of particular interest for tracing the evolution of professional habitus within GPSFs (Malsch and Gendron 2013; Carter and Spence 2014; Lupu and Empson 2015; Spence et al. 2016).

A recent strand of scholarship has questioned the role of GPSFs in the replication of practices and structures in the international political economy that exacerbate inequalities and power asymmetries. GPSFs have been identified as forming strategic alliances, using tactics to leverage their expertise and lobbying power, and how, in their professional practices, they infiltrate client organizations, align worldviews on what is appropriate conduct and actively dismiss alternatives. Their power is considered to be episodic in their use of coercion and manipulation, as well as systemic in promoting forms of domination and subjectification via professionalization and rhetorical legitimation (Boussebaa and Faulconbridge 2018). As such, GPSFs provide a form of 'neo-imperialism' in the 'periphery' while also being heavily engaged in accountancy and consultancy services within all advanced industrial countries (Boussebaa 2017).

The activities of the Big Four have been linked to services that enable tax avoidance (Sikka and Hampton 2005). Certainly executives and tax directors in multinational firms have considered the Big Four as excellent in providing 'added value' through tax services (Crest 2006). Some studies have explicitly considered the role of these firms in 'secrecy jurisdictions' (TJN 2010) – a preferred term over 'tax havens' since it gets to the heart of the matter in why corporate structures are located in particular sovereign jurisdictions – considering how the Big Four are part of a broader industry for tax avoidance (Sikka 2003; Murphy 2017, Wójcik 2013; Jones et al. 2017). Still, systematic research on the scale of their activity in these locations has been rare. Their exploitation of the 'offshore world' has been peripherally observed (Palan 2006, Palan et al, 2010, Shaxson 2011, Shaxson 2018) but their role has not been separately identified as providing, in itself, an explanation of both offshore finance and, conversely, an explanation of their own structures. We take on this challenge here.

An idea implicit in the nature of offshore is that the structure of the entity taking advantage of the opportunity it provides should be separated as far as possible

from the activity of both the beneficial owner of the activity which it records and those who might regulate it (Murphy 2009). It follows that there would be a diffuse nature of control within these firms, with operating entities in each jurisdiction rarely having apparent patterns of common ownership with those in other locations. The opacity common within offshore structures may well be replicated within firms heavily engaged in secrecy jurisdictions. Control of the offshore entity is maintained through structures that are not readily apparent. The same appears to be the case with those GPSFs working in the offshore world. Common codes of conduct; shared working practices; web-site styles and coherent management policies appear to characterize their behaviour even when conventional lines of control through ownership structures are, apparently, absent. The commonality of structures in the absence of apparent control has drawn our attention to system level implications. Accounting technologies are crucial to the globalization of capital, including the role of large accounting firms as an effective 'pinstripe mafia' (Mitchell and Sikka 2011). From a legal perspective Picciotto (1992, 2011) provides the most comprehensive historical analysis of the interaction of international business with diverse national legal and fiscal systems, explaining the grounds upon which corporate tax abuse is executed. What is apparent that this interface is not accidental in the case of these professional firms: the boundaries between international action and local regulation is deliberately obscured, not least it would seem to make the difficulty in establishing accountability for their actions hard to establish, as our study evidences. In this sense both structural and institutional analyses of these firms highlight system level prerequisites for the operation and proliferation of 'global wealth chains' (Seabrooke and Wigan 2014, 2017).

The role of Big Four in providing tax services in secrecy jurisdictions has come under challenge since tax avoidance and secrecy jurisdictions were linked to the Global Financial Crisis (Sikka and Wilmott 2013; Haberly and Wójcik 2017). From being largely overlooked, it has become an issue at the center of attention for governments and international organizations, and new reforms are launched aimed at ensuring the tax base of multinational corporations (Seabrooke and Wigan 2016). This has happened at the backdrop of increased criticism of aggressive tax planning schemes from the civil society as well as media attention on the low tax rates of certain companies. This change in the public's perception of tax planning could likely have prompted a strategic change amongst the accounting firms. In order to protect their status as highly trusted authorities within the market for assurance and market and policy advice it is fundamentally important for them to continually be perceived as legitimate, thus enabling their extraction of rents. On the other hand, their clients might still have a demand for tax-optimizing products and services. This puts the Big Four firms into a dilemma. Whereas the environment was previously fa-

vorable towards them marketing more direct tax planning tools to their clients it is now being perceived as increasingly illegitimate. We investigate how the Big Four has approached this challenge in their communication and whether the way they present themselves and their tax services has changed in response to the backdrop of a changing political landscape.

This working paper addresses the challenge of how the Big Four are located in offshore structures, how their structures are deliberately opaque, and what claims have been made to the legitimacy of their tax services over time. Our interest here is in mapping the presence of the Big Four to provide a topography of where they are particularly likely to offer tax products and services. Further, we are also interested in how they make claims about what tax products and services can be provided since the 1990s. This helps us to understand how isomorphic pressures exist at the level of structure and operations, as well as how a 'mature field' is maintained (Greenwood and Suddaby 2006), as well as how sensitive these GPSFs are to challenges (Seabrooke and Wigan 2015).

In what follows we: i. outline the methodological approach and data for our study; ii. summarize the presence of the Big Four; iii. map their location in the international political economy; iv. provide estimates on staffing in these locations; v. provide a case study of KPMG; and vi. we assess change over time we trace Big Four claims to providing tax services over time; vii we discuss the practical and regulatory implications of our findings. All summed these sections allow us to dig into the details of how one of the Big Four is structured as a GPSF that has a global presence, brand, and management strategy but is comprised of legally separated and distinct entities within itself to permit the firm to have maximal flexibility. Finally, we reflect on the role of the Big Four and other GPSFs and the presence of isomorphism in organizational structures in the international political economy.

I: Methodological Approach and Constraints

This study attempts to identify some of the key accounting information that is now recognized as necessary for the risk appraisal of a multinational corporation. The country-by-country reporting model adopted by the OECD in 2015 as the basis for tax authority risk appraisal of multinational corporations provides the methodology for this analysis (OECD, 2015). That risk appraisal model is based upon the collection of a limited range of accounting and other data on the activity of a multinational corporation in each jurisdiction in which it operates. To enable the activities of the firm within the jurisdiction to be identified it requires that the parent organization of a multinational corporation disclose all those jurisdictions in which it trades and provides a description of the organization's activities in that place as well as a list of the organization's subsidiaries operating in each such lo-

cation. The intention is to identify the extent of the entity being appraised and the nature of its activities. Thereafter country-by-country reporting requires that a limited amount of accounting data be disclosed for each jurisdiction including turnover, which must be split between that to third parties and that made to other group members; profit before tax; taxes on profit accrued and taxes on profit paid for a period; investment in tangible assets; net shareholder funds and, as an indication of the scale of actual economic activity being undertaken, the number of full-time employees engaged in the jurisdiction. Given the relative modest scale of country-by-country reporting's indicators, and because this standard has become one to which the Big Four firms have necessarily had to subscribe since their clients are engaged in producing this information, it was presumed to be an appropriate methodology for this study.

In practice, it has not been possible to secure all the data necessary to undertake a full country-by-country reporting analysis of these firms. That is because whilst each of the Big Four firms does publish some financial information on what they suggest to be the global scope of their operations, this data is limited in scope and does not cover all the variables to which country-by-country reporting refers. While their brand and strategic oversight is as GPSFs, their reporting activities are not global. In particular, data on profits and taxes is not available for these firms' global operations, and nor is most investment data. In addition, a relatively small number of exceptions apart, very little financial data is available on the operation of these firms in particular jurisdictions. In contrast to the practice of most publicly prominent trading entities, they publish almost no financial data on their web sites. This necessarily reduced the scope of the research.

The research was further curtailed when it became apparent that the description of what these firms do is very similar by location because the websites of most of these firms appear to be driven by a consistent template, itself a symbol of strong isomorphism (cf. Drori et al. 2016). Searching for any significant local variation in the description of services offered proved to be a largely fruitless exercise as a result.

Given these limitations the research focus on four issues for the mapping element of our study. These were identifying those jurisdictions in which each of the Big Four firms had offices; determining how many offices they had in each such location; confirming how many staff they had in each such jurisdiction and establishing what information they disclosed as to the ownership of their local operations in each jurisdiction where they had a presence. In addition, information on the organization of one firm in particular (KPMG) was analyzed in detail, that it was noted that it was similar in most respects to the observed structure of the other four firms.

The purpose of this work was fourfold.

First, the opacity of these firms was appraised. Given the importance of these firms to the operation of international financial markets, which markets are largely dependent upon the availability of audited financial information for the undertaking of investment appraisal, it would seem appropriate that consistent standards for disclosure should be applied to those firms undertaking those audits. Given the absence of financial data this issue has been considered by praising data on jurisdiction locations, office numbers and staff numbers. Each firm has published information on each of these issues. Determining whether, or not, this data could be verified on a country-by-country basis provides an indication of opacity.

Second, the extent of these firms was appraised. This has become an issue of importance since they have been widely associated with the activities of what are commonly called tax havens or secrecy jurisdictions in which their presence appears to be commonplace. Given the known opacity of these locations determination of their presence within them appears to be a matter of importance.

Third, an indication of the significance of their activities in different locations, and whether or not this suggested that different types of activity were actually being undertaken for different marketplaces in different locations was sought. Differing intensities of office provision and local employment against other indicators of economic activity provided a means of appraising this issue.

Fourth, the organizational structure of these firms was appraised to suggest reasons why they might have been adopted.

For the second element of our study, tracing claims from Big Four firms in providing tax products and services, we employed a different strategy. This process entails using internet archives to find representative statements on the provision of tax services over time, and to then code the content of these statements. The aim here is to assess claims made to the global reach of tax services provided, the amount of detail provided in providing tax services linked to tax avoidance, and comments about the complexity of international governance changes and transparency requirements. We comment in greater detail on our coding system in the section below. But first we provide details on the scale of the Big Four.

