Exporting professional models: the expansion of the multinational audit firm and the transformation of the French accountancy profession since 1970

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Abstract

This paper analyses the transformations induced since 1970 in the French accountancy profession by the globalisation of France’s economy. The growing internationalisation of French companies, as well as the opening up of French financial markets to foreign investment are definitely presented as key-factors for the expansion of the multinational audit firms on the French market for professional services. However, far from offering a solely market-based argument, the paper introduces the concept of “professional model” for examination of the adaptation of those firms to the French professional environment. The concept of professional model is used to describe the asymmetry in the development of the French profession, in comparison with that of its Anglo-Saxon counterparts. While the latter were able to generate the model of the big multinational firm and place it at the apex of professional practice, the French ideal of professionalism equated for a long time independent practice with small practice under the protection of the State. The paper relates the different episodes of the confrontation of the two models, which led to the eventual victory of the big multinational firm model and the reshuffling of intra-professional hierarchies within the French profession. The current domination of the Big 4 in France, as elsewhere, is thus characterised as deriving as much from the greater capacity these firms have to meet the needs of major companies as from their ability to adopt the local way of producing social elites.

Keywords: professions – audit – globalisation – France-sociological history

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Introduction

Globalisation is not a very simple concept to handle for sociologists of professions. According to Evetts (2003), the introduction of an international dimension in this area has resulted in theorisation that seeks to compare and to contrast rather than to tackle the effects of the interpenetration of different national traditions.1 The main reason for this is that many professions have been built around an ideal of individualism, often associated
with service on a local basis, and that they lack global players in the form of multinational
organisations capable of embodying a single professional identity on the scale of the
whole planet. Even in those professional activities in which these global players exist, the
trend towards globalisation has been resisted since national barriers have persisted.
Morgan and Quack (2006) have for instance shown that the development of the American
Mega-Law firm worldwide has not resulted in a global convergence towards a single
model of practice but rather, in countries such as the UK and Germany, in the emergence
of specific forms of hybridisation between “the global” and local traditions. To account
for this resistance, differences in the sociological history of the professional phenomenon
have been invoked. The Anglo-American professional tradition based on powerful
self-regulated professions and the continental European tradition in which the State is
always more powerful than other social actors have thus often been compared (Burrage &
Thorstendhal 1990a & b, Krause, 1996). 2

In this respect, accountancy is a profession in which global players do exist (Strange,
1996). The Big 4 are not only worldwide actors. They are also worldwide leaders as,
whatever the industrialised country, they normally constitute the local professional elite.
Their leadership does not only concern commercial aspects. They are of course at the top
of professional rankings by the fees they charge and they have managed to quasi-cartelise
the segment of multinational companies to which they sell much more than audit services
(or used to sell before the Enron scandal and ensuing legislation). Moreover, they are also
almost exclusively the sole representatives of the accountancy profession at the
international accounting and auditing standard setters. Beyond their official role in the

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1 A possible field for investigation according to her was therefore the activity of international professional
associations (Evetts, 1995).
2 Krause thus opposes for instance France (strong State, weak professions) to the UK (weak State, strong
professions).
production of international expertise they are also presumed to be part of networks that span the business and political milieus, whose influence has been interpreted by some researchers as not being always in the public interest (Arnold & Sikka, 2001). If one adopts a vision of globalisation, which sees the latter as a result of the exportation of Anglo-American tradition in the government of the economic and the social, The Big 4 (also referred to henceforth as “Big firms”) are not only global actors, they are also the instruments of globalisation. Part of the story of their worldwide expansion is that of the imposition of the tradition of which they partake originally on national contexts where the Big Anglo-American firms had to overcome opposition from local professional elites.

From the point of view of the sociological history of professions, what is needed therefore to analyse the globalisation of the accountancy profession is a sociology of confrontation between professional actors generated by different economic and social traditions, rather than a comparative sociology that would consider professions in their particular national settings.  

The present paper analyses how the French accountancy profession took the turn of globalisation after 1970. With the “sociology of confrontation” as a backdrop, shorthand for this analysis would be “Venerunt, Viderunt, Vicerunt” – “they came, they saw, they conquered”. There was indeed a confrontation between the elites of France’s accountancy profession and the representatives of the Big firms. These firms eventually won and

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3 See Caramanis (1999 & 2002) on this point. More generally, the conception of globalisation in which the global level is actually exported and integrated into the local level has been developed in Gilpin & Gilpin (1987), Callimicos et al. (1994), Djelic (1998), Hirst & Thompson (1999). The diffusion of dominant traditions has also been studied from an institutional angle by Meyer et al. (1997), Djelic & Quack (2003) and Djelic & Sahlin-Anderson (2006). The contribution by Djelic & Quack puts together a set of studies in which the interplay between transnational institution building and changes in the national institutional systems is analysed. Transnational frames are likely to challenge national institutional systems either directly, through supranational regulation, or indirectly, through cross-national interactions at subsocietal levels such as sectors, industries, professions (Djelic & Quack, 2003, pp. 306-307).

4 For an example of what results the comparative study of professions can yield, see Abel &Lewis (1995) and in particular chapter 1 of this book (Comparative Sociology of Legal Professions, by Abel).
became the new elite of the profession because they were more international and because their internationalisation meant the accumulation of a reputation their French counterparts almost completely lacked on the global scene. In a time of financial globalisation, and in an industry such as audit where the quality of what is produced depends heavily on this reputation, the choice for French multinational companies seemed obvious. On the supply side, the Big firms also found quite weak opponents. Compared with other professional activities in France, the accountants were late starters and their institutionalisation had proven difficult (Ramirez, 2001). Yet, the reasons for the victory of the Anglo-American firms in France are not the topic of the present paper. Instead, this paper focuses on the consequences of this victory for the French accountancy profession. Indeed, if one considers that the struggle took place between Big firms and local elites, this elitism only makes sense by reference to the professional community and to the place this community occupies in the whole social structure. The same is true about professional elite firms of the Anglo-American world, as before being global leaders these firms were already dominant within specific national contexts. The main difference between French and Anglo-American elites is that the latter were able to transform their national domination into a global one.

The intrusion of the Big firm into the French professional landscape must therefore be analysed by reference to the logic behind the constitution of the French accountancy profession which resulted in the promotion of certain individuals and certain forms of practice as elitist. In turn, the Big firms have also to be envisaged by reference to the logic that prevailed in the construction of their domination, both nationally and internationally. One tool to grasp the way elitism is produced in the present case is the notion of professional model. This notion is related to that of “professional project”, which was
developed by neo-Weberian sociologists to account for the formation, and institutionalisation, of professions (Berlant, 1975; Larson, 1977). These sociologists described how individual joined forces to achieve collective mobility through economic and social closure. In addition, the notion of professional model accounts for the fact that the professional community, resulting from this project, is itself differentiated and hierarchically organised. Of course, hierarchy prevails from the early days of the achievement of the professional project, with practitioners -mostly individuals at this stage- holding themselves out as professional leaders. But it also continues as a process – one could even say as the essential process- that governs the evolution of the professional body once the latter has been institutionalised.

A professional model is a heuristic device, which refers a) to a specific organisation of professional practice and b) to the individuals working inside this organisation who are identified by their social characteristics. The professional model draws from two theoretical sources. From Bourdieusian sociology (Bourdieu, 1984 & 1990) it borrows its vision of society as composed of hierarchically organised fields within which agents are distributed according to their endowment in different sorts of capital (economic, cultural, social). From neo-institutional sociology (Powell & DiMaggio, 1991) it takes the idea that fields can also be composed of organisations. An organizational field consists of “those organizations that, in the aggregate, constitute a recognized area of institutional life: key suppliers, resource and product consumers, regulatory agencies and other organizations that produce similar services or products” (DiMaggio & Powell, 1983, p. 148). The essential idea that shapes the whole paper is that, within professional communities, there is a hierarchy of models whose underlying principle depends first and foremost upon the value that is attached by society to the combination of types of capital
that are possessed by professionals. The notion of model conjugates two aspects that have been relatively neglected by each of the two aforementioned theoretical sources. In comparison with neo-institutional ideas, the notion of model insists in the importance of hierarchy to account for differentiation within the organisational field and in the rooting of this hierarchy into the wider social structure. In comparison with Bourdieusian theory, it uses the concept of organisation to account for the fact that organised practice can become a competitive advantage in certain institutional settings and that this advantage is constituted by the ability of organisations to act as accumulators of capital.

In Bourdieusian terms, a structural homology is likely to exist between the field of professionals and the field of their clients. Put in simple words: prominent professionals usually serve prominent clients. The combination of the different types capital that characterises professionals at the apex of their field varies from one professional context to another and is particular to each phase in the development of the professional phenomenon. For instance, in the UK professionals have for a long time considered social capital and respectability building as (if not more) important as the promotion of cultural capital (MacDonald, 1989; Perkin, 1989). A Bourdieusian approach is however not sufficient to account for the fact that, at the beginning of the period covered by this paper, prominent clients were indeed served by international firms in the Anglo-American context, whilst they had still to rely on individual practitioners in

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5 Neo-institutionalist authors often consider that the diffusion of dominant forms precedes their legitimisation. This is why the fabrication and diffusion of legitimate categories has often been ascribed by these authors to the coercive role of regulatory authorities (Dobbin & Dowd, 1997; Hoffman, 1999; North, 1990) or to the facilitating action of professionals, who are envisaged as the vehicles for the diffusion of legitimate norms (DiMaggio & Powell, 1983). Understanding why certain social actors are more successful than others at imposing their own categories as legitimate would require, according to Kallinikos & Hasselbladh (2000), to pay much more attention to the architecture of the rationalising schemes that are depicted by neo-institutionalists as being diffused like a “spill-over of disembodied ideas”. The process of objectivation that often constitutes the basis of rationalisation mechanisms (Berger & Luckmann, 1967) sees indeed actors struggle for the imposition of their own categories as legitimate. In the Bourdieusian theoretical framework the outcome of this struggle would depend upon the position of a given field within...
France. In one case the elite model was a collective organisation of practice whilst in the other this model was underpinned by individual practice. This fact justifies that, in order to analyse this difference, one needs to bring in the neo-institutional conception of the field alongside the Bourdieusian conception. Indeed, the French sociologist was never really interested in the organisational level as he considered that this level obfuscates the real relations of domination between individuals, and the rooting of these relations in the social structure. However in the case of professions, and with the purpose of developing a sociology of confrontation, one needs to introduce the idea that collectively organised forms of practice, known as the “firm”, are also a way of accumulating important quantities of the aforementioned sorts of capital. In the Anglo-American world large firms are not only powerful because their partners are better endowed in social, cultural and possibly economic capital than the rest of their fellow-professionals; these firms are also powerful because they are large and well organised. Their size and efficiency triggers a virtuous process of accumulation, that in the long run leads to the transformation of the said different sorts of capital into symbolic capital, in the present case crystallised by the reputation the Big firms enjoy.

The notion of professional model is ideal-typical (Kalberg, 1994) in the sense that what it describes does not exist as such. There is indeed no “Big firm” but actually, nowadays, the general hierarchy of fields, which determines what sort of combination of capital is relevant to dominate in the field and the types of strategies actors can use to naturalise their domination.

6 For a detailed discussion of the different uses of the notion of field in sociology see Martin (2003).

7 Bourdieu was suspicious of the very notion of profession itself, a “word of ordinary language which has been smuggled into scientific language; but it is above all a social construction, the product of an entire social labour of construction of a group and of a representation of this group, which has crept surreptitiously into the science of the social group” (Bourdieu & Wacquant, 1992, p. 212). Even in one of his last books (Bourdieu, 2005), in which he was attempting at analysing the structure of the economic field, his vision of the body corporate as an economic actor is peculiarly Bourdieusian, and quite distant from any organisational conception of the company. The latter is indeed envisaged mostly through its activity rather than its structure and essentially as a “field” in itself. Bourdieu sees corporations as being the seat of an opposition between those endowed with economic and social capital (often the owners of the corporation) and those who possess greater quantities of cultural capital (in its technical variety) and who are assimilated to the manager category.
four of them, which are presumed to constitute an homogeneous cluster. Yet, the “professional model” helps understand the sociological phenomena that were at play in the story that is recounted in this paper. This notion is therefore tailored to a specific purpose, suited to the analysis of professional activities, i.e. activities organised around the selling of immaterial products and in which the human factor plays an essential role, and to the narration of events that saw a struggle between practising professionals, that is to say to the exclusion of salaried professionals (although, as we shall see, the fact that Anglo-American professions usually include professionals working outside practice did play a part in these events). Power and hierarchy only make sense by reference to the professional field in which this power was initially constituted. In the Anglo-American case, the underlying principle to this constitution can be presented as being “size” (the elite forms of practice are “Big”). Whilst in the French case, before the expansion of the model of the “Big firm”, size meant economic power but not symbolic power, since the larger entities of the French profession were confined to serving small and medium sized clients.

The remainder of the paper is organised as follows: the next section is a description of the Anglo-American and the French professional contexts providing the necessary elements to help understand why elitist forms of organising practice happened to be so different in each case. The following three sections provide an analysis of the evolution of the profession in the last 30 years in France detailing the strategies deployed by the social actors involved and the structural transformation the field of accountancy and auditing has undergone. A brief discussion concludes the paper. The empirical basis of what is related consists of archival material from the beginning of the period covered and
interviews plus a content analysis of the professional and economic press for the remaining years.

