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ARTICLE



Big 4 offshore: Transparency arbitrage across legal and geographical boundaries

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Abstract

How do global firms manage conflicting constituencies in complex markets? The Big 4 accounting firms have expanded their size and scope to the extent that they need to relate to different constituencies simultaneously, sometimes on controversial issues. This is particularly relevant given their engagement in aggressive tax planning services alongside their traditional professional obligations, as this generates a conflict between discretion offered to “offshore” clients and accountability offered to other stakeholders. This requires strategic duplicity—sending differentiated signals to different stakeholders. We suggest that firms use organizational partitioning across legal structures and geographies to enable strategic duplicity. We test this by collecting a unique data set on the Big 4's ownership structures and staff numbers across all locations, showing that their organizations are heavily segmented. We show that the Big 4 use this geographical and legal differentiation to send contrasting signals to constituents about their organizations, engaging in a type of strategic duplicity that we term transparency arbitrage, in which “onshore” stakeholders receive a signal of transparency and “offshore” stakeholders receive a signal of discretion. This duality enables them to engage in controversial issues with conflicting stakeholders.

KEYWORDS

accounting, Big 4, offshore, professionals, taxation, transparency

Accepted by Crawford Spence.

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Les Quatre Grands à l'international : l'arbitrage basé sur la transparence au-delà des frontières juridiques et géographiques

Résumé

Comment les entreprises internationales gèrent-elles les conflits d'intérêts dans des marchés complexes ? Les grands cabinets d'expertise comptable ont tellement augmenté leur taille et élargi leur périmètre d'action qu'ils doivent désormais interagir simultanément avec diverses parties prenantes, parfois sur des questions controversées. Ce sujet est d'autant plus pertinent compte tenu de leur implication dans des services de planification fiscale sophistiquée, en parallèle de leurs obligations professionnelles traditionnelles, générant ainsi un conflit entre le pouvoir discrétionnaire accordé aux clients « *offshore* » et l'obligation de rendre des comptes aux autres parties prenantes. Cela requiert une stratégie duale, reposant sur l'envoi de signaux distincts aux diverses parties prenantes. Les auteurs formulent l'hypothèse selon laquelle les entreprises établissent une séparation organisationnelle entre les structures juridiques et les zones géographiques afin de déployer cette stratégie duale. Ils testent cette hypothèse à l'aide d'un ensemble unique de données concernant les structures du capital social et les effectifs des Quatre Grands sur tous leurs sites, démontrant que leurs organisations sont fortement segmentées. Ils révèlent que les Quatre Grands utilisent cette séparation géographique et juridique pour envoyer des signaux contrastés à leurs parties prenantes au sujet de leurs organisations, s'engageant dans une stratégie duale que les auteurs qualifient d'arbitrage basé sur la transparence, où les parties prenantes « *onshore* » reçoivent un signal de transparence et les parties prenantes « *offshore* » reçoivent un signal de pouvoir discrétionnaire. Cette dualité leur permet d'aborder des questions controversées avec des parties prenantes en situation de conflit.

MOTS-CLÉS

comptabilité, fiscalité, *offshore*, professionnels, Quatre Grands, transparence

1 | INTRODUCTION

The Big 4 global accounting firms have been remarkably successful in growing the scale and scope of their business models, offering a range of commercial services that stand in contrast to their traditional professional foundations (Suddaby et al., 2007). The scope of their services and clients presents the challenge of increased complexity in their environment and a potential for controversy when different stakeholders have competing claims. A particularly salient controversy is the provision of “offshore” financial services, in which the Big 4 engage in tax planning

on behalf of their clients (Ajdacic et al., 2021; Radcliffe et al., 2018). While this has led to scandals such as LuxLeaks, the Big 4 have sought to protect their status as highly trusted authorities in the market for tax planning, auditing, and assurance (Anesa et al., 2019). Their business models and wide portfolios remain resilient, posing the question of how they manage to satisfy competing expectations on controversial issues.