II: The Big Four – a summary of their scale

To set the work into an appropriate context it is worth noting the scale of the firms being studied. A summary of the global income of these four firms in 2016, broken down between the consistent three main reported types of activity each undertakes, is as follows:

Table 1

Activity	Deloitte	PWC	KPMG	EY
	US\$'bn	US\$'bn	US\$'bn	US\$'bn
Assurance / audit	9.4	15.3	10.1	11.3
Advisory / consultancy	20.5	11.5	9.7	10.6
Tax	6.9	9.1	5.6	7.8
Total	36.8	35.9	25.4	29.7

Sources: Murphy and Stausholm 2017

To illustrate the extent to which these four firms dominate the market, the next two largest firms are BDO and Grant Thornton, which had global turnovers of \$7.6bn and \$4.8bn respectively in the year in question. The dif-

ference in scale between the Big Four and all their competitors is readily apparent. The global spread of this income as reported by the firms is reported by them to be as follows:

Table 2

	Deloitte	PWC	KPMG	EY
	US\$'bn	US\$'bn	US\$'bn	US\$'bn
<i>North America and the Caribbean</i>		14.9		
<i>South and Central America</i>		0.8		
Americas	19.3	15.7	10.0	13.6
<i>Central and Eastern Europe</i>		0.7		
<i>Western Europe</i>		12.3		
<i>Middle East and Africa</i>		1.3		
Europe/Middle East /Africa	12.3	14.3	11.4	11.8
<i>Asia</i>		4.4		
<i>Australasia and Pacific Islands</i>		1.5		
Asia	5.2	5.9	4.0	4.3
Total	36.8	35.9	25.4	29.7

Sources: As above. NB: only PWC provides the breakdown noted in italics.

This global spread is also apparent when their staff numbers are considered. Locating the number of staff in GPSFs, and how 'transnational' they are, is a topic of considerable interest in recent years (Spence et al. 2015; Belal

et al. 2017; Spence et al. 2018). This concerns comes from wishing to understand professionalization trends as well as career and social mobility (Duff 2017). We contribute to this literature. The firms report these to be as follows:

Table 3

	Deloitte	PWC	KPMG	EY
Global headcount	244,445	223,468	188,982	230,800
Partners	11,122	10,830	9,843	Not known
Professionals	193,199	177,182	147,028	189,111
Admin staff	40,124	35,456	32,111	41,689
	244,445	223,468	188,982	230,800

Sources: As previously noted.

This data can be further analyzed as follows:

Table 4

	Deloitte	PWC	KPMG	EY
<i>North America and the Caribbean</i>		57,773		
<i>South and Central America</i>		13,110		
Americas	107,942	70,883	54,111	69,718
<i>Central and Eastern Europe</i>		9,273		
<i>Western Europe</i>		69,627		
<i>Middle East and Africa</i>		13,036		
Europe/Middle East/Africa	86,574	91,936	96,404	112,871
<i>Asia</i>		53,010		
<i>Australasia and Pacific Islands</i>		7,639		
Asia	49,929	60,649	38,467	48,211
	244,445	223,468	188,982	230,800

Sources: as above. Note: only PWC provides the breakdown noted in italics.

For comparisons sake, BDO have a global headcount of 67,731¹ and Grant Thornton employ 42,000 people worldwide². The Big Four are substantially bigger than their competitors in terms of the number of staff that they employ. As firms employing almost 900,000 people worldwide and with a combined annual fee income exceeding US\$127 billion in 2016 these firms are systemically important. The fact that each of the firms reports

this particular data as if they are single entities operating on a multinational basis does indicate that each has a desire to appear to be such an entity on occasion and that they are perceived as such. They reinforce this perception by clearly having the ability to secure the necessary data to report information on a global basis. What they do not then do is supply the financial data that most organizations of that type would deliver the

¹ [https://www.bdo.ee/en-gb/news/2016/bdo-global-revenues-rise-to-us\\$-7-6-billion](https://www.bdo.ee/en-gb/news/2016/bdo-global-revenues-rise-to-us$-7-6-billion) accessed 24 May 2017

² <https://www.grantthornton.com/about-us/firm-facts.aspx> accessed 24 May 2017

both investors and stakeholders, which is a set of consolidated financial statements for the organization as a whole. It is the paradox of a structure that permits a perception of having the form of a multinational entity whilst operating as firms that appear to only have local obligations that is at the heart of this research.

III: Mapping the Big Four's Presence

The first object of this research was to determine the extent of each of these firms. Each of the Big Four published a list of the jurisdictions in which they suggest they operated at the time that this research was undertaken³. These lists provided a starting point for determining in which jurisdictions these firms are really located, and for assessing how many offices and employees they might have in each such location. This was not a straightforward task: the number of locations in which each firm worked and, perhaps less surprisingly, the number of offices in each jurisdiction is subject to fairly frequent change. Comparison of lists produced in September 2016 and March 2017 found explicable change between them.

Harder to explain were the inconsistencies in the data the firms publish about themselves. Initial research revealed inconsistencies between the jurisdiction listings published by the firms and other data that they published e.g. their annual Transparency Reports, which are the closest approximation to annual financial statements that they produce. These disparities required that these firms' jurisdiction location reporting be checked in a number of ways.

First, the variation between the Transparency Reports of each firm and the office location listings were compared. Thereafter web-based searches of LinkedIn and other sites, such as those of recruitment agents that the firms might use, were undertaken to provide further information on office locations. Third, where such searches indicated discrepancies with the office directories that the firms published investigation was pursued until it could be ascertained whether or not it was likely that a firm had a real presence in an otherwise undisclosed jurisdiction, or not. This process revealed the following data:

Table 5

Firm	Number of jurisdictions where the firm usually says they are present	Number of jurisdictions where we have found evidence of the firm being present	Total number of offices based on our research	Number of jurisdictions with a single office based on our research	Average number of offices per jurisdiction based on our research ¹
Deloitte	140	157	731	87	4.66
PWC	157	158	737	91	4.66
EY	155	159	710	95	4.47
KPMG	152	161	738	96	4.58
Total (where appropriate)			2,916		

Sources: Authors' estimates

¹ Average number of offices per jurisdiction where they are present i.e. not including the jurisdictions where they are not present in calculating the average. If the jurisdictions where they are not present are included in the average the numbers are: 2.88, 2.91, 2.80, 2.92.

³ Deloitte, <https://www2.deloitte.com/uk/en/footerlinks/global-office-directory.html>, PWC, <https://www.PWC.com/gx/en/about/office-locations.html>, EY, <http://www.ey.com/uk/en/ourlocations>, KPMG <https://home.kpmg.com/xx/en/home/about/offices.html> all accessed 24 May 2017

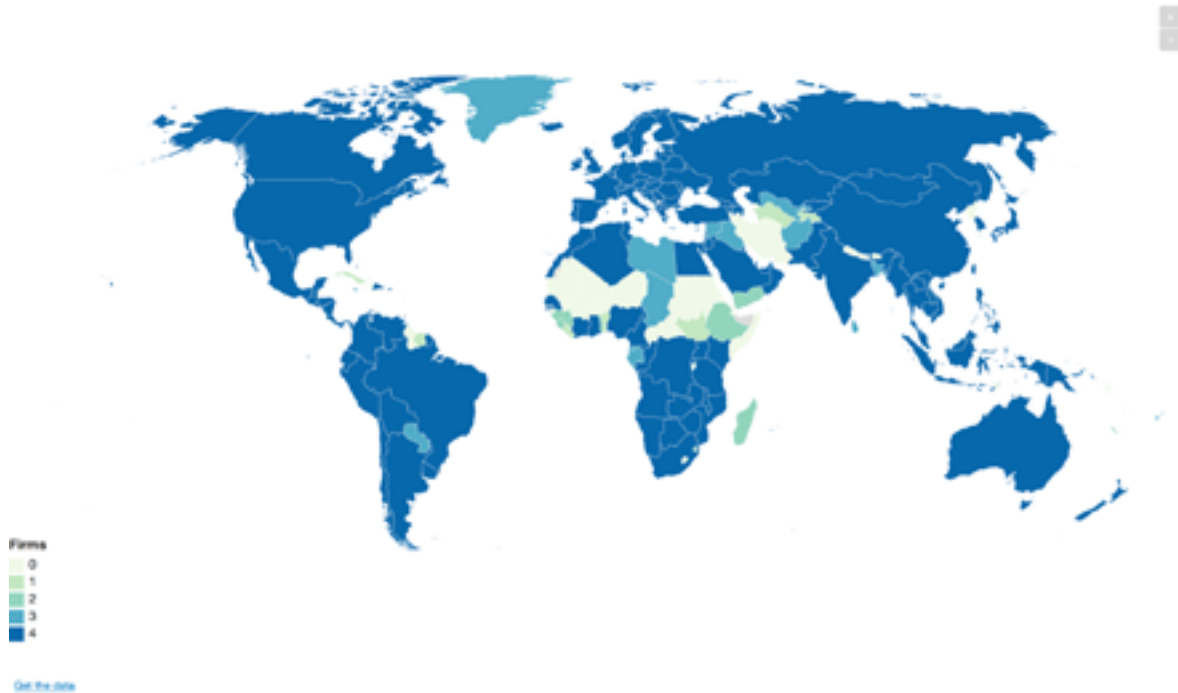
Only PWC came close to publishing a reliable list of jurisdictions in which they operate¹. In the case of the other firms the differences are significant². It should be noted that in every case there is under-disclosure. Based on

this research Figure 1 indicates the global presence of the Big Four. As is clear, the overwhelming majority of countries in the world have at least three out of the four firms present, and all four are present in most countries.

Figure 1

Big 4 presence

Colours indicate how many of the Big 4 firms are present in each country.



Source: Authors' calculations

1 The sole difference comes down to their listing Jersey and Guernsey as a single jurisdiction, which they call 'The Channel Islands'. They are different locations and there is no recognizable jurisdiction called The Channel Islands.