“20 years behind”: French and Anglo-Saxon professional models in comparative perspective

Associating the Big multinational firms, namely Price Waterhouse Coopers, Ernst&Young, Deloitte Touche Tohmatsu and KPMG, to a particular profession and to a particular professional tradition is prima facie not a very obvious thing to do. Letting aside the post-Enron and Sarbannes-Oxley events, which seem to confirm the trend towards the separation of consultancy and auditing practices, initiated a few years ago when partners of Arthur Andersen left to create Accenture, the history of these entities has indeed seen the continuous aggregation of numerous specialities working for the same clients under a single brand name. Besides, studies such as Cooper et al. (1998) have also noticed the strategic interplay between local ways of doing things and the standardisation of procedures of recruitment, training, promotion, work and control of the quality of work, inculcation of professional behaviour… which shape the culture of the global firm. All that said, the view is nevertheless taken in this paper that these global firms blossomed first and foremost within the accountancy profession and in a specific economic, social and cultural environment which had given birth to a particular conception of professionalism. Without necessarily blurring the differences between the rise of the “priesthood of industry” in Britain (Mathews et al., 1998) and the development of professional accounting and auditing in the United States and in the British Dominions, it will be considered that the accounting professions of these countries share a common set of characteristics, rendering possible the emergence of the model of the Big firm and
its globalisation. It is indeed not too far-fetched to relate the present Big 4 to an ancestry that flowered within the British professional tradition and later accommodated itself overseas (Allen & McDermott, 1993; Jones, 1981 & 1995; Mathews et al., 1998). This section is thus devoted to the presentation of these characteristics and their consequences on the organisation of elitist forms of practising accounting and auditing. By contrast, these elitist forms emerged in France with a very different aspect, as a result of the particular route French accountants and auditors took to develop their professionalisation. Comparing both professional models at the end of the 1960s, some commentators in France did not hesitate to measure the difference in terms of backwardness when they asserted that the French profession was lagging at least “20 years behind”.

The Big firm model within the Anglo-American professional tradition: revenue and reputation

The goal of this section is neither to summarise the history of the accountancy profession in the main English speaking countries, nor to generalise, in the guise of what was done by functionalist sociology (Wilenski, 1964; Etzioni, 1969), from this history and that of other professions in order to elaborate a series of traits which would thoroughly describe what professionalism is in these countries. My task will be more modest and consists of singling out those characteristics associated to the conception of the professional practice of accounting and auditing which help to understand why this conception was fraught with the Big firm model. These characteristics are also essential for a comparison with the

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9 Family trees for each major international firm have been published in the magazine Accountancy by Boys (1990 & 1994). The only notable exception to this genealogical trend was of course the defunct Arthur Andersen, born and grown up in America and that remained essentially a single firm (Spacek, 1989).
French professional tradition, within which other ways of conceiving of practice emerged and were eventually subjugated when the Anglo-American domination became irresistible.

The first particular trait to be considered is the interconnection between the world of salaried accountants and the world of accountants in practice. The founders of professional institutes were almost all of them practitioners and their professional project revolved around the idea that the gentlemanliness attached to the professional status essentially derived from the independence of the holder of this status (MacDonald, 1985; Walker, 1988). Yet, nowadays the majority of the membership of the most prominent of these institutes no longer works in public practice. Although the integration of the salaried accountants to this membership has not always been easy, as evidenced by the example of the Institute of Chartered Accountants in England and Wales (Noguchi & Edwards, 2004), the presence of the non-practising professionals represents for professional organisations, a substantial amount of financial resources and an increased weight when the time comes to negotiate “regulatory bargains” with the authorities (Cooper et al., 1994). As far as the top firms of the profession are concerned, this characteristic helps the constitution of networks that span the worlds of practitioners and non-practitioners. In countries where the apprenticeship of future accountants implies signing a training contract with one of these firms, the affiliation with a former employer can last relatively long (Anderson-Gough et al., 1998). Networks of ex-firm XYZ

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10 However, authors such as McMillan (1999) point out that the professional project of the founders of the American accountancy profession was much more based on knowledge and on constituting a “community of the competent” (the implicit model being the engineer rather than the law profession). This led them to oppose British expatriates such as those who founded the American branch of Price Waterhouse (Allen & McDermott, 1993) and who were much more the inheritors of the “gentleman-professional” tradition.

11 For instance as of August 2006, out of the 330 525 regular members of the American Institute of Certified Public Accountants, 133 379 were working in public accounting and around 158 000 were employed in industry or by the Government. There also exist professional bodies which are part of the accounting world
professionals thus exist, in the Anglo-American context, somehow in the guise of the “old boys” networks of the British public schools.¹²

The second trait to take into account is that the accounting profession, in the main English-speaking countries, never obtained registration on the whole gamut of its activities. On the contrary, it is at the fringes of what was supposed to be its core business that it found new resources for its development. Audit itself, which was long supposed to be the backbone of professional identity, was not granted from the beginning to the accountants as an exclusive privilege. Rather, what the authorities recognised was a capacity that had already been built over a sometimes extended period. In the United Kingdom, the Companies Act 1948 gave professionally qualified accountants a statutory monopoly of the external audit function. Yet, research (Anderson et al., 1996; Chandler et al., 1993) has provided evidence on the fact that most quoted companies were audited by professional accountants (members of the Institute of Chartered Accountants in England and Wales in their vast majority) from as early as 1886. In the United States, the Securities Act 1933 and the Securities Exchange Act 1934 imposed the audit of financial statements of corporations seeking to issue securities, or corporations wanting to register with the Securities Exchange Commission for the public trading of securities. The Commission’s reaction to the McKesson & Robbins fraud case in 1939 pushed forward the development of auditing standards by the American Institute of Certified Public Accountants. As was the case in the UK, the practice of audit by large accountancy firms was already widespread when legislation was passed (Previts & Merino, 1997). It was

and whose members essentially work outside practice, such as the UK-based Chartered Institute of Management Accountants (CIMA).

¹² In the United Kingdom, chartered accountancy remained, until the raise of MBA programmes after 1970, one of the key-trainings to access positions at the top in companies (Matthews et al., 1998). In this respect, the French are at the opposite: the number of professional accountants who do not have any other (more prestigious) qualification and who hold top positions in the management of major French companies is very low.
actually the senior partner of the American firm of Price Waterhouse in the first decade of the 20th century, Lawrence Dicksee (himself a British expatriate), that authored what is considered to be the first audit manual ever.\textsuperscript{13}

Moreover, core tasks were, in the accountants’ case, used as a springboard to sell complementary services. In the early days of the Institute of Chartered Accountants in England and Wales, members often came from the insolvency business, a business that had been deemed unworthy by more established professionals such as solicitors. As the professional identity consolidated, insolvency was progressively replaced by taxation, management consultancy and more recently corporate finance (Jones, 1981; Mathews et al., 1998). Thus, the relative looseness in the definition of what an accountant was supposed to do, instead of hampering the growth of the profession, fostered it, even though this growth sometimes brought about jurisdictional conflicts with neighbouring activities (Abbott, 1988; Sugarman, 1995). In particular, multidisciplinarity allowed the accountants to serve a wide range of clients, including the State (Loft, 1988; Walker & Shackleton, 1995), and therefore to further increase the influence of their profession.

The most relevant trait to consider here is, nevertheless, the importance of the organisation of professional practice in the form of partnerships. Although restrictions in the number of partners were, in some places, in force for a time (until the 1967 Companies Act in the United Kingdom), the association of practitioners working under the same brand represented an important contribution to the growth of business and the possibility to tailor the size of the firm to that of the clients. Collectively organised practice was also the indispensable framework to develop multidisciplinarity as, progressively, individuals coming from other areas of specialisation than audit and

\textsuperscript{13} Dicksee, L. R., \textit{Auditing: A Practical Manual for Auditors} London: Gee, 1892.
accounting could be admitted to partnership. In stark contrast, French accountants, because they wished to resemble more established professionals and because the French market for accounting and auditing services was too narrow, stuck to a form of practice that was essentially “parochial” (i.e. local and personal). This point will be expanded further on in the paper, but it is important to realise that the term professional elite has essentially been associated in the Anglo-American world to firms rather than to individuals. Before they achieved what Jones (1995) has called the “silent revolution”, i.e. the transformation of national leaders with an international network and a partnership structure into multidisciplinary global giants managed as quasi-multinational companies, these firms already partook of the model of the “Big firm”. The typical would-be “Big” was indeed embodied by the City of London firm dealing with the accounts of listed companies, with good connections in the business and political milieus, offering a range of services going beyond accounting and auditing and having settled in the United States and in the Dominions, directly or through mergers and associations with local firms.14

It is from this model, which started as national, that the major multinational entities that head professional rankings have derived. The Big 4 can be said to be the only truly multinational firms, in the sense that, compared with international networks of national firms, they offer, whatever the country, the same professional culture based on methods of recruiting, training and working which are particular to them and which are suited to the characteristics of their multinational clientele. The power these entities enjoy does not only derive from their market share. It is also concentrated in their ability to shape the

14 As far as the United States are concerned, Price Waterhouse did set up an American practice as early as 1890. Other London firms rather elected merging with local auditors as it was the case with Peat and Marwick Mitchell (1924), Deloitte Plender, Griffiths & Co., which became associated with Haskins & Sells in 1931 (both firms eventually fully merged in 1978) or Coopers Brothers & Co and Lybrand, Ross, Bros & Montgomery (1957). On these mergers see for instance Jones (1995), Wooton (1992 & 2003). Again, Arthur Andersen can be considered as being an exception since the Chicago-based firm followed its own way to the status of “Big firm”.

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rules that govern the production of accounting and auditing expertise and in the fact that they have ended up almost monopolising this production. If one looks at the history of accounting standard setting in the Anglo-American countries, the general tendency has been that of a lead taken initially by professional institutes in the production of standards, followed by a withdrawal from this leading role when major financial scandals created an atmosphere laden with suspicion about the actual independence of these institutes. The creation of the Financial Accounting Standards Board in the United States (in 1973) or of the Accounting Standards Board in the United Kingdom (in 1990) saw indeed a greater intervention in the process from other stakeholders, such as academics or users of accounts. However, so extended is the network of Big firms’ “old boys”, it is quite common that representatives of these stakeholders are actually former Price Waterhouse or Ernst & Young professionals. This is all the more true in the case of the international standard setter. The IASC, which originated in a professional initiative, changed its name into IASB after a reform whose aim was to enlarge the representation of non-professionals. Yet, it is mostly the Big 4 firms that have the sufficient resources to second personnel, on a full-time basis, to the standard setters’ technical committees and to keep abreast of the complexity that the drafting of standards has now reached. If compared with other members of the accountancy profession, Big firms have therefore developed a sort of “topical expertise” of standard setting, structured by the fact that only actors that actually do apply the standards to their client-companies are able to intervene into the process of setting them. One result of this situation is the separation of the membership of professional institutes into two worlds that actually have very little in common. Indeed, not only most firms do not have sufficient financial resources to be truly international players on the marketplace, moreover, they also lack human and
technical resources to actively participate in the fabrication of “pure accounting and auditing”.  

The Big 4 are thus the epitome of a professional model, within which revenue (and therefore size) and reputation are compatible. This compatibility was already forged, before the era when the ancestors of these firms are supposed to have gone global, and is rooted into a professional tradition in which accountants working outside of practice and practitioners are part of the same professional bodies (thus enabling the constitution of networks that interconnect both worlds), in which accountants do traditionally more than accounting and auditing (thus, paving the way to multidisciplinarity) and, lastly, in which the organisation in the form of partnerships of the delivery of expertise is something that is congenital. Within this particular context, the history of the advent of the Big firm model sees partnerships which had progressively made a name for themselves thanks to the social and economic capital gathered by their founders (and those who succeeded them) turn into multinational organisations, which themselves are able to accumulate social and economic capital and attract individuals endowed with important quantities of cultural capital. The challenge for this model of professional practice has been to maintain the appearance of a status-quo between professionalism and commercialism (Hanlon, 1994; Suddaby et al., in press). Part of the answer to this challenge is the role the Big firms have taken up as producers of “pure accounting and auditing” that is to say the rules, national and international, that govern professional practice with the most distinguished clients. Profit making and professional reputation seem thus to partake of a virtuous circle, in which expertise generates profit which is in

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15 I am borrowing this term from Dezalay (1992) who uses the expression “pure law” to designate the contribution of major law firms to the building of the legal framework, especially in areas, such as international commercial law, in which public regulators are less influential.
turn invested in the development of expertise in its purest form, i.e. setting standard practice.

What has been shown in this part of the paper is that the model of the Big multinational firm finds its origins in a particular professional tradition, the characteristics of which allowed a handful of firms (10 at the end of the 1960s) to combine growth and reputation so as to epitomise excellence in the accountancy profession. The colonisation of the French accountancy profession by the Big Anglo-American firms is at the same time part of the history of their globalisation and the result of the successful exportation of the Big firm model to a professional context which was absolutely alien to it. This colonisation saw the confrontation between the elite French and Anglo-American professional models. The latter won because it was, without the faintest doubt, more “global”. It is not the aim of this paper to discuss this point. What the paper rather shows is that this global predominance had been prepared for long within a professional world in which size and reputation are compatible, or, in Bourdieusian words, within a professional field in which the underlying hierarchical principle was that symbolic capital was positively correlated with the accumulation of economic, social and cultural capital. Thus, the story that will be told in the following section is not only that of the victory of the Big firms. It is also that of the transformation of the French professional field as the consequence of the insertion in this field of a completely new professional model, which disrupted the order by which French professionals were hierarchically distributed within the field. Before we come to the detailed narration of what happened during the period 1970-2000 in the French profession it is therefore important to look back on the way this profession had been established.
The French accountancy profession before 1970: individualism and the quest for notability

The history of the accountancy and audit profession in France has yielded organised ways of practising that are very distant from the professional model and its multinational evolution the characteristics of which we have just described. From this history, two distinct professions have emerged. Their memberships in spite of being quasi-identical have not been merged until today in the same institutional framework.16

Experts-comptables are thus principally in charge of keeping or supervising the keeping of accounts of corporate bodies,17 while Commissaires aux comptes, who are under the supervision of the Ministry of Justice, enjoy a legal monopoly over audit.18 This separation between accountants and auditors is just another peculiarity of the French profession.