Engaging in aggressive tax planning associated with offshore finance—the provision of financial services to nonresidents (Atwood & Lewellen, 2019)—has been increasingly controversial, with rising attention from governments, international organizations, and activists (Christensen & Seabrooke, 2022; Dyreng et al., 2016; Hearson, 2018; Seabrooke & Wigan, 2024). Tax planning services put the signal of absolute discretion and confidence to clients seeking to circumvent tax obligations into conflict with professional reputations that require the signaling of accountability and responsibility to other stakeholders—notably, regulators and public sector clients. The Big 4 actively shape their rhetorical strategies to audiences to protect their reputations (Addison & Mueller, 2015; Dunne et al., 2021). Our interest lies in how these rhetorical strategies and other signaling devices are supported by the legal and geographical organization of the Big 4.

Organizationally, the Big 4 combine unified structures with operational divisions, providing them with both global branding and local embeddedness (Spence et al., 2015, 2016, 2018). Elemes et al. (2021) and Blaylock et al. (2024) show that these firms' affinity with interests at the global level of their organizations extends as far as internal tax minimization, which seems to conflict with the interests of certain local partners. This form of tax arbitrage reveals the flexibility of their local and global identities. The organizational flexibility used to differentiate where profits should accrue can also be used for other types of arbitrage, such as the contingent transparency of activities to audiences, which we term *transparency arbitrage*. We explore the link between internal organization and the management of external relations (Faulconbridge & Muzio, 2021), both theoretically and empirically (Sutton & Staw, 1995).

Theoretically, we explore how global firms like the Big 4 manage conflicting constituencies. By projecting contradictory impressions to different audiences, the Big 4 engage in strategic duplicity, the purposive directing of at least two signals to different audiences to achieve an objective (Addison & Mueller, 2015; Dunne et al., 2021). While impression management serves as part of this work, rhetorical strategies must also be specific to contexts. We theorize that strategic duplicity can be effected by having legal and geographical segments that perform different signals independently. This is arranged through organizational partitioning that upholds differentiated external relations without undermining the potential for global collaboration (Palan et al., 2021). Here, geographic dispersion and legal structures are used to signal across constituencies and mitigate cross-border regulatory interventions.

Empirically, we explore the use of organizational partitioning for strategic duplicity by testing the extent to which the Big 4 are opaque or transparent about their operations in different markets. We suggest that disclosure of information about the organization projects a signal of transparency as well as accountability and legitimacy. However, opacity, or the lack of disclosure about the organization, projects a signal of discretion, associated with the protection of privacy. We believe that these two signals are key to the Big 4's management of conflicting constituencies in the realm of offshore tax planning services. Specifically, we investigate the office and staff numbers for all countries across the four firms and the legal structure of one firm (KPMG). We show that the Big 4 are, to a wide extent, active in “offshore” jurisdictions associated with aggressive tax planning, and importantly, we show that these firms are much less transparent about their operations in these jurisdictions than elsewhere, showing that transparency is contingent upon contexts. We term this finding *transparency arbitrage*.

We provide several contributions to the study of the Big 4 global accounting firms, both theoretically and empirically. Theoretically, we develop a concept of *organizational partitioning*, which allows organizations to provide different signals of their organization and services

depending on stakeholder identity (clients, regulators, activists, media, etc.), enabling strategic duplicity, such as transparency arbitrage. We suggest there is a direct link between internal organizational structure and protection from outside forces. Empirically, we detail the legal and spatial elements that link strategic duplicity to organizational partitioning and support transparency arbitrage. We contribute an original self-coded data set of the office and staff numbers for all Big 4 firms across all countries where they operate. Despite the wealth of research on the Big 4, such comprehensive mapping of their locations, including staff numbers and local legal structures, has not yet been provided. Our findings speak to the power not only of the Big 4 in the international political economy but also that of other global firms, particularly professional service firms (GPSFs) (Boussebaa & Faulconbridge, 2019; Spence et al., 2017).

The remainder of the article is structured in seven sections. In Section 2, we provide background on the Big 4 and their position in the complex market for accounting, auditing, and tax services. In Section 2, we also provide background on socio-legal theory and present our theory of how organizational partitioning enables strategic duplicity. In Section 3, we provide an overview of our methods, including research design, data collection, and data analysis. In Section 4, we provide an analysis of legal structure, using a case study of KPMG's legal structure, and we outline the importance of separate legal units. In Section 5, we provide an overview of the global scale of operations of the Big 4, including their staff numbers across geographies, including off-shore financial centers. In Section 6, we provide an example of how the Big 4 communicate differently about their operations across different jurisdictions, engaging in what we term transparency arbitrage. In Section 7, we discuss these findings and implications for future research, and in Section 8, we conclude.