2 All discrepancies have been checked. For example, in the case of KPMG, that firm says it operates in Gabon but no evidence of it having an office there can be found. In contrast, other places not mentioned by KPMG in its 2016 international Transparency Report do appear to host its offices based on evidence from the internet. In three cases (Afghanistan, Greenland and Cuba) these appear to be simple omissions from both its international Transparency Report and its list of offices. In contrast, the KPMG Antigua and Barbuda office was mentioned in the 2016 KPMG Transparency Report but not in the office listing. The office in Syria managed the reverse, being included in the office listing but was not in the Transparency Report. In addition a number of locations were not listed in the Transparency Report because of what appears to be confusion as to their status. Hong Kong, Macau, Bonaire, Puerto Rico and some French territories appear to fall into this category although there appears to be no such concern with listing the UK's Crown Dependencies as independent territories. The overall result is that KPMG appears to operate in 161 locations and not the 152 it suggested when the review was undertaken.

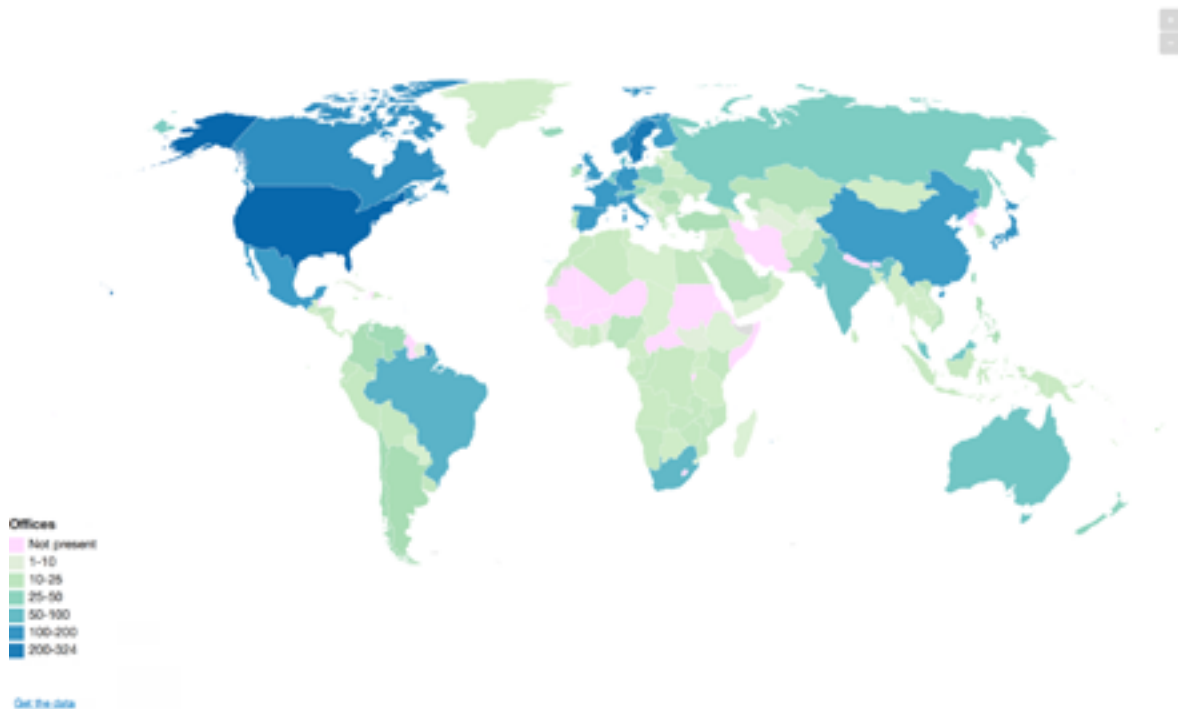
Mere presence in a location can, however, be misleading. To provide a better indication of the scale of activity by jurisdiction we sought to establish

how many offices each firm had in each country in which they operated using the methods already noted. Figure 2 shows the number of offices by location:

Figure 2

Big 4: Number of offices

Colours indicate the number of Big 4 offices by country.

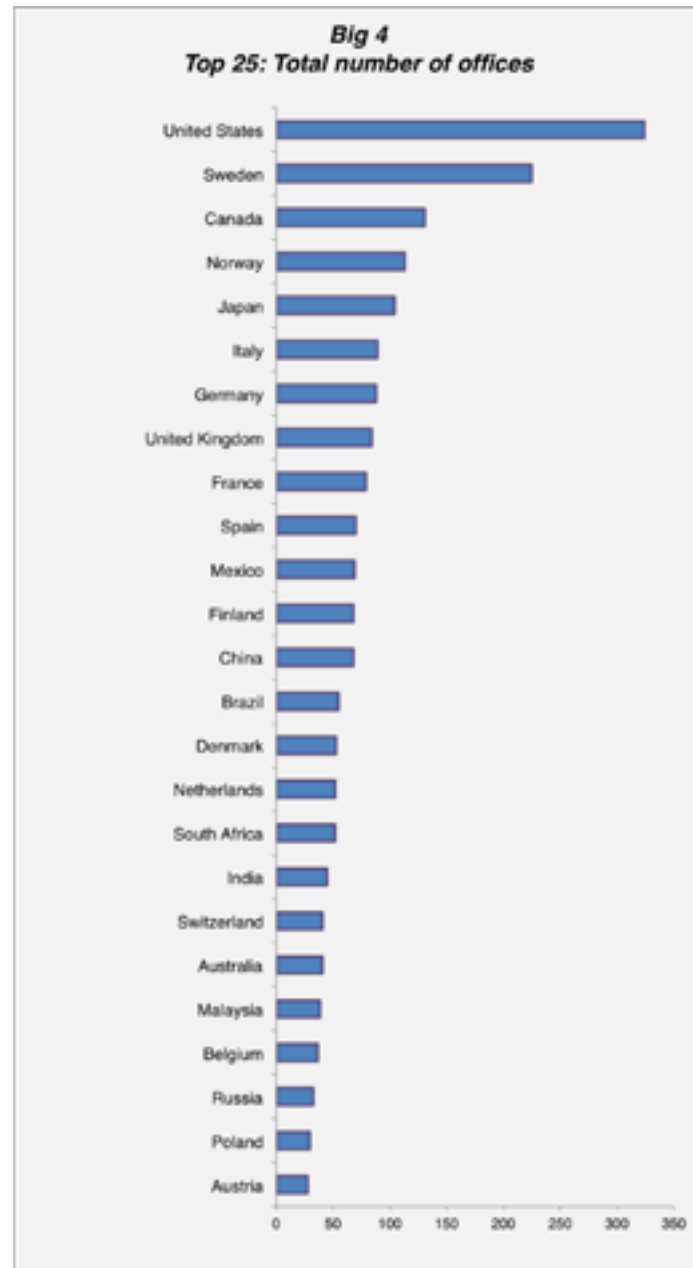


Source: Authors' calculations

The disparity between the two maps makes clear that the Big Four only have a limited presence in many of the lower-income countries in the world. Figure 3 further illustrates this point, showing the top 25 countries in terms of the number of offices operated by the Big Four in aggregate. The USA tops this list and, with the exception of Malaysia, the jurisdictions where the Big Four have most offices are in the OECD or are BRICS countries. It may be unsurprising that the Big Four are heavily

represented in the largest economies and that their presence in many of the world's poorest jurisdictions is limited but their over-representation in Nordic countries requires explanation. In these countries, alone in the world it seems, these firms provide services to the entire business community, whatever its size, and as such are located in many towns as well as major cities. So strong is this trend that the Big Four firms have 23 offices between them in Iceland, a country of just 336,000 people.

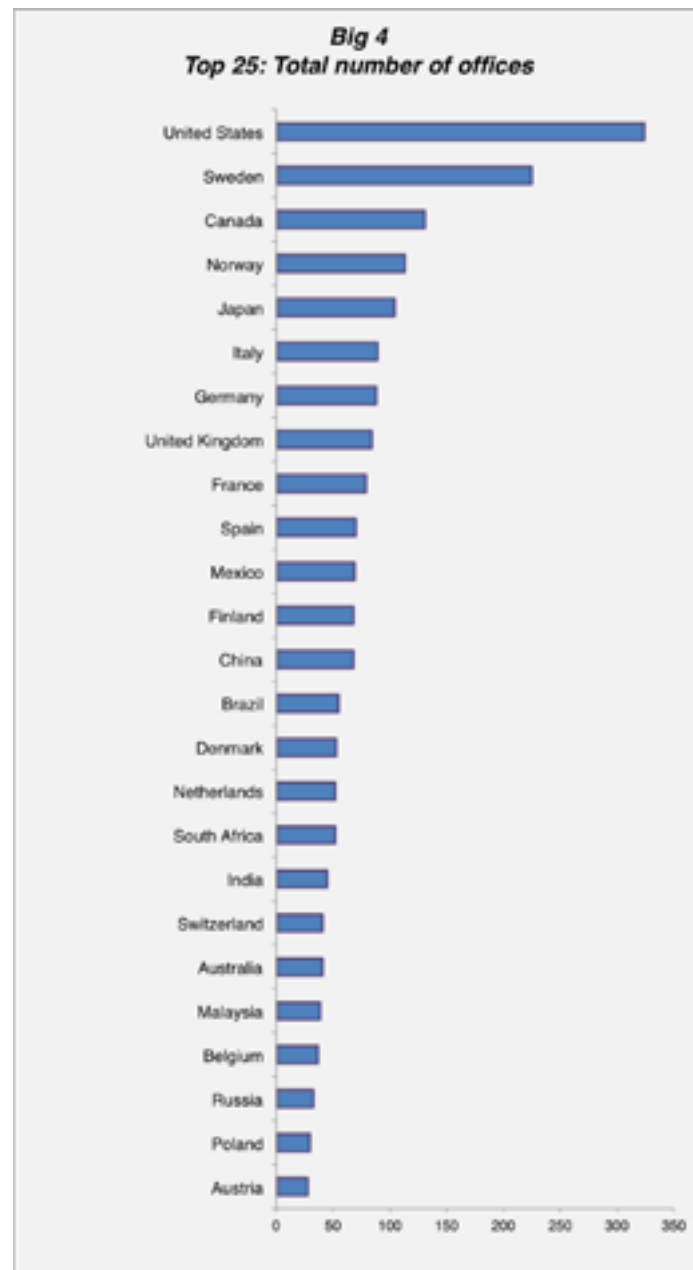
Figure 3



Source: Authors' calculations

Figure 3 suggests on first glance that the presence of the Big Four firms is directly linked to the size of the market in the place in which they operate. To test whether is the case the number of offices was compared to market size measured in terms of both population and GDP. The evidence that emerged was clear: the number of offices the Big Four operate in a jurisdiction is not proportional to the size of a country or its economy. Figure 4 shows the number of Big Four offices in a jurisdiction per head of population:

Figure 4



Source: Authors' calculations

With the exception of the Nordic states, where local market conditions explain the apparent excess of offices in proportion to economic need, the presence of secrecy jurisdictions in this list is its most obvious characteristic. There is no definitive list of tax havens, or secrecy jurisdictions, on which all authorities agree. The list that we used is based on the Tax Justice Network Financial Secrecy Index.¹ The implication would ap-

pear to be that the Big Four firms are heavily over-represented in these locations in proportion to apparent local market size. The same trend was apparent when comparison with GDP with the exception that, Iceland apart, the Nordic countries disappeared from the list and secrecy jurisdictions became even more prominent.