There is also in France a clear-cut division between practitioners and accountants working in industry. Only the former are considered as members of an organised and independent profession.19 This distinction, imposed on the auditor by the conflicts of interest that could arise if the latter happened to be employed, is more surprising in the case of the accountant. It is in fact also justified by yet another particularity, which lies in the monopoly that

16 A provision of the 1968 law reforming the expert-comptable profession offered to any registered member the possibility to enrol in the commissaire aux comptes profession.
17 According to the provisions of the Order of 19 September 1945. This piece of legislation was amended in 1968 (see below). A more recent reform, in 1994, entitled experts-comptables to commercialise other services such as tax, on an incidental basis to their core-business. This reform legalised an already long-standing practice, which had been a source of conflicts with “neighbouring” professions such as avocats (lawyers) or conseillers juridiques et fiscaux (tax and legal advisors). On this latter point see Boijeol & Dezalay (1997).
18 It is the 1863 Companies Act that provided for the first time for the existence of an external controller of accounts. However, the actual birth of the commissaire de sociétés’ figure dates back to the great 1867 Act, which stands as a landmark in the history of French corporate law (legislators waited until 1966 to decide a major revision of it). The regulation of professionals’ recruitment and attributions established by the 1867 Act were subsequently reformed. The current rules governing the auditor profession essentially date back to a 1969 decree. For further details on the successive episodes in the regulation of audit in France, see Mikol (1993).
19 This means that even after completing professional education and becoming therefore a diplômé(e) d’expertise comptable, an accountant can be denied the title of expert-comptable and the right of practice if he/she elects to be waged. The only exception concerns of course those salaried accountants working at a professional firm.
accountants as practitioners enjoy in France over the preparation of accounts. In spite of several recent attempts (the last one in 1994) at integrating the salaried diplômés d’expertise comptable into a special section of the accountants’ body, the difference in nature between the two instances of professionalism has remained. The current institutional characteristics of the French profession, with a special mention to this double separation between audit and accounting and between practitioners and salaried accountants, are essential to bear in mind if one wants to understand the sort of professional model that was borne by accountants’ professional project as it developed throughout most of the 20th century.

Professions in the Anglo-Saxon world are presumed to pursue the general interest and serve the public in exchange for the self-regulatory privileges bestowed upon them. If one considers the way in which the State did develop in France (Badie & Birnbaum, 1979), the “public service” profile of the accountancy profession could be said to derive more from its proximity to the central power than from its distance to it. Thus, the professional project (Larson, 1977) set up by accountancy practitioners before the Second World War to have their activity recognised by the authorities was based on mimicking the formal characteristics of other professions that were more advanced in the process of social closure (Murphy, 1988). It is thus the legal professions (advocates and notaries) that the accountants decided to follow, in their attempt to “serve the public”. This mimicry was all the more logical and necessary since the elite of accountancy practice

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While associations of salaried accountants played an important role in the professionalisation process in the 1920s and 1930s, the institutional construction of the profession around the model of the small practitioner left eventually these associations and their members aside. According to a former president of the accountants’ professional body that I interviewed the policy of the professional organisation in what regards the waged accountants has changed progressively towards a friendlier attitude. However this rapprochement has been constantly thwarted by the public authorities which are not interested in having a “bigger” profession that would be more difficult to control and the activity of a great part of which would fall out of the scope of public order issues.
was often composed of individuals who had failed to achieve a successful career in the professions that they were imitating (Ramirez, 2001). As a result, professional associations did put forward values and forms of conceiving of practice that tended to equate excellence in the accounting craft and individual practice. Sole practitioners especially were supposed to meet the requirements of independence and competence (because they could keep a sufficient control over the work they delegated to subordinates) that were quintessential to the professional activity. Such as it was the case for the legal practitioner, professional accountants should at the same time serve their business clients but also keep an aloof and distant attitude to them (Bocqueraz, 2001; Ramirez, 2001).

Before the Second World War, the associations of practitioners that tried and lobby the authorities to be granted a monopoly were therefore established, often to the resemblance of the British professional institutes and with the specific purpose to promote a particular form of delivering expertise in accounting. The rules set up by organisations such as the Compagnie des experts-comptables de Paris (created in 1912) were aimed at recruiting practitioners and at excluding salaried accountants, the main reason for this being the relatively low status these latter accountants enjoyed in the French companies. Equating expertise and practice –especially in the form of sole practice- fulfilled the need to establishing a hierarchy internal to the accounting profession whilst trying to insert this profession in the hierarchy of professional fields in which lawyers and doctors occupied the upper ranks (Ramirez, 2001). This strategy was consistent with the state of a market for accounting expertise where demand was low before the First World War. After 1920, however, fiscal reforms and the introduction of income taxation boosted considerably this

\[21\] This idea has of course been challenged continuously by critical research in accounting. See for instance Cooper et al. (1993) or Willmott et al. (1989).
demand, jeopardising the exclusive stance the associations of accountancy practitioners had taken. The confusion, resulting from a situation in which “experts” of all sorts had pullulated, did not lead the government to act in favour of these associations. It was in fact for a reason quite alien to the claims of the experts in accounting that the authorities eventually established accountancy as a profession in France. The achievement of a formal status similar to that of the lawyers or medics proved far more painstaking than the official history might lead one to think. The Vichy regime’s technocrats –and those who succeeded them after 1944- made the decision to create an Ordre des experts comptables to serve as an instrument for the application of a Plan comptable, a set of accounts common to most companies, whose purpose was to harmonise and centralise information used for the design of macro-economic policies (Fortin, 1991; Standish, 1990).

In 1942, the need to create a professional institution posed to the authorities the problem of gathering a body of practitioners numerous enough to implement the project of economic rationalisation that has just been mentioned and, on the other hand, with a sufficient standing to deserve the status of an established profession. The solution that was found to solve this problem consisted in dividing the institution into two different compartments, in theory for technical reasons, in fact for reasons related to the practitioners’ social background. The Ordre des experts-comptables was thus born as the Ordre des experts-comptables et des comptables agréés (OECCA), within which a minority of

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22 The boom of the market for taxation and accounting services essentially concerned small and medium sized companies, which often could not rely on a sophisticated in-house accounting department to deal with these matters.
23 See for instance the history of the French profession published by the Ordre des experts-comptables in 1995 to celebrate the professional institution’s 50th anniversary (while, as explained below, the actual year of birth of the Ordre is 1942, during the Nazi occupation).
24 Research up to the present has been inconclusive as what regards the existence of a causality link between the development of the Plan and the establishment of the Ordre, although the simultaneous and complementary character of both creations would incline one to believe in such an existence.
experts were entrusted with the supervision and organisation of accounting systems whilst a majority of comptables agréés would be confined to bookkeeping.\footnote{As far as the expert-comptable category is concerned, the first members of the Ordre were a mixture of the 600 something holders of the Brevet d’expert-comptable, which was created by the government in 1927 to allow those coming from a modest background to enter upon a career in accountancy, and of individuals that had become accepted into the Ordre thanks to transitional provisions. Although some of the holders of the Brevet did actually come from the working class or the petty bourgeoisie, most of them had in fact sufficient educational capital (some were alumni of a grande école or, more likely, they had read law). On the contrary, very few among the comptables agréés had any university studies and many had stopped going to school at the age of 14 or 16. The division of the professional body into two compartments, logical as it may seem from this sociological point of view, became very quickly uneasy to handle. Many amongst the experts-comptables that did not have sufficient social connexions to work with large companies ended up poaching on a market for bookkeeping that was supposed to be the preserve of the comptables agréés. Besides, the constitution of the Ordre did make provision for a greater representation of the expert-comptable minority at its Council (Conseil supérieur) and executive committees. This seemingly unjust situation triggered collective action from the representatives of the comptable agréé majority. An Institut national des syndicats d’experts-comptables et comptables agréés was created in 1947 and between 1950 and 1965 no less than ten private bills were introduced in the French Parliament, either to split the Ordre into two or to merge both categories of practitioners. It was eventually the 1968 Law reorganising the Ordre that put an end to these internal squabbles by halting the recruitment of the comptables agréés and offering the opportunity to the existing ones to apply for the expert-comptable status.} 

Significantly enough, legal audit (commissariat aux comptes) was left untouched by the 1942 reform. While the link between accountants and audit had been established early on in countries such as the United Kingdom, it is only in 1966 that the law revising the Companies Code (and, subsequently, the 12 August 1969 decree organising the auditor profession) officially associated experts-comptables to the certification of accounts. Yet, during the pre-war period, associations of accountancy practitioners had tried lobbying the French state to obtain a reform of the 1867 Law. The latter provided for the existence of commissaires entrusted with the certification of companies’ accounts, but said nothing about how the competence and independence of those commissaires would be guaranteed. The lack of any provision concerning the scope of the auditors’ investigations and also their competence and independence resulted in the audit institution being turned into a laughing stock. Shareholders\footnote{Brown, 1905} as well as politicians, essayists and even British professionals (Brown, 1905) used to describe in outraged or jocular tone the way the commissaires...
would be recruited from the managers’ next of kin, or amongst ageing shareholders who had no knowledge of accounting beyond the A.B.C. stage.

Some reforms were adopted in the 1930’s, to compensate for the obvious flaws of the initial legislation. A series of décrets-lois established a separation between listed companies and other entities submitted to a verification of their accounts. Auditors for listed companies had to show a certain form of proficiency, though the latter was not limited to accounting but also encompassed legal subjects. Moreover their recruitment was left to a panel of judges of the Court of Appeal of the jurisdictional district where the candidate wished to set up or continue in practice. According to Mikol (1993), cases were not infrequent when these panels decided to exempt candidates from taking the compulsory examination. As a result the line that parted the world of French auditors between those that had been selected to service France’s largest corporations and those who were free to practice for other companies did actually encapsulate another distinction. This distinction ran between those professionals with enough social and—increasingly—cultural capital to audit the top-notch entities of the French business world and, on the other hand, a populace of high street practitioners, working for smaller companies who constituted a motley collection of individuals, including categories such as the comptable agréé one but also, according to one of my interviewees, “gardeners, crooks and cooks”.27 In any case none of these auditors, be they working for the largest or for the smallest clients, was actually member of a professional partnership in the Anglo-American sense of the word. French auditors remained essentially individuals who were actually very badly rewarded for their contribution. Indeed fees were so low,

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26 A Ligue pour la réforme des lois sur les sociétés par actions, which later became the Association nationale des sociétés par actions, was created in 1873 to defend shareholders’ rights. The professionalisation of auditing was at the forefront of the Ligue’s programme.
especially if judged by Anglo-American standards (see below), that the sort of tasks carried out by practitioners could be described as perfunctory controls. French auditing was, therefore, closer to a mere function than to a proper profession. In 1965, the head of a parliamentary commission could still claim that “the external control of French limited companies is, at large, illusory”. ²⁸

The longevity of the French amateur auditor and the lack of significance of audit for the development of the French accountancy profession, has generally been ascribed, as in other industrialised countries such as Germany or Japan, to the limited role financial markets have played in France’s economic development (Matthews et al., 1998; Scott, 1985). ²⁹ Ploughed back investments supplemented by external financing from banks were the main source of funds for the growth of French industries and services. This situation corresponded to a model of capitalism, where corporate networks prevented competition and substituted themselves to other market-based co-operation mechanisms and to a structure of corporate ownership within which family links were still prevalent by the end of the 1960’s (Bonin, 1989). Besides, some major companies had been nationalised in 1945 and became directly controlled by the civil service (Fridenson, 1987). French employers were, therefore, very reluctant to pay for a service whose compulsory nature had been decided by lawmakers but which, in their eyes, had very little economic relevance.

²⁷ Interview with Dominique Ledouble, former president of the Conseil supérieur de l’Ordre des experts-comptables.
²⁹ Authors such as Hall and Soskice (2001) classify capitalist systems according to the role financial markets play in their functioning.
In countries such as Britain, the prestige of the audit profession had been built upon an early association between accountants and auditing, the constitution of a vast market for the provision of audit services and the growth of London-based partnerships which had developed particular audit methodologies suited to the needs of their listed clients. Prestige and belief in the quality of audit work is precisely what French auditors did lack. The very notion of the large audit firm, with a sizeable number of partners and of staff seems to have been alien to the French auditing tradition. An analysis of the 1966 *Annuaire de la Compagnie des commissaires de sociétés agréés par la Cour d’Appel de Paris* shows that the vast majority of the 1500 members were actually sole practitioners. The place held within this profession by the *sociétés fiduciaires* is quite revealing, showing how individualism pervaded the French profession. These organisations, the most famous of which became the Fiduciaire de France, were founded in the 1920s on the pattern of the Germanic *Treuhandgesellschaften* (service companies). Using the aforementioned “taxation boom” as a springboard, they specialised in the provision of accounting, legal and financial services to a clientele of small and medium size businesses. Because they epitomised practice in larger partnerships, the *fiduciaires* quickly became the target of the criticism of the pre-war sole practitioners associations (Ramirez, 2001). Throwing their weight as market leaders in the discussions with the Vichy authorities, the representatives of the *fiduciaires* managed to register with the *Ordre* in 1942 (Fiduciaire de France, 1983; Snozzi, 1978). However, from then on, their relations with the leaders of the *Ordre* remained tense. Acting as “shadow-leaders” of the profession, the Fiduciaire de France’s most prominent partners preferred to stay away

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30 This information has been obtained through grouping together the entries corresponding to the same address. The *Compagnie’s* yearbook does not give any indication concerning the staff that was employed by each practitioner or firm, although a retired auditor told me during an interview that, given the characteristics of audit practice in that time, a sole practitioner with “one or two secretaries” could actually have many clients.
from the operation of professional institutes, exerting their power on the market or, indirectly, acting as driving forces behind professional associations such as the *Institut français des experts-comptables* (created in 1962). This institute represented the particular interests of the *experts-comptables* within the *Ordre des experts-comptables et des comptables agréés*. Thus, in comparison with its Anglo-American counterparts, a distinctive feature of the French profession was the connexion between large companies and small practices which sold audit services to them, whilst the larger organisations of the French profession, the *fiduciaires*, thrived with a clientele of small and medium sized companies.