2 | ORGANIZATIONAL PARTITIONING FOR STRATEGIC DUPLICITY

The dominance of the Big 4 global accounting firms—Deloitte, Ernst & Young (EY), KPMG, and PricewaterhouseCoopers (PwC)—is typically explained as a consequence of their professionalization, having concretized into an organizational field as they grew in scale and scope (Suddaby et al., 2007). This field encourages common forms of institutionalization and the fostering of best practices, permitting the Big 4 to internally innovate despite their size (Greenwood & Suddaby, 2006). Despite these strengths, complexities persist both within and between units in the firms (Belal et al., 2017; Elmes et al., 2021) in addition to tensions in their external relations (Greenwood, Morris, et al., 2010).

Critical scholarship has pointed to the power of the Big 4 and its negative impacts (Mulligan & Oats, 2016) and has attributed this to the firms' capacities for professionalization and rhetorical legitimation (Boussebaa & Faulconbridge, 2019), including sustaining forms of "neo-imperialism" (Boussebaa, 2015; Tsingou, 2022). Their global scale makes it impossible for domestic policy-makers to regulate cross-jurisdictionally (Malsch & Gendron, 2011), and pinning them down in local contexts is difficult given their recourse to global networks (Anesa et al., 2019). Understanding how the firms come into these privileged positions of power is important (Strange, 1996), including how they dominate in contrasting spheres, such as assurance and regulation, on one hand, and aggressive tax planning, on the other.

Complexities in the Big 4's global operations are well known. Previous research has noted how they are both global and local in their design (Boussebaa et al., 2012) and united yet divided in how they locate their professional expertise (Greenwood, Morris, et al., 2010). These qualities are helpful in limiting regulatory intervention (Malsch & Gendron, 2011), but they also introduce complexities within and between units in the firms (Elmes et al., 2021; Spence et al., 2017) and with regard to external relations (Greenwood, Díaz, et al., 2010). Some

scholars have pointed to how complexity within and around the Big 4 leads to conflicting goals and identities within the organizations (Bérvort & Suddaby, 2016), particularly with strong local variations present across geographies (Belal et al., 2017; Zhu et al., 2021). Beyond adapting to local customs and languages, the firms also claim to speak for the national interest—for example, “We represent Big 4 Australia in this matter and no other jurisdiction” (Anesa et al., 2019). Our concern is not with the differentiation of professional practices across the Big 4 but rather with how strategic duplicity—signaling to different audiences on transparency and discretion—is maintained through organizational partitioning.

The Big 4 firms’ need for strategic duplicity is linked to the scope and variety of clients forcing the Big 4 to coordinate across very different external environments (Greenwood, Díaz, et al., 2010). The Big 4 are important consultants to the public sector (Mazzucato & Collington, 2023; Seabrooke & Sending, 2022), while at the same time, they have been convincingly and continuously linked to aggressive tax planning (Addison & Mueller, 2015; Ajdacic et al., 2021; Elemen et al., 2021; Haberly & Wójcik, 2017; Sikka & Hampton, 2005; Sikka & Willmott, 2013). This includes shifts in political focus and scrutiny of their core operations, as in the case of audit (Dunne et al., 2021; Leaver et al., 2020), or widespread reform efforts, such as responding to multilateral efforts on combating tax avoidance (Anesa et al., 2019; Brugger & Engebretsen, 2022). While the international scope of the Big 4 enables them to engage in internal tax arbitrage (Elemen et al., 2021), they are constrained by political cost considerations (Blaylock et al., 2024), indicating their sensitivity to the importance of their global brands. Organizations manage risks through selective information-sharing with different audiences, including with respect to corporate taxation (Brühne & Schanz, 2022).

The supply and demand of strategic duplicity linked to organizational partitioning has long been forecast. Meyer and Rowan’s (1977) classic discussion of isomorphism suggests that an elaborated institutional environment will likely lead to three outcomes: (1) the “decoupling of structural subunits from each other and activity,” (2) “rituals of confidence and good faith,” and (3) the “avoidance of inspection and effective evaluation” (p. 360). Decoupling is employed so that organizations can maintain their legitimacy with external audiences (Meyer & Rowan, 1977, p. 353). This decoupling is achieved in a complex institutional environment by using strategic duplicity because legitimacy and resources are sustained by conveying different messages to different audiences. Organizational partitioning is the structural outcome of such behavior. Together, decoupling and organizational partitioning can permit what we refer to as transparency arbitrage: reporting selectively to different audiences as a function of decision-making behavior backed by legal and geographic structure.