1 Tax Justice Network, Financial Secrecy Index 2018: <https://www.financialsecrecyindex.com/introduction/fsi-2018-results>

It would appear from this review that, the Nordic countries apart, the Big Four firms serve large enterprises in major centers of population with the exception of those offices located in secrecy jurisdictions. Secrecy jurisdictions have been defined as places that intentionally create regulation for the primary benefit and use of those not resident in their geographical domain with that regulation being designed to undermine the legislation or regulation of another jurisdiction and with the secrecy jurisdictions also creating a deliberate, legally backed veil of secrecy that ensures that those from outside the jurisdiction making use of its regulation cannot be identified to be doing so (Murphy, 2009). If this is the case the secrecy jurisdiction offices do not, then, service local need and it is secrecy and not local economic activity that drives presence in these places.

IV: Locating the Big Four's Staff

The number of offices that a firm maintains in a location is one indicator of the scale of its operations, but not a wholly adequate one since an office could in principle be just a few people, or a large-scale operation. Research showed that there are offices of Big Four firms with fewer than 10 staff employed and others with thousands. As a result research was undertaken to establish the number of staff employed by each firm in each jurisdiction in which they are located to more reliably determine the significance of each. In many cases the local web page of a Big Four firm provided information on the number of staff (and sometimes partners) engaged in a jurisdiction. When this data was not available the necessary information on employee numbers was researched in the firms' transparency reports, sustainability reports, annual reports (if published) or in the recruitment materials that they publish. If these sources did not provide the required data then the LinkedIn page for the firm was checked instead. These combined sources were considered to be primary data sources for research purposes.

When primary data sources did not secure data on staff numbers for a jurisdiction alternative, secondary, sources were used. These included newspaper articles, descriptions from top employer awards, job listings, Facebook pages and even the personal resume of an HR official. Finally, if none of these sources could be found, but the company provided data in a range on LinkedIn resorted was made to using the mid-point in the range the firm suggested appropriate - meaning that if, for example, a LinkedIn listing for the firm suggested it had between 51 and 200 employees, we erred on the side of a conservative estimate and recorded it as having 125 staff. This, inevitably, data was approximate in some cases.

Using these combined methods the number of staff in 61 per cent of known locations of all firms could be determined. These 61 per cent of locations represented 91 per cent of the declared number of global employees. Since this relative failure to locate staff risked skewing comparative analysis of the Big Four firms missing data was then imputed where sufficient data on firm presence and office numbers and the number of staff employed by other firms in the location for which imputation was to take place made this possible using the formula:

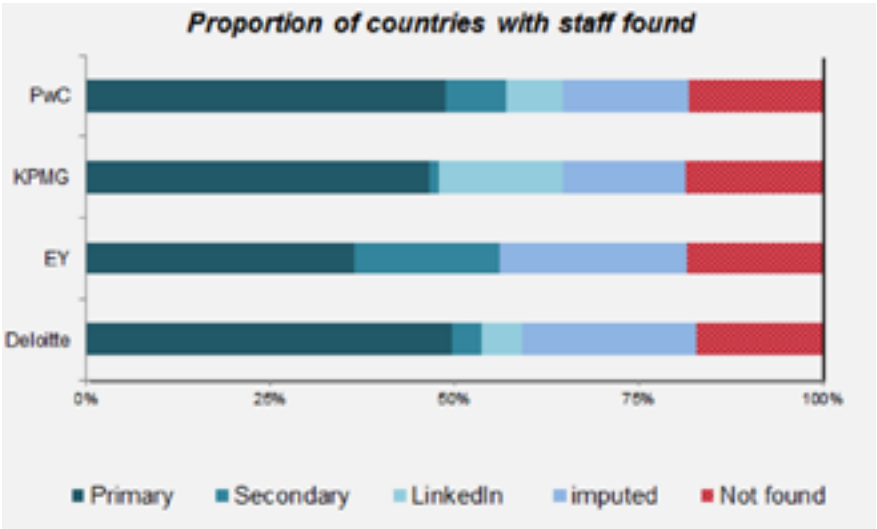
$$\text{Imputed staff}_{ic} = \frac{\text{Global size}_i \times \text{Average local size}_{Bc}}{\text{Number of offices}_{ic}}$$

The global size of the firm is the relative size of the firm's global staff number relative to the average; average local office size is based on the number of staff per office for the firms where we could find the data, and number of offices is the number of offices for that firm in that country. B indicates the average of the Big Four; i indicates the individual firm and c indicates the country. The imputed staff number is therefore based upon the size of the firms in the countries where data is available corrected for differences between firm size and number of offices. Testing that it is a reasonable assumption that office size of each firm would be close to the average office size for the other firms in the same jurisdiction shows correlations that are very close to 1 and significant at the 99 per cent level of confidence. This enabled imputation to increase the number of locations for which staff numbers could be suggested to 82 per cent of jurisdictions representing 97 per cent of employees. The imputed figures are only used in the ranking of staff allocation so that the figures for total presence of the Big Four in each country is not skewed by missing data. For analysis on individual office size per firm, we have only relied on the actual observed staff figures. There remain jurisdictions where lack of data for any of the four firms means no imputation is possible. These countries only appear in analyses of office data as a consequence.²

The proportion of staff located for each firm by the different means noted above were as follows:

² This introduces a limitation since the places where they are present but there are no data available is possibly the places of secrecy jurisdictions. These places include Andorra, Brunei, Cook Islands, Liberia, Liechtenstein, Monaco, St Vincent and the Grenadines, the Seychelles and Turks and Caicos Islands, which are all places ranked relatively high (above 70) in the Tax Justice Network Financial Secrecy Index.

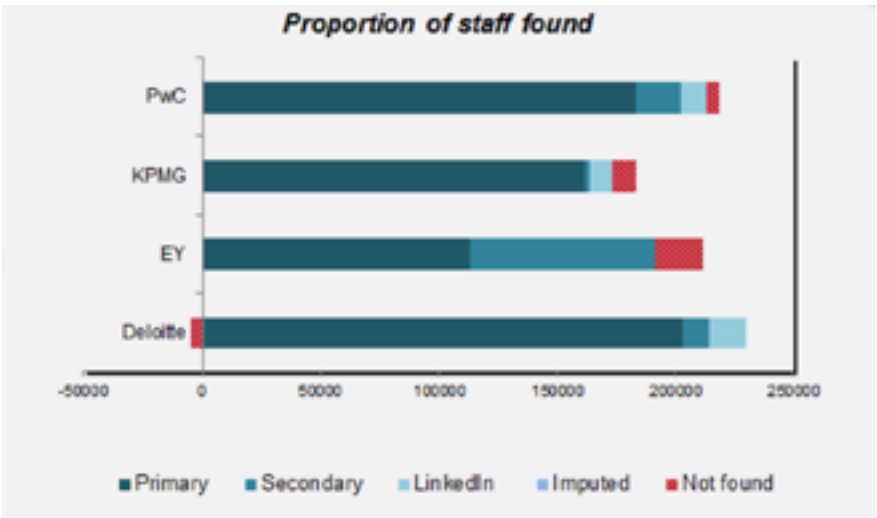
Figure 5



Sources: as noted above.

As is apparent, EY is the most opaque firm on this issue. Using these methods it was possible to locate a significant proportion of the global staff number for each firm:

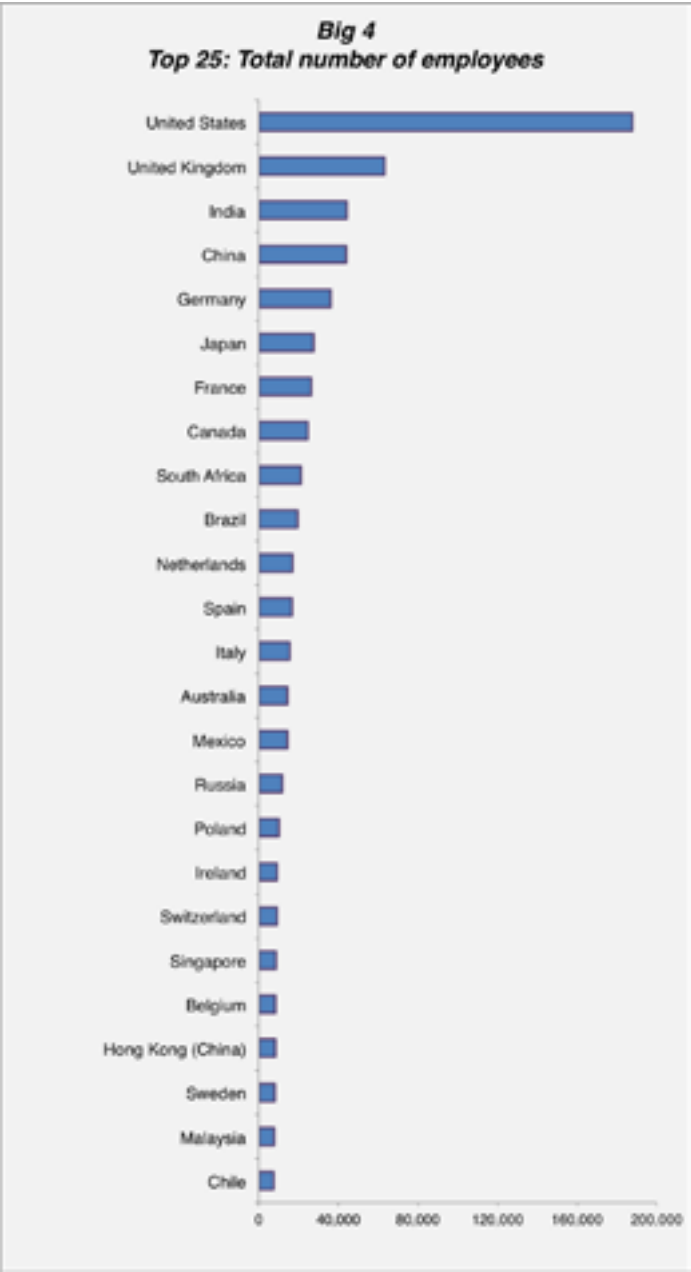
Figure 6



Sources: as noted above.