At the turn of the 1970s the French accounting profession remained a confidential profession. Members of the *Ordre* were less than 10 000 (while, at the same period, the three “sister bodies” of chartered accountants in Britain and Ireland -the ICAEW, ICAI and ICAS- had already enlisted more than 30 000 practitioners). The vast majority were modest bookkeepers, turned professional *comptables agréées*. The *commissariat aux comptes*, born officially in 1867, had to wait until 1969 to achieve, though only formally, the status of a fully-fledged profession. Moreover, a culture of audit compatible with a financial markets-based economy had still to be inculcated into French businessmen. The accountancy profession appears therefore as a profession whose very strict regulation served more as a guarantee of survival than as the reward for a well-established reputation. Within this profession, the leading model remained rooted into values such as individualism and notability. The *Ordre* had been indeed constructed around the figure of the professional practising on his (and exceptionally her) own, or with a few partners, whose number was anyway limited by the 1945 Order. Due to a slow development, the

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31 For the reasons we have mentioned above the market for audit services was not a profitable one, even in the case of larger companies. This explains why the Fiduciaire de France for instance did not invest much in
market for audit services was principally populated, on its supply side, by individuals with good social connexions but with actual limited means of delivering a thorough examination of their clients’ accounts. From a Bourdieusian point of view, it makes little sense comparing these French elite practitioners with their Anglo-Saxon counterparts. Yet, one could at least say that, endowed as they were in the different forms of capital, French practitioners belonged to a profession that ranked itself quite low in the hierarchy of professions. Elite practitioners were thus likely, either to come from a very humble background or, the other way round, to be outcasts from their original social milieus. Meanwhile, in the Anglo-Saxon context, accountancy was seen as a profession “on the rise” (Mathews et al., 1998). Its top members had been able to gather enough economic, social, and, later, cultural capital to establish successful firms, which bore their names. It is indeed important to note, this time from a more neo-institutional point of view, that the way the professional field had been constituted in Anglo-American countries was such that organisations could emerge as professional leaders because of their capacity to act as accumulators of capital. In comparison, French elite auditors were loners, lacking the resources to commercialise the same sort of services, let alone launch a project of internationalising their practice.

Before studying the details of the expansion of the model of the Big firm in France, the fact that the work of leading Anglo-American firms was amply compared to the local
devolving a strong audit department.

32 Thanks to these social connexions some sole practitioners managed to accumulate dozens of audits of listed companies.

33 The way the different forms of capital defined by Bourdieu are constituted and, above all, valued depends upon the history of each and every particular society. For instance in the UK, until some thirty years ago, the possession of cultural capital in the form of a University degree was not considered a prerequisite to enter the accountancy or even the legal profession. This situation corresponds to a society in which professional calling has for a long time been a substitute for higher education (Perkin, 1989). On the contrary in a country like France where the development of higher education was considered as an essential part in the building of the meritocratic republican regime (Bourdieu, 1996), a profession in which the majority of the members had not gone to college was certainly held in low esteem.
form of practising merits mentioning. The French professional literature of the time paints a laudatory picture of the “full audit” but decides that it is “unenforceable in France.”

Situations in which audit and *commissariat aux comptes* were concomitant are, however, not infrequent since the leading Anglo-American firms did actually service the local subsidiaries of their domestic clients (see below). Sometimes the two approaches did even compete, for instance in 1971 in the *Papéteries de Navarre* case which saw the prosecution of one of the figures of the little milieu of Parisians auditors, Jacques Frinault. An alumni of *Polytechnique*, the prestigious *grande école*, Frinault had managed, through his contacts with the financial establishment, to build up a clientele of listed companies. Along with fellow-practitioner Michel Descazes, 77 at that time, he had been appointed as *commissaire aux comptes* of *Papéteries de Navarre*, a business operating in the papermaking industry. The company having been bought out, Frinault and Descazes were accused by the buyers of producing a misleading opinion, which endorsed the view of a profitable entity. A contractual audit was subsequently commissioned to Cooper Brothers. The well-known London-based firm’s report stated, instead, a loss of several million francs. Beyond the discussion over accounting treatments, Frinault had invoked the tragic lack of resources affecting the French audit profession. Descazes suggestively summarised the case by comparing the 2500 francs he had received in 1969 for his *commissariat aux comptes* to the 700 000 francs paid to the British firm. The three sections that follow are devoted to examining in detail the spread

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35 To our best knowledge, Frinault is the only auditor, with Carlos Mulquin of Mulquin & associés (nowadays a member firm of Price Waterhouse Coopers) to have an entry in the French 1970 edition of the Who’s Who.

36 Archives Nationales, Centre des archives contemporaines, cote 0019910594 article 54. Décisions de la chambre nationale de discipline des commissaires aux comptes de sociétés – année 1972.
in France of a professional model that seemed, back in 1970, to “be worth” 280 times the local elite one.

**French auditors in the 1970s: from function to profession**

In France in the 1970s, *commissariat aux comptes* was still a profession in the making. Its existence was entirely due to a decision by the public authorities, part of a package of measures aimed at reforming French financial markets in order to increase the country’s economic integration into the European Economic Community. The August 1969 decree, which defined the professionals’ duties and rights and provided for collective organisation of the profession, came in the wake of the 1966 Companies Act, the 1967 decree which created the *Commission des operations de bourse* (COB), the French equivalent to the American SEC, and finally the 1968 Act reforming the profession of *expert-comptable*. During this period, the essential problem for the *commissariat aux comptes* profession was to exist institutionally alongside the *Ordre des experts-comptables et des comptables agréés*, which did not take kindly to its establishment. Strategies to differentiate the auditors’ professional organisation were thus brought into play by the newly created *Compagnie nationale des commissaries aux comptes*. Among these strategies, the most notable was to be the programme for setting up a body of auditing standards, which became the only channel for contact between representatives of the traditional French sole-practitioner model and those of the Big firm model. Otherwise, relations between the big Anglo-American firms and native French firms remained tinged with mistrust and enmity.

*Standardising the profession*
The antagonism between *experts-comptables* and *commissaires aux comptes* dates back to a period prior to the establishment of the *Compagnie nationale des commissaires aux comptes* (CNCC) by the 12 August 1969 decree. Some prominent *experts-comptables* had repeatedly voiced claims that the statutory audit fell within their jurisdiction. Rivalries between the two professions’ supervisory authorities (the Ministry of Finance for accountants, and the Ministry of Justice for auditors) and the existence of a significant proportion of *commissaires aux comptes* who were not registered as *experts-comptables* have often been cited as reasons for the subsistence of a divide between the two professions. In fact, this institutional divide obfuscates the distinction that existed between the elite formed by the *commissaires aux comptes* auditing listed companies and *experts comptables* on one side, and the humble *comptables agréés* and *commissaires* auditing small businesses on the other. Within the elite, there was yet another division, this time between *commissaires* endowed with substantial cultural capital (as graduates of Parisian *grandes écoles* or PhDs in Law) and social capital, such as the aforementioned Jacques Frinault, and those who had built up their reputation through active participation in collective action. Most office-holders in the professional bodies came from the second category. The small size of the accountants’ world resulted in the same men heading the *Ordre* and the *Compagnie*, and they had no hesitation in taking alternately opposite stands. The tensions between the two institutions during the 1970s echoed the quarrels these men had already been through in the 1960s.

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37 Jean Trial, the CNCC’s first Chairman, had been Chairman of the *Conseil supérieur de l’Ordre* in the early 1960s. He qualified as an *expert-comptable* in 1939, having begun his accountancy career in 1928, and was a lecturer at the Montpellier business school in his home region. He registered as *commissaire aux comptes* in Paris in 1941 and as a court expert the following year (source: Memorandum to the French Minister of Justice, 19 May 1969, proposed appointment of Trial, Fauconneau and Sigaut to the French National Order of Merit, Archives nationales, Centre des archives contemporaines, 0019910594 art. 52). Other examples are Edouard Salustro and André Reydel, later both to be partners in one of the largest purely French firms, who headed the IFEC and subsequently the *Ordre*. 
In fact, these “family feuds” that appear on the surface to be nothing more than arguments over hierarchy, although when all is said and done the representatives came from fairly similar backgrounds, conceal a deeper transformation which began with changes in auditors’ everyday work and was to end up completely overhauling their organisation methods. Turning the commissariat from a simple, sometimes honorary function, into a profession worthy of the name required harmonisation of auditor recruitment and a guarantee of their competence in accountancy. These requisites were met by the 12 August 1969 decree. Regarding audits, the concern for quality was also expressed through establishment of working standards and monitoring of their implementation. This was not a new idea. In the Anglo-American world, the scandals that regularly implicated the large audit firms had led the profession to pre-empt possible intervention by the authorities by bringing in its own system of standards, actually inspired by the Big firms’ existing quality control practices.

In France, the Ordre des experts-comptables was the first to take up the idea, launching a Comité des diligences normales in 1962. Immediately upon its formation, the Compagnie nationale des commissaires aux comptes also introduced a programme of recommendations intended for members (these recommendations were gradually to become compulsory standards in the 1980s). The leaders of the Compagnie were aided in their task by practitioners from an association of firms called ATH (Association Technique Helios), which, unusually, formed a bridge between the French and Anglo-American professional worlds. The ATH had been set up in 1968 by Roger Diéterlé, an expert-comptable from Lyons who had travelled around the US in 1966 and

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38 It was in July 1987 that the CNCC broke through the last barrier in the law separating the profession of commissariat aux comptes and auditing as understood internationally. The adoption of auditing standards brought about a change in the vocabulary used in the official texts (révision was replaced by the term audit, recommandations became normes or standards) and a change in their content. For more on these points, see the September 1987 issue of La profession comptable, and an in-depth article on standards in the same publication’s October 1987 issue.
come home deeply influenced by the major American firms’ working methods. The standards and related training programmes developed by the ATH adopted these methods, introducing the then innovative idea that auditing should be focused around the internal control systems of the audited company. The ATH presented itself as a channel for collaboration between firms of varying origins, some of which belonged to the world of the “Big firms” (Durando, the French arm of the Arthur Young network) or soon would (like Petiteau, which later joined Price Waterhouse).

At the time, the desire to endow commissaires aux comptes with auditing standards guaranteeing the quality of their opinion still ran foul of many French businessmen’s unwillingness to pay the price of accounting information. Apart from companies actively seeking to raise funds on foreign or international markets, the benefit of paying fees that were “three to four times as high as the norm in France” was still low, in an economy where the stock market’s role in corporate finance was markedly timid (Bonin, 1989). The story of the auditing profession’s regulation is also a story of resistance by employers, especially in small companies, where auditing has always been seen as an intolerable intrusion into their business, and an extra administrative expense. The various reports presented to the Paris Chamber of Commerce and Industry’s plenary sessions discussing the theme of statutory audit fee scales from the 1930s to the 1970s all concluded that these fees should be curbed.40

Thus, although the standardisation process had brought French professionals closer to the big multinational firms, the actual implementation of their standards was a further

39 And this is taken from an article dating from... July 1984 (R. Laskine and B. Abescat, “Les mécomptes du commissaire aux comptes”, Le nouvel économiste, 2 July 1984, pp. 60-61). The International Accounting Bulletin of 2 August 1983, pp. 21-23, refers to a study of 200 companies by the FNSP (Fondation nationale des sciences politiques). Almost 30% thought that auditors’ fees were too high (although the Bulletin states that they were 75% lower than the fees charged in the UK, Netherlands and Scandinavian countries).
distinguishing feature. Until the late 1980s, auditing and *commissariat aux comptes* remained two different conceptions of a single profession, or arguably formed two separate professions.

Two worlds watching each other in distrust and hostility

The standard-setting process was thus at the confluence of modernist trends in the French profession and the Anglo-American professional model. This confluence must not mask the fact that the official leaders of *commissariat aux comptes* and *expertise comptable* were still generally hostile to Anglo-American firms at the time. Despite the CNCC’s intention to modernise French auditing standards, the attitudes of certain professional leaders were not without ambiguity. They were still attached to defending small practices and the individualistic values of French-style professionalism, and the spirit that had already led representatives of the sole-practitioner model to oppose Fiduciaire de France. Now, the *Ordre* and *Compagnie’s* protectionist efforts were directed against “foreign firms”, because the profession’s leaders were afraid of the growing importance of the Big firms, particularly once the UK had joined the European Economic Community in 1973.

The Anglo-American firms had set up shop in Western Europe as early as the beginning of the 20th century, but most of their business concerned auditing of British or American parent companies, and providing management consultancy services. The British were the first to open offices in France: Price Waterhouse in 1917, Peat in 1920, Cooper Brothers in 1929, and Ernst & Whinney the same year. Arthur Andersen came to Paris in 1955, followed by Touche Ross in 1961. With the exception of Arthur Andersen, which in keeping with the *one firm concept* had based its development on internal growth (Spacek, 1989) and recruitment of French staff (graduates of the *grandes écoles*), the Big firms

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40 Archives, *Chambre de commerce et d’industrie de paris* (see cote III-3.33 (18) commissaires aux
retained a clearly Anglo-American nature. For a long time (Jones, 1995, pp.118-120), Price Waterhouse’s French office, which was to become the firm’s European headquarters, was manned by staff seconded from the British or American firms, and its clients were Anglo-American. There were hardly any local clients, as the financial markets played a very small role in the reconstruction of Europe. Jones (ibid.) also describes recurring problems in finding “quality staff” locally, which led to the reliance on expatriates. The more limited size of continental offices was also initially insufficient to develop economies of scale and specialised services. Nonetheless, by 1975 Price Waterhouse Europe had 85 partners and 1,500 employees working in 30 offices spread across 17 countries. Their management consultancy services department had 23 members working in 10 offices, as did a tax department devoted almost exclusively to international tax planning.

This situation changed after 1970, not so much because the Big firms were attracted by the newly reformed profession of *commissariat aux comptes*, but because of considerable growth during this economic crisis period in demand for contractual audit engagements by large French groups planning IPOs in London or New York, with demand for management consultancy services also on the increase. In 1970, Saint Gobain became the first French company to publish a consolidated balance sheet under US GAAP; Price Waterhouse was engaged to audit the company’s financial statements. Two years later Cooper Brothers performed the same service for Rhône Poulenc (Touron, 2004).