Our concern is with how organizational partitioning enables strategic duplicity, focusing on geographical and legal partitions. Despite its centrality, the role of legal structures in the business models of the Big 4 remains undertheorized and under-researched in accounting studies. While prior research has extensively examined the role of professional practices in shaping the Big 4’s business models (Spence et al., 2016), the legal and geographical underpinnings of strategic duplicity have received comparatively little attention.

To remedy this, a useful framework for understanding how an organization uses partitioning can be found in socio-legal scholarship on why the social-organizational and legal units are distinct (Robé, 2011, 2020). The social-organizational unit, referred to as the firm, is the unit that offers functional advantages to clients and serves as the space for professional practices. The legal entity, on the other hand, is the corporation or partnership structure that owns assets and that investors, creditors, and tax authorities hold claim to. The common practice of creating separate legal entities provides ring-fencing between the legal units, such that the malpractice or market problems of one unit do not affect the other members. Functionally, this allows the firm to protect itself and its clients as their relationship with one unit does not fall within the jurisdiction of regulators of other countries (Palan et al., 2021). To put this more concretely, the Big 4 firm in Australia can help a client access tax planning services that involve

that Big 4 firm in the Bahamas. If pressed by regulators, the Big 4 firm in Australia can credibly claim that it is not responsible for the activities of the Big 4 firm in the Bahamas. This allows the Big 4 firm to maintain client confidentiality while also claiming adherence to transparency and accountability norms within particular jurisdictions. Thereby, the legal unit, such as a corporation or partnership, exists legally only at local levels, while the “firm” is able to organize multi-jurisdictionally (Robé, 2020). This enables global firms to present differently across audiences, being flexible between their local and global levels as well as across different local units.

Being able to project two different things at once is a source of power. Figure 1 illustrates an organization differentiating signals to clients and regulators. The thick lines are organizational partitions. The dotted lines are the various signals about the identity of the organization. Internally, different identities and logics may coexist. However, they are strategically projected to different audiences. On the left-hand side, clients receive one signal. They are unable to view the right-hand side, where regulators receive a different signal—and vice versa. The thick partition lines disconnect potential audiences from each other, enabling them to observe different versions of reality. Through geographic scope, firms can exploit how the institutional and legal expectations may be substantially different. A diversified geography is therefore key to navigating conflicting stakeholder demands. By setting up legal structures that guarantee separation across jurisdictional boundaries, firms can further avoid regulatory interventions. The partitioning lines may provide strict separations but may also be symbolic, meaning that the stakeholders may be able to partially breach the partitioning with effort. Secrets may be symbolic: their confidentiality does not necessarily serve a purpose other than signaling (Costas & Grey, 2014). Actual operations or organizational facts may therefore not be completely hidden and confidential but rather may be symbolically projected depending on the context.

The Big 4 are a special case in terms of the ability of global firms to set up organizational partitions, with membership structures in which local member firms form a global network (Cooper et al., 1998). This has led to debate on whether they are predominantly global or local firms (Belal et al., 2017; Elemen et al., 2021; Knechel et al., 2013). To staff, their employment is tied to local member firms (Annissette & Trivedi, 2013). Legally, they essentially exist only at the local level (Knechel et al., 2013), exploiting legal affordances offered by particular jurisdictions and their professional communities (Grasten et al., 2023; Stausholm, 2022). Their shared communication and the existence of global heads of different service lines show their ability to

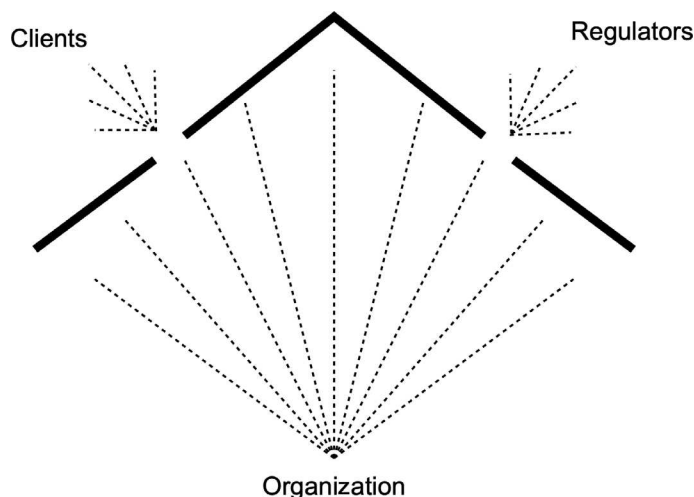


FIGURE 1 Organizational partitioning for strategic duplicity.