Note that slightly more staff were located for Deloitte than they declare that they employ. The top 25 locations for numbers of employees in aggregate are as follows:

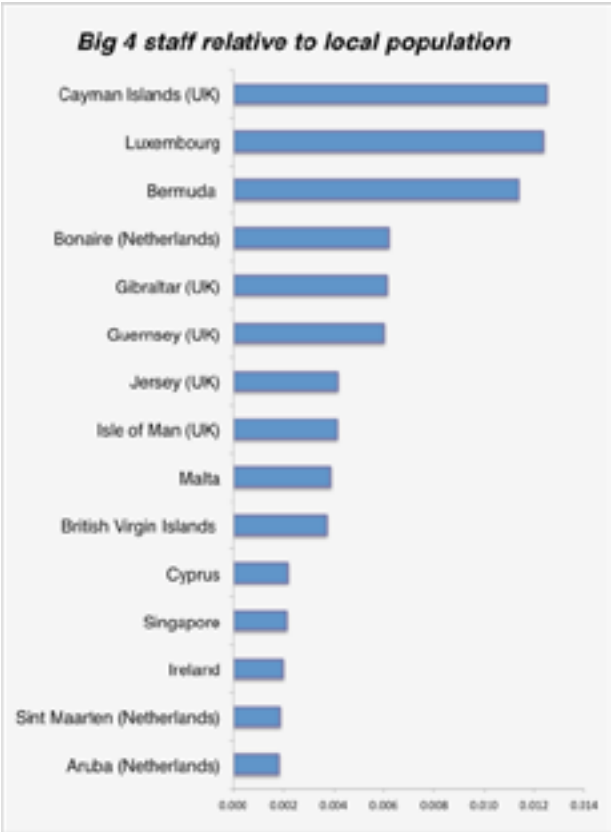
Figure 7



Sources: as noted above.

The proportion of total Big Four employees relative to population size, however, reveals a very different picture, as was the case with the analysis of office presence. Figure 8 shows the top jurisdictions according to the ratio of employees to population in a jurisdiction. Secrecy jurisdictions are prominent in the list:

Figure 8



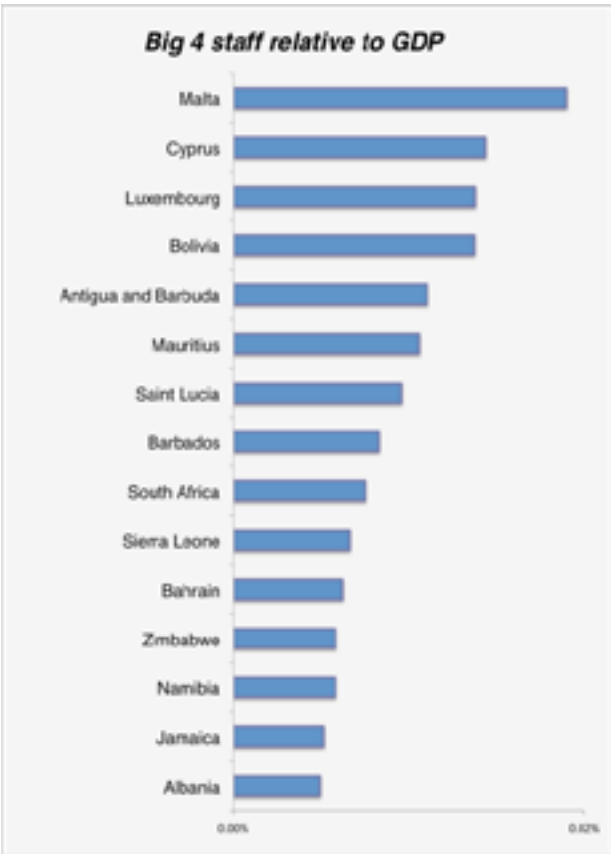
Sources: as noted above.

Secrecy jurisdictions again feature prominently, alongside some locations with low GDP per capita. These rankings reveal a recurring pattern: the Big Four firms appear to have disproportionately more staff - and therefore, presumably, disproportionately more activity - in countries that are known to be secrecy jurisdictions. This over-representation is not explained by the size of the market as proxied by population and GDP. As a result it is at least possible that it is the secrecy provided by these places that prompts the Big Four to have such a strong presence within them.

To ensure that the size of a jurisdiction is not biasing this finding, and based on awareness that most (but not all) secrecy jurisdictions are smaller countries (considered for this purpose to be those jurisdictions with populations of less than 3 million) data was also tested for all small

If the number of staff of the Big Four firms in aggregate is compared with GDP in a location the top 15 jurisdictions are as follows:

Figure 9



Sources: as noted above.

jurisdictions, representing 112 locations in total of which 40 are considered to be secrecy jurisdictions. The average number of staff employed per office of a Big Four firm in a small state was 112 people, compared to a worldwide average of 315 per office. In secrecy jurisdictions in general the average number of employees per office was 416, and in a small secrecy jurisdiction it was 239. There are above average numbers of employee per office in all secrecy jurisdictions: it is likely that this is because secrecy jurisdiction offices do not serve a natural, local, geographic hinterland but can instead be concentrated in a few locations to service an international clientele located outside the jurisdiction.

V: The creation of opacity: a case study on KPMG

The scale of opacity that these survey findings revealed suggested that the mechanisms for the creation of this veil of secrecy required investigation. KPMG was used as a case study for these purposes, although the extensive work undertaken in reviewing data from the other firms suggested it likely that similar findings could have been made in each case¹.

KPMG has a structure similar to that of the other Big Four firms: each has a central organizing body that appears to control its intellectual property, license members of the network and enforce common standards. Three of the Big Four locate the company responsible for this activity in London. The companies in question are Deloitte Touche Tohmatsu Limited², a UK private company limited by guarantee that regulates the Deloitte network³; PricewaterhouseCoopers International Limited⁴, which is again a UK private company limited by guarantee, for PWC⁵ and yet another such company, Ernst & Young Global Limited⁶ for EY⁷.

The use of these similar structures does not appear to be coincidence: UK companies limited by guarantee have a particular appeal for these networks for three reasons. First, because membership of such companies does not necessarily result in a right to receive income, changes of ownership rarely give rise to capital gains tax charges, meaning that the tax situation when there are membership changes is simple. Second, if a company is organized using this structure, which is commonly used by membership and charitable organizations, it is easy to argue that the firm does not trade but just undertakes mutual activities on behalf of the members that should not then be subject to UK tax. These companies appear to take advantage of this opportunity. Third, as a result, the accounting disclosures required by UK law are min-

imal: the latest PWC accounts for the noted company only just extend onto a second page. The whole structure is, therefore, highly opaque. A UK base, UK law, and UK tax arrangements can all be taken advantage of and yet almost nothing need be disclosed as to what these companies really do.

KPMG does not, however, use such a company. In its case the coordinating entity is a Swiss cooperative⁸ called KPMG International Cooperative. Bloomberg⁹ suggests that this entity is registered at the KPMG office in Zurich¹⁰. Other sources suggest that it is registered in the Swiss Canton of Zug¹¹. Based on the survey undertaken for this report every single KPMG firm mentions this Swiss entity on its website. The relationship is also described in the Transparency Reports that some of those KPMG firms publish. For example, the KPMG firm in Luxembourg says in its Transparency Report (in a statement remarkably similar to those in many other such reports) that¹²: The independent member firms of the KPMG network (including KPMG Luxembourg, Société coopérative) are affiliated with KPMG International, a Swiss cooperative which is a legal entity formed under Swiss law.

KPMG International carries on business activities for the overall benefit of the KPMG network of member firms but does not provide professional services to clients. Professional services to clients are exclusively provided by its member firms.

The structure is designed to support consistency of service quality and adherence to agreed values wherever in the world the member firms operate. One of the main purposes of KPMG International is to facilitate the provision by member firms of high quality Audit, Tax and Advisory services to their clients. For example, KPMG International establishes and facili-

1 KPMG was chosen as it has more secrecy jurisdiction offices than any other firm.

2 <https://beta.companieshouse.gov.uk/company/07271800/filing-history> accessed 27 May 2017: the 2017 accounts give no hint of the company's role

3 <https://www2.deloitte.com/content/campaigns/global/global-report/index.html> accessed 27 May 2017

4 See <https://beta.companieshouse.gov.uk/company/03590073/filing-history> accessed 27 May 2017. The UK accounting requirements for this company are now so limited that it just files two pages of data as its annual accounts for the year to 30 June 2016. In 2009 it was six.

5 See <https://www.PWC.com/gx/en/about/corporate-governance/network-structure.html> accessed 27 May 2017

6 <https://beta.companieshouse.gov.uk/company/04328808/filing-history> accessed 27 May 2017. Perhaps refreshingly only EY chose not to go for the absolute minimum possible level of disclosure in their 2016 annual accounts, although that does not mean much insight is obtained as a result.

7 <http://www.ey.com/gl/en/about-us/our-global-approach/global-review> accessed 27 May 2017

8 The term is used loosely here: it means a mutual entity run solely for the benefit of its members and is likely to work in very similar way to the UK companies limited by guarantee used by the other Big Four firms.