Flotation on foreign stock markets and raising capital on Euromarkets were unthinkable.
without a sign-off by one of the Big firms, the only firms with an international reputation. From the second half of the 1970s, the number of engagements for large French companies, and also for government agencies, began to rise. There was two-figure growth in fee income registered by the multinational audit firms. Meanwhile, the Big firms began a process to “Frenchify” their personnel. The number of graduates of the three largest Paris business schools recruited rose on average threefold over the 1970s.

This growing success eventually alarmed the French professional bodies. In the early 1970s, Jean Sigaut, who would become the head of the Compagnie nationale des commissaries aux comptes in the middle of the 1970s, had founded the Union pour la promotion du commissariat aux comptes libéral (a non-profit association declared on 1 July 1970). In a letter of 28 September 1971 to the French Minister of Justice, Sigaut expressed his annoyance at the way the Companies Act of 1966 (article 218) had authorised accountancy firms to register as auditors. In his opinion, there was a risk that firms would market services prohibited by the rules on incompatibility applicable to statutory audits. In a pamphlet of 2 December 1970, repeating a position already expressed in the November 1965 bulletin of the Fédération des associations de commissaires inscrits (Federation of associations of registered auditors), Sigaut went so far as to question the ability of French experts-comptables (7 years of studies followed by 3 years of in-house training) to compete with foreign firms.

In the 1970s, the BNP bank engaged a Big firm to audit its international network, and the Crédit Agricole did the same for preparation of its head office accounts under US GAAP (on this point, see the article “Les comptables mettent la gomme” (Accountants get into high gear), Le Nouvel économiste, no 324, 15 February 1982, pp. 56-62). An article in L’Usine nouvelle of 21 April 1983 entitled “Audit, une croissance « sauvage »” (rohgly Audit, out of control growth), mentions that the public development body IDI (Institut pour le développement industriel) had used the auditing services of these firms to adjust its actions. The Official Journal of the debates of the National Assembly of 16 June 1980 (p. 2439) also mentions a question put by the member of parliament Pierre Bas to the Budget Minister on 23 December 1979, asking him if he intended to take any measures to promote French sociétés fiduciaires d’expertise comptable in response to the excessive expansion by foreign audit firms “who, if we do not watch out, will soon be in charge of auditing the financial aspects of all major French companies”. In Pierre Bas’ opinion, the true skills of French experts-comptables (7 years of studies followed by 3 years of in-house training) and their exercising through sociétés fiduciaires should make them fit for competition with their foreign counterparts, a competition they would probably win, provided the State was willing to encourage them by “taking the necessary steps”.

other Anglo-American firms in France. And I was the first at the time to think that we should set up an entirely French-owned firm.”
far as to reject the idea of introducing the term révision (the term for statutory auditing) into the law. He saw révision as equivalent to Anglo-American methods, whereas “what France must do is develop commissariat aux comptes methods”. He added: “We will not accept the assumption that methods are good because they are American”, continuing with a comparison of the situation he was criticising and the system of capitulations, which allowed foreigners in the Ottoman empire to use only their own consuls at a time when the Sublime Porte was falling into decline. Sigaut concluded: “We are being called shopkeepers protesting against the supermarkets, as if this comparison had any meaning in our own field of business”. 44

But there was little action the French professional authorities could take against the expansion of the Big firms; all they could really do was attempt to hinder their development on regulated markets restricted to commissariat aux comptes and expertise comptable. For instance, the CNCC successfully blocked French representatives of the Big networks from exercising accountancy-related activities under their international name. On 1 February 1974, the Paris CNCC’s regional disciplinary chamber issued its ruling in the case against MacCarthy, Smith, Samaran, Lathom-Sharp, and Tauss, who were Price Waterhouse partners from the firm’s Paris office. 45 The chamber noted that Price Waterhouse, whose offices were in the Avenue de l’Opéra, was “a de facto association with no existence as a legal entity, whose members are co-opted in, pay no entry fee and receive no severance indemnity”. In France, this association was directed by H. Lathom-Sharp and S. Samaran, who were both registered commissaires aux comptes in compliance with the 12 August 1969 decree. The chamber also observed that the firm’s main business was auditing (révision comptable) “at rates that are five times higher than

43 According to our own survey of directories of former students of the business schools HEC, ESSEC and ESCP.
44 Archives nationales, fond Portemer, 612AP 31.
the official scale”. 46 Faced with the possibility of official reprimands and warnings, the Price Waterhouse partners concerned decided to resign from their positions as commissaires aux comptes. 47 These decisions obliged the Anglo-American firms operating on French territory to speed up promotion of French partners, and register under “Frenchified” names. Arthur Andersen, for example, audited under the name Guy Barbier et Associés, while Price Waterhouse’s French audit firm was called Blanchard, Chauveau et Associés. 48

The passionate reactions by the leaders of French institutions show that this period was still dominated by a model where independence and individualism were presented as the cardinal virtues of professionalism. Practices and methods were apparently hard to change. The Commission des opérations de bourse’s annual reports, although they only concerned the auditors of listed companies, regularly pointed out that too many commissaires aux comptes of advanced age, acting in excessive isolation, were servicing too many companies. For the time being, commissariat aux comptes for large companies was still distinct from auditing, and reserved for a small elite of Parisian practitioners who had long-standing associations with the companies whose accounts they verified. There was thus no real “market” where a dual commercial and professional strategy could be implemented, in the guise of what the Big firms had achieved in their home countries. Resistance by a whole section of French employers to the fee scale revision introduced by the 1969 decree (although it was hardly generous to commissaires aux comptes) was

45 A similar ruling was given against Peat Marwick Mitchell.
46 Archives nationales, fond Portemer, 612AP 31.
48 Peat Marwick Mitchell’s representative firm in France was Audit Continental, for Coopers & Lybrand it was G. Gufflet et Compagnie, for Price Waterhouse Blanchard Chauveau, for Deloitte, Pares, for Arthur Young, Helios-Streco-Durando, for Ernst & Whinney, Montec, and for Touche Ross, BDA. The French edition of World Accounting Report n° 33, March 1982, contains an analysis of the ruling rejecting Price Waterhouse’s appeal to be allowed to register with the Ordre under its original name.
certainly a factor in this situation, but more generally, the low opportunities for creating a market for such services reflected a country where the high State-intervention economic culture was all-pervasive. Given the circumstances, it is not surprising that in the end, it was the State that gave the necessary impetus for transformation of the French professional model.

**From commissariat aux comptes to audit in the 1980s: the short-lived project to establish a powerful, independent profession**

The transformation of the French professional field did not simply result from the spread of the large Anglo-American firm and its professional model in France. Seeing the Big firms’ expansion in the audit market as a just reward for the superiority of their working methods is not in itself a sufficient explanation for a phenomenon that affected the entire accountancy profession. This phenomenon can be described as the replacement of a model of professional excellence, based on individual practice, by a model focused on concentrating in collective structures large quantities of economic capital (the “size” of the Big 4), cultural capital (the Big firms’ recruitment potential, training methods in the most sophisticated accountancy techniques), social capital (the networks of the Big 4, stretching over the world of big business and public authorities) and the resulting symbolic capital (the worldwide credibility of the Big firms’ opinions, due to accumulation of the first three types of capital over a long period). In view of the characteristics of the French professional model developed up to this point, replacement by another model could only come about from within the French profession, aided by its powerful patron, the State.
From the debt economy to the market economy

Over the last twenty years, the French economy has undergone significant change, particularly in its financial system. This period has seen the transition from an economic situation where the financial markets were under strict State control to a more open, free-market oriented economy, operating in a single European currency by the end of the period covered by this paper. Until the mid-1980s, France was considered to have one of the most highly-regulated financial systems in the industrial world (Swary and Topf, 1991, p.99). In 1979, loans still accounted for two thirds of the economy’s financing, and more than 80% of banking assets. This meant French financial markets had only a marginal role compared to their Anglo-American counterparts: in 1988, stock market capitalisation amounted to 24% of the GNP, against 85% in the UK. The State owned most banks and insurance companies, governed interest rates and capital movements, and exercised strict supervision over stock market operations. The stock market was dominated by public debt instruments and transactions were carried out by approved stockbrokers (agents de change), who were ministerial officers with a monopoly on trading.

Of course, this tendency was not reversed by socialists’ election victory in 1981. The Mauroy government included several leading banks, financial companies and insurance companies on the list of companies to be nationalised in 1981-1982. But after the failure of two successive devaluations of the franc, which raised the question of whether France should remain in the European monetary system, the government opted to reverse its economic policy in the face of inflation and a diminishing external trade balance. This

49 According to Plihon (1998, p. 32), in 1984 public sector banks held 87% of deposits and granted 76% of loans and credits.
was presented as a choice in favour of Europe: by pegging the franc to the deutschmark, the “competitive deflation” policy was a preparation for the arrival of the Single European Market, and paved the way for introduction of the euro as the European Union’s single currency (Moss & Michie, 1998, p. 58). The State-intervention dominated French economy was turning towards the market (Schmidt, 1996).

Between 1984 and 1989, in a period nicknamed the “small bang”, the Paris stock exchange had its own revolution, and by 1989 was “the second most open stock exchange in Europe”. The 1984 Banking Act marked the start of a deregulation process, placing all credit institutions under a single legal framework and relaxing the controls previously applied by the authorities. The reorganisation of the public debt market in 1985, and the transposition into French law of the European UCITS (Undertakings for Collective Investment in Transferable Securities) directive of 20 December 1985 and the financial services directive of 1993 deprived the government of its right to inspect stock market investments (now supervised by the COB), but encouraged a spectacular increase in such investments (Dixon, 1991, p. 9). The organisation of trading itself was revolutionised. The approved stockbrokers’ monopoly was abolished, and they were replaced by stock market companies (sociétés de bourse). In November 1984, the dematerialisation of securities adopted in 1981 came into effect, and between 1986 and 1991 all trading was fully computerised. Trading now took place on a series of markets added to the original market, since the second marché was inaugurated in 1983. The 2 August 1989 Act rounded off the reform by reorganising asset management (Kleiner, 2002).

When the Right returned to power in 1986, the stock market dynamic was accelerated by a wave of privatisations (including the banks Indosuez, Paribas and Société Générale) that continued throughout the 1990s. Meanwhile, foreign investment, stimulated by
France’s adoption of the EC directives of 1985 and 1993 referred to above, and the
country’s commitment to preparation for the single currency, reached the level of 40% of
Paris stock market capitalisation in 1998, compared to 11% in 1987 and 23% in 1993.\footnote{51}

In the opinion of authors such as Schmidt (1996) and Hancke (2001 & 2002), the opening
up and deregulation of the French economy did not necessarily correspond to a
transformation into an Anglo-American type economy. These two authors stress the
influence exerted over the introduction of reforms, from the inner circles of power, by the
State and business managers. Schmidt (op. cit., pp. 211 et 390-391) points out that most
financial deregulation was in fact led by a small group at the top level of the French
Treasury, with no input from the finance community. For Hancke, two periods can be
distinguished. Until 1996, none of the economic changes led to increased competition:
the main events affecting industry were mergers, and finance never saw the massive
takeover bids anticipated; instead, there was hardcore resistance from strong shareholders
to prevent such operations. In fact, the modernisation process was conducted neither by
the State nor by the market, but by businesses themselves, with managers making use of
the resources created by the market and the State. The mutations of the 1980s
(deregulation of the financial markets, privatisations) thus strengthened the positions of
business managers. In particular, the transparency of accounting information was, in
Hancke’s view, the price to pay for access to the markets, but did not for example bring
minority shareholders any greater access to management decisions.\footnote{52} After 1996, there
was a shift towards greater openness to monitoring. Growing capital requirements led to
disintegration of the hardcore resisters, an increase in takeover bids, the engagement of

\footnote{50} i.e. the MATIF futures market (created in 1983) and the MONEP options market (1987).
\footnote{51} Plihon (1998) shows that from 84.2% in 1980, loans amounted to only 34.6% of banking assets in 1996.
The intermediation rate thus fell from 70% to 20% in the same period.
\footnote{52} Hancke interprets this situation as a continuation of the specifically French model of capitalism, which
sets it apart from the more “Germanic” family of systems. He sees French-style capitalism as being
independent directors at the top level of business, and the arrival of foreign institutional investors (who represented 35% of the CAC 40 index market capitalisation in 2000, compared to 11% in Japan, 10% in Germany and 9% in the UK).  

Whatever the extent of transformation of the “debt” economy that was France’s economy in the early 1980s into a “market” economy on the threshold of the 21st century, the changes that were implemented were inconceivable without reliable auditing of the accounting information supplied by listed companies, and therefore impossible without a powerful auditing profession, i.e. a body of independent, competent professionals. The old-style *commissariat aux comptes* was defended by its supporters but considered by its opponents as nothing more than tick-marking of accounting documents by professionals with no real resources for investigation. It now had to make way for another type of practice that could mobilise sufficient technical and human resources.

*From commissariat to audit: the Association française pour le développement de l’audit*

As we have seen, the evolution towards auditing based on standards for account verification and controls to ensure those standards were applied began as early as the 1970s. From a regulatory standpoint, it was primarily the public authorities’ task to complete the reform started in 1969, in order to give professionals the financial and legal resources necessary to complete the audit standards programme that had been initiated as soon as the CNCC was born. In 1985 came the official audit fee scale, based no longer on

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53 In fact, Hancke argues that this second phase saw acceleration in the internationalisation of French corporate financing, but without seriously affecting their ownership structure, which still remains family-based, even in some very large groups, and where the State still plays a non-negligible role through blocking minorities.
the size of the company audited but on the number of hours actually worked. The most striking feature of the revised fee scale was that fees for auditing listed companies remained outside the official scale, and were to be negotiated freely with the client. This established divide between the world of listed companies and “ordinary” companies endorsed the gap, destined to grow ever wider, between the auditors working with the large multinational groups, and all the others. The same year, the *Examen national d’activité* (ENA) was introduced jointly by the COB and the CNCC, to verify that firms acting as auditors for publicly listed companies applied the standards. This “national activity review” procedure, carried out at national level as its name indicates, was superimposed on the review applied under article 66 of the 12 August 1969 decree, which concerned all registered *commissaires aux comptes* and was supervised by their regional *Compagnies*. The regulations governing the profession of statutory auditor were complemented in the accounting legislation by the Act of 3 January 1985, which allowed transposition into French law of the 7th EEC directive on consolidated accounts. Consolidation was already a widespread practice in the largest French groups, with the help of the international firms. Although the legal obligation to publish consolidated accounts concerned a broader set of companies than simply listed companies, the primacy attributed to this accounting technique put professionals with expert knowledge of its application to multinational companies in a privileged position, eventually leaving others without such expertise on the sidelines.

The reforms of the mid-1980s had completed what the legislation of the late 1960s had started, and on paper at least, appeared to give French professionals the means to supply

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54 The 3 July 1985 decree on the organisation of the profession and the professional statutes of *commissaires aux comptes* thus modified title V of the 1969 decree concerning fees, by introducing a duty incumbent on auditors to prepare a schedule setting forth the work to be done and the number of hours required for the audit.

55 The 3 July 1985 decree also stipulates the conditions for the ENA.

quality services, duly remunerated, guaranteed by CNCC supervision, or for firms
engaged as auditors to publicly listed companies, both CNCC and COB supervision. With
the deregulation and increasing accessibility of France’s financial markets, auditors
understandably hoped that French management mentalities – at least in listed companies
– would evolve and show more regard for the auditing profession. All the commissaires
aux comptes had to do now was to throw themselves into the new role allotted to them by
the authorities, especially as the ongoing profound economic upheaval would contribute
to a more dynamic market for accountancy services, and audit services in particular. But
as far as large clients are concerned, the commissariat aux comptes could only take part in
auditing (in its more international sense) via business structures equipped with enough
human, technical and financial resources. For representatives of the French profession,
the choice was either to continue with the individual practitioner model or to adapt the
French model to a changing economic situation. The former model by its nature was
unable to satisfy the new demand for accountancy services and created the risk for its
representatives of only short-term survival dependent on makeshift protectionist means
against the Anglo-American firms that already had a foot in the large clients’ doors
through their sales of consultancy and non-audit services

The option to adapt professional practice to the sea change that was taking place took
concrete form not at the initiative of the professional bodies themselves, but through an
ad hoc organisation formed by a band of “young Turks” led by the outgoing head of the
Ordre, Edouard Salustro. Salustro, like others including his future partner André Reydel,
had restructured his own accountancy firm after 1970 to be more audit-oriented, and in
1982 set up the Association française pour le développement de l’audit (AFDA). 57

57 The articles of association were filed at the Paris Préfecture de police on 9 September 1982 (Journal officiel, 26 September 1982). The stated purpose of the association was to “promote auditing, and
Planned in principle since the late 1970s, the AFDA’s aims were supported by the authorities, as expressly stated in the two reports commissioned in 1982 and 1984 (the Aubin report and the Huet report) by the French Ministries of Finance and Justice. The Huet report stressed the need for greater international development of audit professions in France. Among its proposals was an obligation for public-sector national or decentralised companies to have their accounts certified by an auditor, authorisation for firms to offer a broader range of services, with relaxation of the incompatibility rules where necessary, and reinforcement of quality control in professional activities, particularly in engagements for large companies. Huet observed that France had held out better than Spain or Italy against the Anglo-American invasion, but said the solution was still “to join forces with a firm of worldwide recognition in a joint venture, in order to raise the profile and value of our opinion. From that starting point, the [French] firm will be able to develop its reputation and operate alone”.

Rather than aiming to combine French audit forces with Anglo-American firms, the AFDA was initially a collective promotional body, seeking to raise the quality of the flagship French commissaire aux comptes firms to equal that of their Anglo-American counterparts. Article 6 of the AFDA’s articles of association stated that it was “open to all candidates whose professional activity includes a substantial amount of the use of audit techniques”. Candidates had to agree to undergo a quality control, apply the CNCC’s published recommendations sur les missions (standards), and have structures in place appropriate for auditing within three years (this deadline was renewable once). In assessing the structure, the following requirements would apply: at least 60% of total fee revenues should be generated by auditing, and at least one fifth of the firm’s total

particularly contribute to the development of this technique as an instrument for improving accounting and financial information to the benefit of the various economic partners”.

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professional staff should be experts-comptables or commissaires aux comptes. No client could provide more than 10% of the firm’s total fee revenues, and no more than 20% of total fee revenues could come from a foreign organisation. Finally, the firm should not be substantially dependent on a foreign decision centre for appointment of partners or personnel training.

For a successful launch, the AFDA was relying on the socialist government’s major economic projects (grands chantiers). On coming to power, the Left had been faced with considerable needs for expert services, largely exceeding the capacities of the government audit office Inspection des finances and the national audit office, the Cour des comptes, particularly for the valuation of businesses due to come under State control as part of the nationalisation programme. The AFDA was to act as a kind of shortlist from which the authorities would select the firms to be awarded audit engagements.

The AFDA’s initiative simultaneously worked against the professional organisations, since it was operating on the margins of their own activity, forming a kind of elitist club whose members would be given engagements refused to other professionals, and against the model of the old-fashioned commissaire aux comptes/sole practitioner without sufficient resources to comply with international auditing standards. It did not take long for the supporters of this model to make their reactions known. As the Ordre had representatives on the AFDA’s supervisory board, these reactions were expressed mainly to the CNCC. In an incendiary article published in the October 1982 French edition of

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58 The Aubin report went so far as to consider creating a body of professionals specialised in auditing large companies, alongside the CNCC.
59 On this point, see the article entitled “Les comptables mettent la gomme” (Accountants get into high gear), Le Nouvel économiste, n° 324 of 15 February 1982, pp. 56-62.
60 That the AFDA was more “political” than an initiative like the ATH, mentioned earlier, was confirmed by the membership of its supervisory board, which included a prominent member of the Conseil d’Etat (Supreme administrative court), Claude Lasry (on this point see SIC, n° 4, May 1983).
61 It must be remembered that one of the kingpins of the AFDA’s creation was Edouard Salustro, who after leading the IFEC between 1978 and 1980 was elected at the head of the Ordre. His successor in 1982 was
World Accounting Report, pp. 29-30, CNCC member Guy Cosson warned, “those who are fairly in favour but have been kept out [from the AFDA]: they will become subcontractors for AFDA members, who will offload work in busy periods. They will do nothing but fast audit”. Cosson also alerted those who felt the AFDA did not concern them, for although the audits its members might steal away from the Anglo-American firms did indeed exist, “they will be insufficient and too irregular for AFDA members to neglect small and medium businesses.” Finally, Cosson said he was struck by the fatalistic attitude of the traditional French profession, which made noisy protests but had eventually “accepted the situation, and argues more about the admission process than the principle itself”. In his opinion, the AFDA. was proof indeed that the major French firms had been unable to make their mark due to their quality, and thus, “as is an old habit in France”, needed protection from the authorities to do so.

The AFDA, whose stated purpose was to develop “auditing”, not commissariat aux comptes, was thus openly in opposition to the pursuit of a professional project considered to have no future, personified in the former CNCC head Jean Sigaut. The fight against “King Ubu” implicitly took the Big firms as a model, since AFDA member firms agreed to undergo a quality inspection. Initiatives such as the ATH in the 1970s and the AFDA in the 1980s thus seemed to position the French commissariat aux comptes profession on the road to modernity. The fact that this modernity was a synonym for Anglo-American practices would soon have disastrous consequences for the traditional French profession.

Survival of the most international: the end of the AFDA and the triumph of the Big firms

Francis Windsor, whose public statements always indicated a very positive attitude to the initiative of the man he replaced as head of the expert-comptable profession.

62 This was the title of an anti-Sigaut pamphlet written by Salustro (“Le roi Ubu” is an unsympathetic, out-of-touch character created by 19th century French dramatist Alfred Jarry).
The attempt to copy the Big firm model in France initially included only French firms. Founded by G. Barthès (of the firm Frinault Fiduciaire), J. Raffegeau (Befec Mulquin et Associés), R. Mazars (Robert Mazars), Claude Guérard (Guerard Delbor Vallas), J.F. Ramollino de Coll’Alto (Calan Ramollino et Associés), and E. Salustro (Salustro Vincent Gayet et Associés), at its peak in 1988 the AFDA membership comprised not only these firms but also SEEC (Reydel, Blanchot et associés), Paul Garcin (whose eponymous founder was a former chairman of the Ordre), Cailliau Dedouit et Associés, Castel Jacquet et Associés, the SECOR, SEFIC-EXCO and Société française d’Audit et d’Expertise.  AFDA members thus represented more than one billion francs in fee revenues, employed 2,000 professional staff and were auditors to 600 listed companies.

But from the outset, the viability of a purely national undertaking was contested. First the government, which as we have seen had supported the project, rather than calling exclusively on AFDA firms to value companies being nationalised, later to be re-privatised in 1986 when the Right returned to power, engaged them to work in collaboration with the French representatives of the Big firm networks. In its June 1986 edition, the professional journal La profession comptable (pp. 35-36) referred to “scrambles that have pushed both French and international firms towards what seemed to be a market for the profession. Even before announcement of the election results, certain groups of professionals associating accountants and non-accountants, both French and international, with links to the new government were preparing proposals for

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63 Bulletin de l’A.F.D.A. n° 3, March 1988. We have not included Guy Barbier et Associés, representative of Arthur Andersen, discussed later.
64 In November 1982, a question put by a senator to Jacques Delors, Minister of Finance (Journal des débats du Sénat, 19 November 1982, pp. 5624-5625) referred to “engagements to audit the accounts of companies such as Renault or Crédit Agricole, and studies for ministerial departments” apparently awarded by the government to Anglo-American firms”. According to this senator, the nationalisations had been a “goldmine” for the Anglo-Americans, who, it was claimed, had been consulted in preference to French professionals. The Minister of Finance confirmed the facts, but insisted that these firms employed French people and that the engagements were one-off contracts, in contrast to appointments as statutory auditors. Their success in a competitive framework was in the minister’s view related to “the companies’ needs to
privatisations and promoting their expertise”. Four firms were hired to define specifications for privatisation projects. These specifications were submitted to the CNCC and the COB for approval, and a list of some twenty firms deemed capable of executing these engagements was drawn up. In late 1986, 10 projects were thus distributed between “French” and “foreign” firms. Once “inside the door”, some firms representing Anglo-American practices in France remained as statutory auditor to the newly privatised entity. Guy Barbier became the auditor of Caisse Nationale de Crédit Agricole, Helios Stréco Durando inherited Société Lyonnaise de Banque, and the statutory audit of Crédit Industriel d’Alsace-Lorraine fell to Petiteau Scacchi et Associés.

Then it was the turn of the French firms representing Anglo-American networks to become indignant, this time at what some saw as disguised protectionism. Marc Chauveau, a partner with Blanchard, Chauveau et Associés (member of the Price Waterhouse network) protested in August 1982 against the policy giving the AFDA firms exclusivity, particularly the clause excluding firms receiving more than 20% of fees from clients audited by the same firm in several countries. In an interview with the magazine Usine nouvelle (21 April 1983, p. 16), a partner at Guy Barbier (the French arm of the Arthur Andersen network) was quoted saying “only ten years ago, we were dependent on the American firm for our capital, our personnel, our decisions, and our techniques because we had everything to learn about auditing. Today, our capital is 100% owned by French partners, we train our personnel and take our decisions ourselves. The only foreign link is the technical agreements that ensure we supply the same quality of service call on international financial markets, where certification by French firms is not yet recognised, and also, the quality of the service provided, made possible by the scale and experience of these firms”.

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65 La profession comptable, October 1986, pp. 17-20.
66 La profession comptable, February 1987.
67 La Profession comptable, February 1988, p.5.
to our clients as all the others.” While it is true that the Big firms may have made a mistake in overemphasising their image as foreign firms during the 1960s and 1970s, the “Frenchification” strategy touched on early in this chapter was now almost fully accomplished. As noted in the *International Accounting Bulletin* (2 August 1983, pp. 21-23), Arthur Andersen was almost entirely French, and any remaining perception of the firm as “American” was due to the structure of the worldwide Arthur Andersen network.\(^{69}\) Apart from Arthur Andersen, the “most French” firms were Arthur Young, represented by Helios Streo Durando, and Touche Ross, represented by BDA, both members of the aforementioned ATH association. The situations of the other Big firms were varied. Price Waterhouse (represented by Blanchard, Chauveau et associés) and Coopers & Lybrand (represented by Gufflet et Associés) were well-established in France, with respectively 24 partners (17 of whom were French, compared to 2 in 1970) and 15 partners (10 of whom were French). Peat Marwick Mitchell (represented by Audit Continental) had 13 audit partners, including 7 Frenchmen. Deloitte Haskins & Sells (represented by Parex) and Ernst & Whinney (Montec) were the least well-established Big firms in France, and the least advanced in terms of “Frenchification”, with respectively only 13 partners (including 5 Frenchmen) across the whole French firm (audit and other activities such as management consultancy, and tax and legal consultancy), and 10 partners (including 3 Frenchmen).\(^{70}\)

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\(^{69}\) Which, it must not be forgotten, was an adept of the “one-firm concept” and in fact incorporated under Swiss law; profits made by the national member firms were paid into a “kitty” before redistribution. On this point, see Spacek (1989, pp. 27-36).