9 See <https://www.bloomberg.com/profiles/companies/1710Z:SW-kpmg-international-cooperative/switzerlandnad> accessed 2 May 2017

10 See <https://home.kpmg.com/xx/en/home/about/offices/zurich-1.html> accessed 2 May 2017

11 See <https://en.wikipedia.org/wiki/KPMG> accessed 2 May 2017

12 See <https://assets.kpmg.com/content/dam/kpmg/lu/pdf/lu-en-Transparency-Report-2016.pdf> pages 28 - 30 accessed 2 May 2017

tates the implementation and maintenance of uniform policies and standards of work and conduct by member firms and protects and enhances the use of the KPMG name and brand

The implication is clear: there is a unity within this structure and yet at the same time there is a considerable degree of separation within the firm. That this separation may not be as stark as the legal wording implies is suggested by the job titles of those working for the global operation, such as 'Global Head of Audit' and 'Global Head of Advisory'¹³. These suggest a degree of coordination in such activities that is contrary to the impression of a diversely controlled firm¹⁴. The substance of the firm may not, in other words, be what the form implies, which would indicate a case of organizational 'decoupling' under isomorphism (Meyer and Rowan 1977). There is other evidence of this conflict between the substance and form of the firm. For example, the actual operational structure of KPMG may be a little more complex than the published statements suggest: it appears that the functional control of KPMG internationally actually rests in the Netherlands. This is the international address provided for KPMG International supplied by the UK-based KPMG LLP as part of its regulatory filings¹⁵. Despite this, remarkably little attention or publicity is given to this operation. The 2016 KPMG global annual review gives no hint, for example, of a contact address for this head office operation, despite which it appears to have considerable power. As the entirely typical Luxembourg Transparency Report¹⁶, already noted, says:

KPMG is the registered trademark of KPMG International and is the name by which the member firms are commonly known. The rights of member firms to use the KPMG name and marks are contained within agreements with KPMG International.

In these agreements, member firms commit themselves to a common set of KPMG Values. Under agreements with KPMG International, member firms are required to comply with KPMG International's policies and regulations including quality standards governing how they operate and how they provide services to clients. This includes having a structure that ensures continuity and stability and being able to adopt global and regional strategies, share resources, service multinational clients, manage risk, and deploy global methodologies and tools. Each member firm takes responsibility for its

management and the quality of its work.

The report goes on to list the sanctions available for use by KPMG against non-compliant member firms. The resulting paradox is readily apparent: KPMG is structured as if it is made up of individual member firms and yet each of these has to operate to common standards that are rigorously enforced. There are also common financial interests: KPMG firms, for example, share a common captive professional indemnity insurance operation (whose location has not at present been identified).

Despite this, all is also not apparently equal within the KPMG organization. As the same Luxembourg Transparency Report notes when discussing the KPMG governance structure:

The key governance and management bodies of KPMG International are the Global Council, the Global Board, and the Global Management Team.

The Global Council focuses on high-level governance tasks and provides a forum for open discussion and communication among member firms. It includes representation from 58 member firms that are 'members' of KPMG International as a matter of Swiss law. Sub-licensees are generally indirectly represented by a member.

This reference to there being 58 core members makes clear that there are tiers of membership within the KPMG structure that are not at all apparent to the public. It also suggests that KPMG's operations in more than 100 countries may actually be operated under sub-license from other jurisdictions, although which operations have which status is not clear. This two-tier structure may be particularly important when considering KPMG's secrecy jurisdiction operations. These do not appear to play any significant part in KPMG's governance structure¹⁷. This may imply that the regulation of these sub-licensed KPMG practices is undertaken from non-secrecy jurisdiction locations. This may be a precedent for the regulation of activity in these locations by other parties.

The situation is confused by the fact that it has not proved possible to identify the ownership of all KPMG offices. In the case of 106 websites, each representing a different national firm, a named local entity was identified as the local KPMG firm, it then being stated that KPMG International, based in Switzerland, was the international orga-

13 <https://home.kpmg.com/uk/en/home/about/leadership-governance.html> accessed 27 May 2017

14 Titles taken from <https://home.kpmg.com/content/dam/kpmg/iar/international-annual-review-2016.pdf> accessed 2 May 2017

15 See [http://www.auditregister.org.uk/Forms/OfficeList.aspx?ID=2548845&DisplayText=-Firm%20Detail%20\(Offices\)&ParentText=All%20Firms](http://www.auditregister.org.uk/Forms/OfficeList.aspx?ID=2548845&DisplayText=-Firm%20Detail%20(Offices)&ParentText=All%20Firms) accessed 2 May 2017

16 An almost identical statement will be found in the International Transparency Report for 2016, see <https://assets.kpmg.com/content/dam/kpmg/xx/pdf/2016/12/international-supplementary-report-2016.pdf> accessed 2 May 2017

17 <https://home.kpmg.com/xx/en/home/about/overview/leadership.html> accessed 27 May 2017

nization of which it was a member. The firms in question represented 648 (87.7 per cent) of KPMG offices and 95.2 per cent of all KPMG staff. There were exceptions to control by a national entity. For example, KPMG Azerbaijan Limited that runs the KPMG operation in that country is a company incorporated in Guernsey¹⁸ whilst the structure of KPMG India is particularly obscure. The local website¹⁹ makes clear that ownership is by an Indian partnership but its Transparency Report²⁰ says:

KPMG is a partnership firm registered under the Indian Partnership Act 1932. The two legal partners in KPMG are two companies incorporated in the Netherlands: KPMG International Investments BV (a wholly owned subsidiary of KPMG International Cooperative) and KPMG Advisory NV (a company which is part of the KPMG Europe LLP group of companies). However, both such companies hold the interests in KPMG ultimately for, and at the direction of, KPMG International Cooperative, a Swiss cooperative which is a legal entity formed under Swiss law ("KPMG International"). Notwithstanding the legal ownership structure, KPMG International and/or the legal partners do not manage or exercise control over the management of KPMG or extract profit from KPMG.

Who might actually benefit from the ownership of KPMG India is not made clear. What is apparent is that KPMG International participates in the creation of the opacity about who does so. Other variations in local form exist. There are, for example, a number of regional (rather than local) firms. KPMG East Africa, which is incorporated in Mauritius, operates a number of KPMG offices. The offices in a group of mainly Dutch Caribbean locations also appear to be under common control. The small KPMG office in the British Virgin Islands appears to control the KPMG office in St Lucia. Whether the offices of KPMG in the Channel Islands are one or two firms is not clear: one seems to be likely. The operation of some of the KPMG Offices in the Balkans is undertaken by locally located companies but these are then subsidiaries of a company called KPMG CEE Limited, a company incorporated in Cyprus. None of these structures appear to replicate each other: diversity at the local level is characteristic of the operation, as far as can be ascertained. However, since in 55 locations the website does not say what entity is representing KPMG in the jurisdiction in which an office is located the extent to which such diversity exists cannot be stated with certainty. In the jurisdictions where the web-

site does not identify a local operating company there is invariably a reference to the website being operated by KPMG International. The locations in question represent 91 offices (12.3 per cent of the total) but just 4.8 per cent of identified staff, although it should be noted that there is a much higher incidence of being unable to identify staff working in these locations than in those in which ownership can be determined. The largest of these offices where ownership is unclear is in Brazil; there appears to be a general culture of secrecy that is quite marked in South American affiliates.

One tradition once associated with the accountancy profession was the use of partnership structures. This pattern of behavior has been subject to fairly rapid regulatory and cultural change in recent years, encouraged by the growing availability of limited liability partnership structures. It appears that just 21 KPMG locations representing 62 offices, or just 8.4 per cent of all offices now operate as partnerships with unlimited liability.

What this case study suggests is that KPMG has a deceptive structure. For marketing and public perception purposes it appears to be a conventional, centrally controlled and remarkably homogenous organization. Beneath that veneer its national operations are, however, subject to separate ownership, although the identities of many of these separate entities are not publicly disclosed. The implications of this chosen structure are profound.

As KPMG LLP's UK regulatory filings suggest²¹, the maintenance of a local operation means that regulatory obligations can be geographically curtailed. The firm is only registered to provide services in the UK, Jersey, Guernsey, the Isle of Man, Japan and the USA. This saves on costs. Legal risk is also ring-fenced by the chosen structure: in principle the failing of one member firm - whether for financial reasons due to operational difficulties or, perhaps more likely, as a result of catastrophic liability arising as a result of a successful professional negligence claim or from a colossal regulatory failing - may not prove to be a risk for the whole organization because of the structure used. As an example, the \$456 million fine imposed on KPMG in the USA in 2005 for criminal tax violations²² did not appear to have consequences for other member firms in the international organization. There is, then, some evidence that this structure works for this ring-fencing purpose.

There are other regulatory advantages as well that may be less obvious. What the structure adopted allows each

18 <https://home.kpmg.com/az/en/home/about.html> accessed 2 May 2017

19 <https://home.kpmg.com/in/en/home/careers.html> accessed 2 May 2017

20 <https://home.kpmg.com/content/dam/kpmg/pdf/2016/06/India-Transparency-Report-2016.pdf> accessed 2 May 2017

21 [http://www.auditregister.org.uk/Forms/OfficeList.aspx?ID=2548845&DisplayText=-Firm%20Detail%20\(Offices\)&ParentText=All%20Firms](http://www.auditregister.org.uk/Forms/OfficeList.aspx?ID=2548845&DisplayText=-Firm%20Detail%20(Offices)&ParentText=All%20Firms) accessed 2 May 2017

22 <https://www.irs.gov/uac/kpmg-to-pay-456-million-for-criminal-violations>

member firm to argue that it only has liability to its own clients and to its own regulators. This in turn does, however, mean that it might be able to prevent the disclosure of client related documentation to regulators outside its own jurisdiction, whether for tax or other purposes. As a result the maintenance of client confidentiality in the face of regulatory investigation is much easier to secure.

While there may be several factors behind the choice of structure, this model enables the firms limited regulatory and legal liability as well as ring-fences client activity from enquiry, all of which are helpful devices in ensuring their ability to avoid scrutiny into their tax services to corporate clients.

VI: Big Four claims to the provision of tax services

Understanding how GPSFs legitimate their positions in the international political economy is important in understanding how isomorphic pressures change over time. For the Big Four and professionals dealing with tax services more generally, there has been considerable moral pressure in recent years (Radcliffe et al. 2018). To analyze the extent to which there has been a change in communication by the firms, we undertake a qualitative content analysis of their description of their services. In order to get a time dimension of their services we use the Way-back Machine, which archives web pages. Previous work on the Internet pages of the Big Four traced their diversification into new markets, especially into global legal services (Wilkins and Ferrer 2018). Our interest was in their core activities in providing tax services. We search the saved web pages from the home pages of the Big Four firms that describe their tax services. By obtaining these saved web pages we are able to collect data on how they present these services from 1997 to 2019, a period in which the international political landscape regarding tax changed significantly.

What we looked for are the pages where the firm communicates publicly about their services. Of course, it might reasonably be that part of the change in strategy was to move communication away from the web pages and into

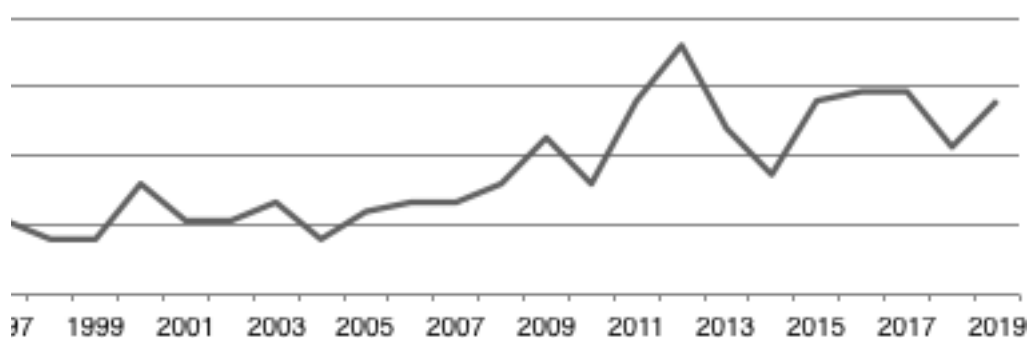
more direct, targeted communication with the clients. It might also be that differences over time arose as a result of changes in the strategic use of the Internet in the period studied. The ideal data for our purpose would have been a fixed type of publication that the GPSFs used throughout the period to communicate their services with adapted and updated content over time. Corporate web pages are the closest we come towards such a publication, as they are continually updated and throughout the period have the characteristic of being targeted towards clients but are also publicly available, the latter being important for our purpose of analyzing how these firms project their legitimacy in the public sphere.

There are some considerations regarding the use of web archive materials for research that are important to mention. First of all, the web archive used does not as such "save" the entire Internet but rather works as a lobster trap, meaning it saves some pages, some of the time. Therefore there are holes in our timeline, where we cannot find each page in each year. Furthermore, the date of the saving does not mean this was the date that particular content was published. We cannot therefore say anything about exactly when changes were made. Instead we can get a view of how pages have changed over time.

These web materials allow us to follow the trajectories of how the firms have adapted their communication about their services to the changing political dynamic regarding tax. The texts reviewed have been written and published in a time when there has been increasing contestation of the issue of international corporate taxation. Over the period increased scrutiny has been placed on the tax strategies of multinational corporations. The marketing of these services reflects the reaction to changes in pressures on the Big Four GPSFs.

The number of documents per year varies from only around one per firm to almost 30 documents in a year. The reason for this degree in difference is primarily due to the nature of the archive, where fewer pages were saved during the earlier periods subject to study. The variation is also driven by the fact that the web pages sometimes

Fig. 10. Number of coded documents



became more detailed as time progressed and included more sub-pages. Even if the pages held the same content, changing the architecture of the web page to create different subpages would create more documents, as each page is saved separately. The number of documents coded in each year is therefore a factor that does not necessarily convey anything about the level of information we are given by the firms, and obviously not the nature of that information. We take the number of coded documents into account when reporting our results by reporting ratios rather than sums of documents with specific characteristics.

Each text passage from the web archives has been coded at two levels. We coded individual phrases and concepts signifying concrete areas of tax, such as “transfer pricing”, “controlled foreign corporations” or “profit remittance”. On this very concrete level we can track the development of the specific services being presented or which areas of tax were being emphasized. This does not enable an analysis of the fact that often these concrete aspects were not mentioned at all, and were instead replaced with rather vague phrases about corporate strategy or the general importance of cost management for businesses. In order to account for this type of communication, we also coded each web page at a more abstract level. Each of these pages were coded as belonging to one of four categories depending on how direct the text was regarding the objective of tax service provision.

Vagueness versus directness was chosen as a signifier based on the assumption that it was less the underlying

practice and more the communication surrounding the services that had likely changed in the period. Alternatively we could have identified different purposes of tax services and analyzed these. However in the instances that the purpose or objective of tax services is stated directly, it is quite one-dimensional: it is clear that there are not multiple competing objectives but rather different ways of saying that the objective is to limit tax payments for multinational corporations. The only cases that can be pointed to as being different in terms of objective are cases where the text also promises to limit “reputational risk” and to adhere to new standards of transparency. We view these as additional objectives to the aim of limiting tax, as these would hardly be relevant if the first objective was not pursued. A firm that does not seek to limit its tax burden should probably not have to worry about the reputational risks of aggressive tax practices.

We create a scale of vagueness/directness based on these observations. The categories are outlined in Table 6, below, along with quotes that exemplify the text passages coded under this type of category. In the first category the text would be very direct and specifically mention lower tax rates. In the next category, vague terms such as “tax effectiveness” or “agile tax strategy” would be used. In category three, the text is so vague that it barely serves any purpose beyond confirming that the firm has tax services for companies. No specific objective is advertised. In the last category, the text is equally vague when it comes to the objective of tax services but adds to the vagueness by enveloping it into phrases more concerned with transparency and corporate responsibility.

Table 6: Coding of Big Four Tax Services from Corporate Web Pages

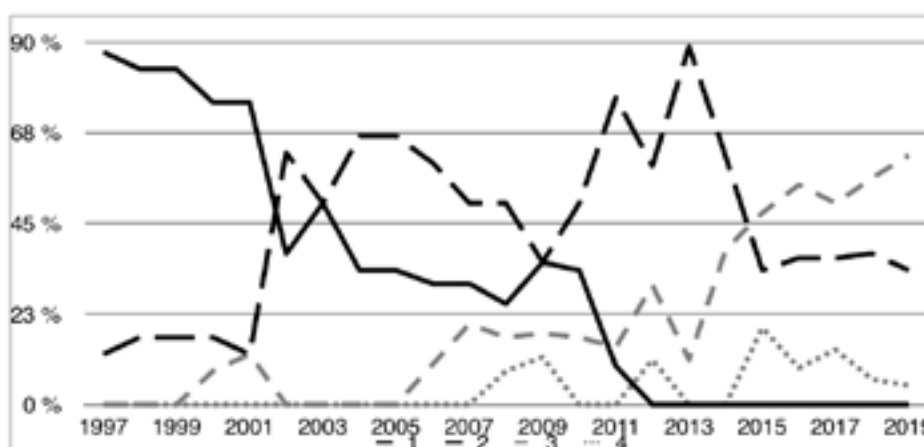
Category	Illustrative quotes
1. Direct aim specification	“OUR OBJECTIVE: MINIMIZING YOUR WORLDWIDE TAX BURDEN Whether your company is U.S. or foreign based, reducing your worldwide tax burden rests on three fundamental concepts: reducing taxes in the countries in which you do business, minimizing taxes on the repatriation of profits, and integrating your worldwide planning to maximize the benefits of tax-saving strategies.” www.ey.com 1997
2. Vague aim specification	“Our mission at the KPMG Tax Practice is to help our clients plug those leaks and re-balance the value flow. Because we understand tax, and have the creativity and the technical mastery to devise swift, tax-efficient responses to business, legislative and regulatory changes, we can help clients achieve and maintain optimal adaptation to their tax environments whatever their international reach.” www.kpmg.co.uk 2002

3. No mention of concrete tax services or aims of services	“Globalisation has increased the importance of international tax issues. Through our international network, we remain abreast of foreign tax and business developments, permitting us to develop cross-boundary tax planning strategies. We are focused on identifying, developing and disseminating state-of-the-art and multicountry tax planning ideas.” www.pwcglobal.com 2000
4. Framing tax services around transparency and corporate responsibility in relation to tax	“Effective compliance and open, transparent reporting are the foundations of a successful tax function. Tax strategies that align with the needs of your business and recognize the potential of change are crucial to sustainable growth. So we create highly networked teams who can advise on planning, compliance and reporting and maintain effective tax authority relationships – wherever you operate.” www.ey.com 2008

When coding for these four categories we find that there are distinct differences in how directly the services are being marketed over the period. Figure 11 illustrates the development over the period studied. In the first five years, a clear majority of texts describe very clearly the aim of minimizing taxes. This is well put in the 1998 edition of the KPMG web page in which they state: “Our aim is to ensure that each client pays no more tax than the law requires.” While that specific formulation is not found in later publications, the sentiment holds for a long time and as late as 2010 and 2011 the web page clearly states how the firm will “generate real cash tax savings for clients”

through transfer pricing, and “reduce the group’s overall tax rate”. These direct statements however have become far less frequent. After 2003, the second category that is a bit more vague takes over, and becomes the dominating one. After 2010, there are barely any web pages where direct references to lower taxes can be found. In the time since 2013, the texts have become even more vague, with category 3 being the one we have coded most text to be-longing. As for the fourth category that directly engages with transparency and morality, this is something that we do see, with more and more references to in the last 5 years but, even so, it is still in the minority.