\(^{70}\) We have not mentioned KPMG, which is in part a European continental firm (therefore not a “purely” Anglo-American firm). Its continental component, KMG, was represented in France by Fiduciaire de France. The Fiduciaire was not well-established as an auditor of large groups due to the tradition of serving small and medium businesses mentioned earlier. In 1979 Fiduciaire de France acquired 60% of Frinault Fiduciaire, later to become one of the founding members of the AFDA. This involvement in the project to develop a strong French auditing profession led to a dispute between Barthès de Ruyters, manager of Frinault Fiduciaire and like Jacques Frinault a graduate of the prestigious *Ecole polytechnique*, and Georges André, chairman of Fiduciaire de France. This dispute grew worse, until in the late 1980s Frinault Fiduciaire left the KPMG network (originally joined by Fiduciaire de France) and joined Arthur Andersen. Our thanks to Edouard Salustro for providing this information.
Finally, the exclusion of French representatives of Anglo-American firms was even denounced within the AFDA. Some partners in AFDA member firms considered that the association, instead of learning from what the Big firms had to offer, was at risk of resembling a ghetto carrying out pseudo-Anglo-American style audits that could not measure up to the “real thing”, with the danger that client companies would no longer want them.  

71 The right-wing government’s privatisation campaign introduced when it returned to power in 1986 seemed to confirm these predictions; as mentioned earlier, although AFDA firms were hired for business valuation engagements, they were always teamed up with representatives of the Big firms. In 1984, the Arthur Andersen network firm Guy Barbier had negotiated hard to join the AFDA. 72 Immediately after its admission, Audit Continental (Peat Marwick) and Gufflet et Associés (Coopers & Lybrand) also applied for AFDA membership. 73 The AFDA’s management board procrastinated, but in the end the two firms were not allowed in. 74 In fact, at the time the AFDA was already losing substance against the Big firms’ competition, materialised by these firms’ proactive policy of takeovers and mergers with French traditional commissaries aux comptes practices that were well-established as auditors of large groups. In 1985 Parex (Deloitte & Haskins) joined forces with Bernard Montagne, Blanchard Chauveau et Associés (Price Waterhouse) merged with Petiteau Scacchi and Gufflet et Associés (Coopers & Lybrand) with Verrando. Most importantly, Montec

72 See “Andersen to be admitted to AFDA”, International Accounting Bulletin, n°17, December 84 p. 4. Because of its recruitement policy, Arthur Andersen was seen as the “most French of the Big firms”. Before taking over Frinault Fiduciaire, Guy Barbier only held modest statutory audit engagements, and it is thus possible that it was not seen as a threat by the AFDA’s traditional French firms. Nevertheless, it took more than a year for Guy Barbier to be accepted as a member.  
73 See the International Accounting Bulletin, September 1983. This publication believed that the reason for this application lay in a fear that the AFDA might actually begin to succeed in its aims, which would have marginalised the Big firm representatives on the audit market, or the French audit market at least.  
(Ernst & Whinney) had merged with Castel Jacquet et Associés,\textsuperscript{75} which was a member of the AFDA; one of the Big firms had made its way into the AFDA without ever making a formal application.\textsuperscript{76}

The economic transformations described earlier had made the \textit{commissariat aux comptes} market attractive to large Big network member firms, by now almost totally French by recruitment.\textsuperscript{77} The late 1980s, a time of large-scale international mergers that reduced the “Big Eight” to the “Big Six”, was also a period when many of the main French companies changed statutory auditors. For some of the Big firms, acquisition of a French firm provided the opportunity to get a foothold in the profession. Arthur Andersen, whose business was concentrated primarily in management and IT consultancy, benefited in 1989 from the split between KPMG and Frinault Fiduciaire (a subsidiary 60%-owned by Fiduciaire de France since the late 1970s). Frinault’s merger with the American Arthur Andersen sealed the alliance between the major Anglo-American firms and the old French professional elites, and between \textit{commissariat aux comptes} and auditing, through convergence towards the latest working methods. It is also an example of the end of the native profession’s independence.

The ambition of certain traditional French firms to reproduce the Anglo-American Big firm model would have been achievable if they had been able to do in France what the Big firms were already doing, and additionally provide some form of competition on the

\textsuperscript{75} Castel was \textit{commissaire aux comptes} to Elf Aquitaine, whose consolidated accounts were audited by… Ernst & Whinney, which also had several other oil groups in its portfolio of clients.


\textsuperscript{77} The late 1980s were boom years for auditing; the word “audit” was used for procedures and practices sometimes quite unrelated to accounting and financial auditing. In the March 1986 edition of \textit{La profession comptable}, the editorial referred to a famous politician’s declarations in \textit{Le Monde Informatique} that an “audit” of the scale of deterioration of France’s technological independence should be organised. In the public sector, the government was considering having audits of \textit{Commissariat à l’énergie atomique}, and EDF/GDF (the French monopoly supplier of gas and electricity) carried out to check that they were making good use of public subsidies. In the same period, local authority audits were also on the increase, particularly when the political majority changed. Arthur Andersen, Hélios Streco Durando, Arthur Young and Fiduciaire de France were pioneers in this kind of engagement.
international scene. Unfortunately, the French were late starters and their presence in the Anglo-American world was too negligible to create even the faintest possibility of making any inroads into the City, never mind Wall Street.\textsuperscript{78} Large French clients opted for the Big firm model, confirming that what global companies need are global services, and that a good deal of the Anglo-American firms’ reputation was due to their early internationalisation. The demise of the AFDA as top French firms fell into the hands of the Big firm auditors rang the death knell for the French professional model, unable to be simultaneously independent and powerful.

The story of the AFDA and its ultimate failure clearly shows that it is not possible to construct a professional model from a straightforward “copy” of an existing model. The transformation of economic, cultural and social capital into symbolic capital whose possession will guarantee domination is also the result of a “tradition”, i.e. accumulation over a sufficiently long period to generate domination effects. The “restructuring” of certain French practices that had held a comfortable position at the top of the profession in the days of the sole-practitioner model may perhaps have helped guarantee them a secure income. However, as the French economy opened up, and the pace of change accelerated in the 1990s, the intensification of international competition between large companies increased their demand for consultancy services in all areas of management and gave an edge to the Big firm model. The entities that partook of this model had assisted the growth of British and American multinationals since they were formed and had long experience in multidisciplinary services, audit being only one of the interlocking pieces. The Big firm members’ triumph in France was thus a consequence of the early internationalisation of the firms that had brought them into being – making them

\textsuperscript{78} French firms with long-standing presence in the Anglo-American world are very few and far between. To the best of our knowledge, the only exception was Cabinet Constantin, successfully established in the United States in 1952 and registered with the Securities Exchange Commission in 1955.
worldwide firms well before there was any talk of globalisation – and a reflection of the place occupied by these firms in the Anglo-American economies, where they were an essential cog in the financial system’s machinery. Their worldwide domination is a reminder that the “global market” is also an export of the free market Anglo-American economic model (Hall & Soskice, 2001). 79

The Big firms and the French profession in the 1990s: from audit to the market for multidisciplinary services

During the 1990s, the large multinational firms pursued their expansion on the French audit market with further acquisitions of French firms. In fact, this market, where they built up a cartel for the listed companies segment, was a springboard for firm establishment on related markets such as management or legal and tax consultancy. This commercial strategy made the Anglo-American firms the specialists in intellectual services to large businesses. The native French firms were reduced to either hyper-specialisation, general services for smaller businesses, or association on the sidelines of the Big firms’ work, for instance as joint-auditors. 80 However, the Big firms’ predominance was not merely a matter of winning more market share. As members of a regulated profession, they also had to institutionalise their dominance. The increasingly open French economy and globalisation of French businesses gave them the opportunity

79 An interesting parallel can be drawn with the arrival of American law firms in Europe. In response to Delazay’s argument (1992) that internationalisation of economic activity reorganised national legal spaces, Olgiati (1995) shows how this establishment was built on alliances rather than fierce competition.

80 The specifically French requirement for two statutory auditors, which was discussed as a possible solution to the problems of auditor independence raised by the Enron affair, was brought in by the Act of 1 March 1984 for companies publishing consolidated accounts. As a partner at French firm Salustro-Reydel confirmed to us, co-auditing is a means for the largest French firms to retain a role in the main playing field, as joint-auditors alongside Big firms. For more details see Francis, J., Richard, C. & Vanstraelen, A.
to do so. The importance of accounting standardisation and harmonisation of the French auditing profession to international auditing required technical expertise and a global reach that only the Big firms could supply. Whether as an example or through the influence it exercised on the development and application of professional standards, the big multinational firm model became the leading model by reorganising the professional arena. This reorganisation involved some unifying factors, such as the spread of the idea that consultancy services represented modernity and the future of the profession, and some divisive factors, as the reign of the Big firms replaced a hierarchy of individuals by a new hierarchy ranking professional actors by size. Although there is at the end of the period the paper covers no more fundamental challenge to the domination of the Big firm model, the ambiguity of this domination sometimes resurfaces. The Big firms, Frenchified as they might be, still partake of another tradition than that of the vernacular profession. Their acculturation takes therefore time and faces opposition from some French professionals, with the support of their regulatory authorities.

Conquering the large client market: the professional field and the size of the actors

A simple glance at one of the Big firms’ websites indicates the scale of the diversity of services on offer. KPMG France, for example, offers audit services, private business advisory services, consulting services, tax and legal services, corporate finance, corporate recovery, forensic & litigation services and transaction services (terms in italics have been left in English in the French version of the website). Private business advisory services cover such matters as areas for consolidation, information systems, accounting compliance with international standards, and management control. KPMG does not only operate in the large clients market, but also has a large range of services

designed for small and medium businesses through its local member offices inherited from Fiduciaire de France. Not all KPMG clients are from the world of business; it also provides services to local and national authorities. The firm has been hired by institutions such as the COB (for privatisations), the French Treasury (for decentralisation of public establishments’ cash management) and more recently, the French telecommunications regulation authority (for audits of cost calculations in connection with the deregulation of the French telecommunications market).\textsuperscript{81}

To sell such an extensive, sophisticated range of services, the Big firms have considerable technological resources both in and outside France, and most importantly a training system that combines the latest research (which benefits from the Big firms’ participation in national and international standard-setting bodies) and education in standardised working methods that are subject to quality controls. All this is served by human resources selected from the most highly-qualified graduates, as befits the Big firms’ recruitment practices. Their auditors mostly come from the large Paris business schools, the prestigious “Sciences-Po” and the reputed Paris-Dauphine University. The Big firms have thus perfectly adapted themselves to the grandes écoles system and to the rise of business grandes écoles such as the Ecole des hautes études commerciales (HEC) as providers of French elites.

The “Frenchification” of their personnel has led the Big firms in France to espouse local ways of producing these elites, as well as adapting them to suit their own needs. Although they are members of the Ordre and the Compagnie, the Big firms do not prioritise

\textsuperscript{81} In February 1990 (see \textit{La profession comptable} for that month), the top six firms in France were all Big firms for the first time since the rankings began. This was also the first time that the workforce of two of these six firms exceeded 3,000 people.
recruitment and training of the rank-and-file accounting student.\textsuperscript{82} Masses of trainees continue to study for their professional exams while working in smaller practices,\textsuperscript{83} while many Big 4 recruits see their time at KPMG, Deloitte or Price as a specialisation, a sort of postgraduate course opening up the doors to the finance departments of their firm’s clients. The pyramidal organisation of the multinational firm, and the resulting “up or out” career system, has developed “alumni” networks of ex-Ernst, KPMG, Deloitte or PWC personnel, an elite which circulates between the auditing and business worlds in France as elsewhere.

The Big firms have thus succeeded in adapting their own professional model to the French situation. By accepting legal artifices (like registering their auditing business under a French name), they can practice their multidisciplinary approach and offer companies an integrated service, in which accounting is becoming less and less significant (although it remains central to the definition of the “ordinary” French accountant). By avoiding the French profession’s system of “producing the producers” (Larson, 1977), and recruiting from the top French higher education establishments, the Big firms have made their way into the very heart of the influential networks that shape the business world in France.\textsuperscript{84} Their partnership structure, multidisciplinary services and links between the practising and salaried accountants built around a single “professional”

\textsuperscript{82} Partners who sign reports in the name of their firm and are responsible for the services provided to clients must be registered as experts-comptables or commissaires aux comptes. Below that rank, an accountant may enjoy a long career in practice without being a registered member of the profession.

\textsuperscript{83} In France, penetration of the middle market for professional services by the Big firms is quite a recent phenomenon, essentially explained by saturation of the upper segment of the audit market. This move typically happens through acquisition of smaller-sized practices where partner profiles are closer to the average in the profession; the newly-acquired firm is then restructured to integrate the standards of the bigger firm. See \textit{La profession comptable}, April 1996, n°159, p. 7.

\textsuperscript{84} Further proof of this penetration is the fact that the Big firms have successfully made use of typically French connections between the highest levels of the French civil service and the business world. For example, in 1991 J. Bédier, a product of the Ecole nationale d’administration who was the Minister of Industry’s principal private secretary, joined Deloitte Touche Tohmatsu as head of development (\textit{La profession comptable}, March 1991).
identity are features typical of the Anglo-American concept of a profession, and lie behind the birth and prosperity of the large multinational firm model.

Within the French professional field, structured as we have seen by individualism and the quest for notability, hierarchical distinctions were socially grounded, but also shrouded in differences related to qualification (such as the difference between experts-comptables and comptables agréés) or function (such as the difference between expert-comptable and commissaire aux comptes). The French professional landscape was now shaped by “markets” (i.e. organised means of producing expertise tailored to the type of service and/or nature of the clientele). A link, determining the relations connecting collective actors in the professional field, had thus been created between the size of the firm, its reputation and the size of its clients. Before going into further detail on the conflicts arising from this transformation, it should be noted that the Big firms’ conception of work practices has also been subject to emulation, reflected in trends such as the mushrooming networks of smaller firms since the mid-1980s or the attempts of the Ordre des experts-comptables to encourage its members to move into consultancy-type services so as to make up for the slow decline of accountancy-based compliance work.85

Thus, the hierarchical structure of the profession now more closely resembles the Anglo-American model, with strict separation between the world of multinational businesses and the world of companies using smaller audit firms.