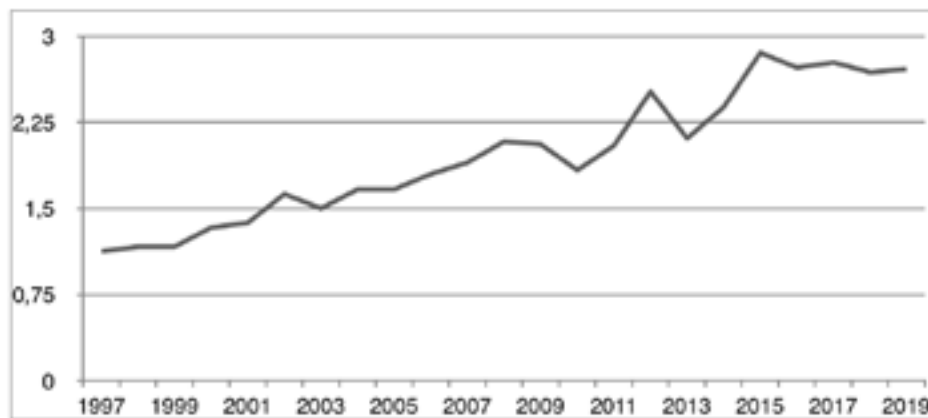
Figure 11. Relative number of times each category is used



We observe a clear time trend in the way the Big Four present themselves to clients and the public in terms of their tax services, where they have in recent years stepped towards fewer explicit and implicit mentions of their ability to lower global tax rates of multinationals and has in turn increased their mentions of tax transpar-

ency and regulation. This is also what we observe in Figure 12, where the average score (1-4) of documents coded is shown over time. Here, the time trend is clear that the firms are moving away from directly marketing their ability to lower the taxes of corporations.

Figure 12. Average score on vagueness/directness scale



VII: Implications

The country-by-country reporting risk assessment criteria adopted by the OECD and used to inform the methodology for this research highlights the fact that the choices made by the Big Four firms of accountants may be entirely deliberate. It is apparent from this study that the structures used by these firms prevent those with interest in their affairs from ascertaining much data on them. Few will go the lengths that this working paper has to secure information on their activities.

It is entirely plausible that the structure was simply chosen to deliver opacity. Because of the structure of dispersed ownership that these firms use no single firm within them these firms clearly believe has the responsibility to produce consolidated accounts for these networks as a whole, or as a result to prepare country-by-country reporting for tax authorities. It has been suggested (Murphy and Stausholm, 2017) that the structure that they have adopted may be in breach of European Union accounting requirements. The 2013 EU directive on financial statements requires the production of group accounts by a parent undertaking that controls subsidiary undertakings.²³ Control is the key word in this context. Sub-paragraph 31 of the preamble to the 2013 Directive²⁴ says that control should be based on holding a majority of voting rights, but that “control may also exist where there are agreements with fellow shareholders or members” and that “in certain circumstances control may be effectively exercised where the parent holds a minority or none of the shares in the subsidiary”. It also says that “Member States should be entitled to require that undertakings not subject to control, but which are managed on a unified basis or have a common administrative, managerial or supervisory body, be included in consolidated financial

statements”. We suggest there is a unified basis if management exists under a common name and that common administrative standards are in use that are overseen by a supervisory body. In that case it is by the finest of regulatory arbitrages that the Big Four GPSFs do not need to produce such statements.

This logic of using regulatory arbitrage to create a distinction between regulatory form and commercial function does in fact appear to be at the heart of the whole structure that these firms use. By the use of contractual arrangements the firm prevents disclosure as to its activity whilst as previously noted, limits the scope of regulation imposed upon it; creates limits to liability to authorities for information held whilst increasing the barriers that protect client confidentiality and at the same time mitigates risk.

Risk mitigation exists in a number of ways. One is by creating individual member firms that might be ‘ejected’ from membership of the overall organization in the event of catastrophic failure. The lessons of Arthur Andersen’s failure after its audit of Enron may have been noted,²⁵ as it was a more integrated form than the others at that time. But the risk that is ring fenced is also reputational. As is now recognized, the use of secrecy jurisdictions is largely motivated by the creation of contractual arrangements that result in the artificial relocation of profit from the place where the economic substance of its creation arises to a different location where it may be recorded. The Big Four are integral to this process: without their presence in the locations where this record of relocated profit takes place the transactions in question could not always be audited, and the audit requirement on the multinational corporations that undertake such activity is nearly universal. This relocation does, however,

23 See Article 2(9) at <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32013L0034> accessed 14 June 2017

24 <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32013L0034> accessed 14 June 2017

25 Including by organization theorists for its influence on professional cultures, see Hallett 2003.

create risk for all parties because of the potential that the relocation may be deemed to be artificial. This is precisely what the country-by-country reporting risk appraisal technique is intended to discover by providing an indication of the real locus of economic activity. If at any point such activity ceases to be politically or commercially expedient for reputational reasons then it would be entirely possible for a Big Four firm to exit these markets by simply giving notice to their members in the places where such relocation of profit is recorded that they were no longer required in the network of firms that these entities are. Breaking the commercial contracts would then expedite change without any obligation to the central organization.

This then suggests a further motive for these structures. Organized as franchises that exploit the capital of others to support the actual commercial activity of the organization at a local level they do then represent rent-seeking entities arbitraging legal and commercial law to maximize returns for a central core of activity, much activity within what appears to be the entity is in fact little more than rent contributing activity that result in legal obligation to maintain the core. KPMG's structure of 58 member firms with entities in about 100 other jurisdictions being sub-franchisees strongly supports this suggestion that even within the organization rent seeking takes place.

In that case opacity has another value: the local organization may well be wholly unable to appraise the relative contribution it makes to the central, rent seeking, entity by comparison with other, similar, entities in other jurisdictions. Contractual arrangements may well prevent the sharing of that information in such an organization. In that case opacity reinforces the goal of the core entity both within and outside the organization.

What is created as a result is, however, a wholly different type of commercial organization. Identifiable only by its franchise name, and unidentifiable as to the true beneficiaries of the ownership of that franchise, the entity is bifurcated by regulatory arbitrage to create ring fences to protect the rent seeking activity it pursues from as many elements of actual commercial activity as it can achieve to the point where opacity is required to prevent detection of the fact that the entity as such does little more than protect itself from those risks that its franchisees are left to bear.

Conclusions

Our study suggests that the relationship between the Big Four and secrecy jurisdictions has been complex, and that the interaction between the two has itself assisted these GPSFs from hiding the true scope and scale of their offshore activities, including the provision of tax avoidance services. In addition, as our textual analysis

of the websites of these firms over time shows, their description of the taxation services that they supply has changed significantly over time, largely, it would seem, in reaction to the changing fortunes of the secrecy jurisdiction locations in which they operate. This does not appear to have significantly impacted on their presence in these locations, which remains both significant in terms of the absolute number of locations in which they are to be found, and in terms of their apparent economic significance to these locations. Even if as a proportion of the total number of people employed within these firms, if treated as single entities, the numbers involved are relatively small. Three obvious conclusions follow.

First, it must be that these locations are of considerable significance to these firms or they would have, logically, abandoned their presence as attitudes towards them changed. Second, given the relatively small number of people employed in each such location it must be the case that the tax planning that exploits these locations is, very largely, undertaken 'elsewhere', as the literature on secrecy jurisdictions implies (Murphy 2009). The relationship is, then, necessarily symbiotic. Although each of these firms wish to represent that they are networks of otherwise unrelated firms this does not appear to be the case: commonality of identity, codes of conduct and ethics, working practices and commercial practice noted during our research all suggests otherwise. In that case, and third, what we are witnessing, as evidenced by the changing way in which these firms suggest they supply their tax planning services, are organisations that develop iteratively in response to political, social and economic pressure without, however, apparently changing either their course structure or purpose. This has been indicated by both the substantial continuity and similarity in the markets that they serve, which in turn suggest that they have developed a unique niche form of enterprise designed to embrace both the onshore and offshore worlds in ways that their corporate structuring ensures is not readily apparent to those who make use of their services, or to regulators.

Finally, we return to the classic question in organization studies and theories of institutional change with which we began: how to locate 'isomorphism' and when 'decoupling' will occur. Meyer and Rowan (1977: 360) suggest that isomorphism in an elaborated institutional environment will likely lead to three outcomes. The first is the "decoupling of structural subunits from each other and activity", the second is "rituals of confidence and good faith", and the third is "avoidance of inspection and effective evaluation".

Our investigation of the Big Four as GPSFs suggests that all three elements are present, and that through tracing the Big Four over time we have a robust case of isomorphism and its effects. Given the importance of GPSFs to contemporary capitalism, including both the public

and private sectors, developing investigative cases into how the Big Four operate is important for knowing what claims they make and can be made against them. Our mapping of their scale and activities, as well as their staff show an elaborate corporate structure that is indicative of decoupling. Our tracing of claims made on their corporate web pages over time suggests that the Big Four do indeed engage in “rituals of confidence and good faith”. These rituals include providing information to clients about what tax services can be provided by their global network and, over time, to clients and regulators that they are treating governance pressures for greater transparency with greater seriousness. The third element in avoiding inspection and evaluation comes from a combination of corporate structure and professional practice. On the latter this emerges from the Big Four’s increasing immersion into advising on what regulators should want and oversee, primarily through its consultancy operations (Boussard 2009; Sturdy et al. 2016; Hurl 2018; Ylönen and Kuusela 2018).

Investigating these three elements of isomorphism is a promising avenue for future research on GPSFs and the Big Four, in particular. Further work could look at how decoupling can empower managers in organizations to defend themselves from external pressures (the literature

here is extensive, see Boxenbaum and Jonsson 2009), with the Big Four providing excellent case material. The distance between forms of decoupling and legitimization rituals, such as proclamations of self-governance, could also be studied, especially since it is known that some other types of organizations engage decoupling to deal with legitimacy claims (Quirke 2013). A further vein of research and conceptual development could focus on how avoidance of inspection and evaluation occurs in recursive cycles linked to global norm-making on particular issues (Halliday and Carruthers 2007). Existing research on how recursive cycles of engagement inform global norms focus on cases such as bankruptcy regimes, capital account governance, accountancy standards, and forestry, among others (Halliday and Carruthers 2009; Kentikelenis and Seabrooke 2017; Botzem et al. 2017; Malets and Quack 2017). The relationship between such recursive cycles and isomorphic structures could be considered when it comes to how GPSFs behave in the international political economy. This may also include understanding the professional networks through settlements are made over how issues are diagnosed and treated (Seabrooke and Henriksen 2017). These future lines of research offer opportunities not only for empirical but also theoretical development.

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