*The institutionalisation of the Big firms’ domination: the inescapable logic of globalisation*

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85 These networks of smaller firms, a census of which is published annually by *La profession comptable*, attempt through varying organisation structures to replicate the sharing of common training resources and quality assurance procedures, a hallmark of the Big firms.
However, the fact that the embodiment of professional excellence had turned out to lie outside the French profession, and that this situation had led to polarisation of the professional field between “Big” and “Small” firms, was increasingly a source of tension. Alternative modes of representation on the official professional organisations emerged, or major modifications were made to the existing systems. The Big firms were joined by leading French firms on the market for audit services (principally Salustro-Reydel and Mazars) in forming the Arnaud Bertrand Committee. Named after a deceased KPMG partner, this committee has often been seen as a sort of parallel council where affairs affecting the large audit firms are discussed and lobbying strategies are decided.\(^{86}\) At the other end of the professional spectrum, small firms decided to unite and revive interest groups such as the INSECCA (Institut national des syndicats d’experts-comptables et de comptables agréés) founded after the Second World War to fight to put the status of comptables agréés on an equal footing with experts-comptables. After 1979, the INSECCA embarked on a defence of “the small structures against the big ones” and headed the fight for protection of their bookkeeping monopoly, spurring professional authorities on to defend the accountants’ turf. As the comptables agréés sank progressively into extinction due to amalgamation into the expert-comptable category following the 1968 Act, INSECCA became a new body called ECF (Experts-comptables de France). With a broader membership than its predecessor, this association, officially born in 1988, represents those unhappy with the French professional institutions’ attitude to the multinational firms. Institutional leaders are accused of treating the big firms too favourably (for instance, as regards auditor independence) in order to preserve the French profession’s rank on the international scene. Decrying what they consider to be “the

\(^{86}\) Around the same time it was opening the doors of its professional standards committee to the large multinational firms, the Compagnie nationale des commissaires aux comptes also set up a special IPO department in 1989, whose members include representatives of firms that audit France’s main industrial and commercial groups.
commercialisation of accountancy”, the experts-comptables de France vaunt an alternative professional model, a more “humane” way of practising, in which “the small can fight with the same weapons as the big”.

Following the strategy discussed earlier, the Big firms have made no attempt to conquer French professional institutions overtly and directly. Not only do they lack legitimacy in the eyes of the rank-and-file French practitioner, but a strategy based on vote-winning can prove too volatile and therefore risky. As we have seen earlier on in the paper, the Big firms’ involvement in the theoretical side of accounting such as development of professional standards explains part of their power on the global scene. Investment in the production of “pure accounting” is certainly much more profitable in terms of domination. The representatives of the Big networks have managed to sit on the professional standards committee of the Compagnie nationale des commissaires aux comptes and have become a vital element for integration of IFAC audit standards into French audit regulations. They have also officially become members of the CNC (Conseil national de la comptabilité), the French accounting standards setter, after taking part in its activities for some years. The CNC was reformed in 1996, to be run under a new structure closely akin to those of its Anglo-American counterparts. Having designed and promoted the Plan comptable général, the CNC now devotes most of its work to consolidated accounts and to the introduction of IFRS in France. In the past, the CNC could rely on assistance from the multinational firms’ technical directors for this purpose. In fact, the 1996 reform brought one of those firms’ senior partners to the directorship of the standard-setting body. This position, which was traditionally held by a high-ranking civil servant, was taken by Georges Barthès de Ruyter, who had been a partner of Frinault Fiduciaire, and subsequently of Arthur Andersen, and Secretary General to the
International Accounting Standards Committee. He was later succeeded by Antoine Bracchi, former senior partner of Ernst&Young in France.\footnote{One of our interviewees at the INSEE national statistics office (Institut national de la statistique et des études économiques), a long-standing member of the CNC described this reform as the “June 1940” (a reference to France’s defeat by Germany) of French accounting. While as a public institution, the CNC is supposed to act in the general interest by working towards meeting the needs of any type of accounting information user, its activity is currently oriented by multinational companies’ financial reporting. The time when the CNC was under the influence of national accountants, and its major projects were the successive versions of the Plan comptable général, seems long gone.}

Considering the multinational firms’ strategy, French authorities and the institutional leaders of the French profession have been confronted with an impossible choice. Jumping on the bandwagon of financial globalisation means accepting the Anglo-American model – which is radically different from local professional culture – as a sine qua non for the importation and exportation of capital. The Big firms’ position in the accounting scene in France is thus something of a paradox, as because of the specific history of their integration into the French professional landscape, they provide the international face of the French profession without being its institutional leaders.

One episode illustrates this ambiguous position perfectly: the “Big firms’ strike” of 1993. This episode originated in the publication of the first Le Portz report in July 1993 on “Ethics and the listed company auditor”. Yves Le Portz\footnote{88} was commissioned by the head of the Commission des opérations de bourse, Jean Saint-Geours, and the chairman of the Compagnie nationale des commissaires aux Comptes, Bernard-Pierre Germond, to lead a working party formed to study the development of consultancy services provided by a different arm of the audit firm in multidisciplinary networks, and to determine the measures necessary to guarantee the independence of judgement of the audit firm’s professionals. The report’s conclusions were essentially an improved definition of what a multidisciplinary firm was, and a list of services whose provision would jeopardise the
Le Portz suggested that the CNCC should regulate to prohibit services creating relations of a personal or financial nature between professionals and their clients, or placing professionals in a situation where they had to audit data generated by other members of the same multidisciplinary firm. Although it did not mention any multidisciplinary firm in particular, the report was clearly trying to loosen the Anglo-American firms’ grip on the market for professional services, and was against a conception of audit as being just one of the many services offered by these firms.

This working party did actually include two Big firm partners, Georges Barthès de Ruyter and Michel Poisson. In a letter appended to the final version of the report, Barthès and Poisson expressed very serious reservations concerning the full implementation of Le Portz’s recommendations. When, in early of 1993, the Compagnie nationale des commissaires aux comptes did cross the Rubicon by integrating these recommendations into its body of audit standards, the Big firms’ representatives went on a strike, which took the form of a refusal to continue sitting on the Compagnie’s professional standards committee. This voluntary non-attendance had dramatic consequences, for it was depriving the French professional institution of the indispensable technical backing required to keep up with production of standards appropriate to large companies’ needs and compatible with IFAC standards. A modus vivendi was eventually reached to settle the conflict. In fact, this arrangement allowed the Big firms to carry on with their expansion. Indeed, as a second Le Portz report stated in 1998, although the recommendations of the first report had been transposed into regulations, in practice,

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88 Le Portz was himself a former head of the COB. In December 1997 he was commissioned to produce a second report assessing the extent of the enforcement of measures advocated in the earlier version.
89 Letter from Le Portz to the COB and the CNCC dated 3 August 1992 (attached to the report).
without a detailed inventory of the services provided by large firms to their clients, it was very difficult to assess these regulations’ actual impact.  

The second Le Portz report in no way harked back to the model of the sole-practitioner commissaire aux comptes, whose independence was often less than optimum, because s/he was chosen from the family or contacts of the client company’s management, or who, when s/he was sufficiently independent, did not have the resources to be competent. But like the first report, it was an attempt to dent the Big firms’ hegemony. In counterpoint to this attempt, the report was also an opportunity for French representatives of multinational firms to reaffirm the reasons why their professional model was superior. It was reported (p.15) that the working party in charge of drafting the report had received a memo prepared by “a group of firms auditing listed companies”, which argued that market globalisation, internationalisation of business, the increasing complexity of financial transactions and greater use of technology required highly sophisticated management and management information systems. This meant an auditor no longer simply verified the accounts, but “identified risks”. Consequently, auditors needed to carry out their verifications further “upstream” in the decision process, calling on the assistance of specialists. Auditors were thus presented as “reducers of uncertainty providing reasonable assurance”. In parallel (p.16), the ongoing concentration of auditing engagements was considered legitimate, because large companies needed to raise capital

Report by the CNCC and COB working party on the independence and objectivity of auditors of listed companies, presided by Y. Le Portz, Bulletin mensuel de la C.O.B., January 1998. pp. 1-59. The working party was set up on 31 July 1996, and presented its conclusions on 16 December 1997. This second report was prepared in a different international context, marked by several challenges to the quality of listed companies’ accounting information; several professional bodies began to examine auditor independence at that time. The Fédération des experts-comptables européens (FEE) considered that the auditor’s role had broadened out from simply verifying the accounts to examining the reliability of internal control and accounting procedures, and that statutory auditing now included analysis of the company’s business risks and a review of management control systems. During the same period, the International Organization of Securities Commissions supported the IASC in preparing international accounting standards and the IFAC for international auditing standards. In France, the major reform of the CNC also occurred in the same period.
in international markets, and therefore “to have their accounts audited by firms that are well-known to institutional investors and financial institutions in capital-exporting countries”.

**Discussion and conclusion**

This brief foray into the world of French accountants shows how professions that serve big business (i.e. corporate lawyers, strategy and management consultants, merchant bankers, auditors, etc.), form a field for research where it can be observed, as in the example studied in this paper, how a professional model born and bred in a specific socio-cultural environment has been exported and adapted to another environment. By displacing and reinterpreting the rules that governed competing local models, by rebuilding the network of social relations that underpinned those models, the Big firms championed the Anglo-American tradition while at the same time combining this tradition with specific national customs and practices. This study thus contributes to the vast literature on the global expansion of market economies, (Hall & Soskice, 2001; Hirst & Thomson, 1996; Wallerstein, 1984) by showing that far from being the representatives of a new class at the service of a world economy run by uncontrollable, invisible forces (Ohmae, 1990) large professional firms have first and foremost played an essential part in the development and internationalisation of those market economies.

However, analysis of the big audit firms’ domination in the French context shows that a professional model cannot impose itself as the elite model merely by virtue of being better suited to the market economy. Such suitability is an asset at global level, but at local level a certain form of social suitability is also required. In the case of France, the big firms’ triumph owes much to the action of the modernist sector of the French profession and its powerful patron, the State. The liberalisation and opening up of the
economy certainly required modernisation in France’s audit practices. But as this paper highlights, the “Anglo-American” solution to this requirement, no matter how obvious it may have seemed, had to wait until a French alternative (as epitomised by AFDA member firms) had proved a failure before it could actually be accepted. What is more, the acceptability of the Anglo-American firms as the new elite of the French profession was only possible because those firms had embarked on a process of “Frenchification”.

In any event, the Big firms’ establishment as the elite of the French profession was not without its difficulties as they epitomised a professional model that had to become acclimatised to a professional community in which it had not previously existed. In the US and UK, the field of professional accountancy was already shaped by the domination of the major firms before they evolved into global firms. But in France, the accountancy and auditing profession was dominated by the model of the sole practitioner as prominent personality, and supporters of this model were far removed from and in fact hostile to the organisational, multidisciplinary aspect of the major Anglo-American firm model. The closest thing in French practice models was to be found in the sociétés fiduciaires, with Fiduciaire de France at the head. Although this firm, due to its economic importance and open hostility to the managers of professional institutions, presented a permanent challenge to the established order, its low degree of participation in audits of the largest French companies made it unable to impose its name in the same way as, say, Price Waterhouse or Coopers & Lybrand.

One of the most striking consequences of the Anglo-American firms’ expansion from the 1970s onwards was that it contributed to a revolution in the hierarchical structure of the French professional field. Replacement of the sole-practitioner model by the Big Firm model meant that to be at the top of the rankings (itself a new concept in a professional world where the idea of competition was rigorously denied), a firm needed to accumulate
large quantities of economic, educational, and social capital to create structural homology
with the largest clients. This transformation in the professional field relegated
non-followers of this model to a supporting role at best, and generally to the role of “small
firm” working with “small businesses”. Furthermore, the pre-existence of the Big firm
model and its forerunners on the international scene was a significant help in
transforming the types of capital listed above into symbolic capital, which is necessary
for success in a business where the quality of the intangible service is difficult for the
service users to verify. Because of this, a simple copycat strategy aiming to build up a
stock of symbolic capital in a short time is doomed to failure. The French firms that tried
to launch “French-style” auditing in the early 1980s learnt from bitter experience that the
effectiveness of this symbolic capital depends on the possession of other types of capital,
but can only result from accumulation of those components over a sufficiently long time
and large scale.

And so the supremacy of the Big firm model reordered the French professional field
around the notion of “size”. Only the large international professional networks can take
care of the needs of large multinational business. It is now impossible for individual
practitioners or small firms to reach the highest ranks of the hierarchy simply because
their partners have significant educational or social capital. “Big” has thus become a
synonym for “global”, and “small” for “local”. Of course, the changes introduced into the
structure of the professional field with the reign of the Big firms had repercussions for the
way the professional community was run. In France, relations between the large
multinational firms and professional bodies were immediately affected by the conflict.

The Ordre des experts-comptables and the Compagnie nationale des commissaires aux
comptes were the representatives of a profession which, given its traditions, could only be
fundamentally hostile to competitors that already had a considerable track record in
professional services to big business. But these institutions were not strong enough for the
fight, especially as the Big model, due to its international dimension, became the imposed
benchmark for French companies with the French economy’s increasing openness to
market mechanisms. French professionals were equally unable to call on their patron, the
State, for help, because as the instigator of reforms making the economy more open to
foreign capital, the State naturally did not oppose the development of one of the
instruments of that process – at least not until recently.

In France, the accountancy profession thus has the specificity of having an elite
consisting of firms with one foot inside the profession and one outside. It is inside the
profession because the elite firms’ personnel are French, and are involved in the
profession’s development, technically through standardisation of accounting and
auditing, and politically through a series of “parallel” committees such as the Comité
Arnaud Bertrand. It is outside the profession because it represents international networks
and does not head the national professional institutions. In the end, the leaders of these
institutions have been obliged to accept the Big Firms’ presence as a necessary evil for
the prestige of independent French accounting.

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