act as global entities, too, and to uphold global standards (Kohler et al., 2021). This duality between local and global, combining a unified structure with operational divisions, provides organizational flexibility, which enables strategic duplicity.

3 | METHODS

3.1 | Research design

Our theoretical framework outlines how organizations can be perceived as different things simultaneously. When global firms are navigating conflicting constituencies, they can send different signals if they have sufficient organizational partitions to keep audiences and signals separate. To investigate this phenomenon, we built a data set on the legal and geographic partitions of the Big 4. This allows us to test how they use selective reporting across units as a strategic signal between jurisdictions. Our case selection aligns with our research purpose and is informed by the need for a revelatory single case study (the Big 4 as a case and the four firms within it as units) (Yin, 2009). The aim is to test whether the Big 4 use organizational partitioning for strategic duplicity—specifically, whether we can see contradictory signaling of transparency across separate units.

To explore the case, we systematically collected different materials from the Big 4, including their web pages, publications, and social media across countries to identify the different signals they provide in terms of scope, structure, and transparency. We use these data to measure the varied signaling that the Big 4 project across jurisdictions. We do so by measuring the access to information across jurisdictions, measuring how transparency varies. We then correlate this with measures of offshore finance, using data from the Financial Secrecy Index (FSI) (Cobham et al., 2015).

The data were collected in 2017. The timing of the collection means that data were collected prior to the larger reforms in international accounting and taxation, such as the OECD's Base Erosion and Profit Shifting (BEPS) Project, which garnered significant increases in potential tasks and workload for the Big 4, particularly in OECD countries. The data therefore represent a time in which the Big 4 were contributing to aggressive tax avoidance while fulfilling their professional obligations as accountants, but before tax avoidance was more forcefully regulated internationally.

We use a mixed method research design, relying on qualitative and quantitative coding of web pages and public documents from the Big 4 firms. We investigate the legal structure of the Big 4 using a case study of KPMG, in which we apply qualitative coding of all local web pages of the firm as well as transparency reports and public documents. To provide a map of professional geographical distribution, we conduct a quantitative coding of all Big 4 local web pages and social media (see also Stausholm & Garcia-Bernardo, 2024). We investigate the geographical patterns of transparency through meta-coding of these findings and correlating these patterns with the FSI. In the following section, we provide more details on the data collection methods and on the challenges of studying the Big 4 from the perspective of different audiences.

3.2 | Data collection

3.2.1 | Legal structure

We explore the legal structure of Big 4 firms using a case study of KPMG. Collecting documents on legal structure was not straightforward. Not all countries provided “transparency reports,” and global reports include little detail. We systematically reviewed all KPMG web

pages, specifically the local home page for each country where KPMG is present. For each country, we recorded the local legal entity and its ownership relationships. We supplemented these data with data from company registers, such as UK Companies House and Bloomberg. Using this approach, we identified the legal entity in 106 countries but were unable to locate a legal entity for 55 other countries.

3.2.2 | Geography

The Big 4 do not provide easily accessible directories for their personnel but rather direct personnel inquiries to country offices from each firm's global web page. To assess the global coverage of the Big 4, we began by confirming their presence in each jurisdiction according to their officially disclosed lists of office locations. We then counted the number of offices per country to estimate the geographical spread within countries. This required some hand-coding but was otherwise straightforward as local contact information for each office was publicly available.

The number of offices that a firm maintains in a location is one indicator of the scale of its operations, but it may not be an adequate one since an office could employ only a few people or it could be a large-scale operation employing many people. Our findings showed that some offices of Big 4 firms employ fewer than 10 staff while others employ thousands. Thus, the scale of operations within each country is more accurately ascertained through the number of staff than the number of offices.

Our process for data collection was to record the number of staff in each office, firm by firm and country by country. In many cases, the local web page of a Big 4 firm provided information on the number of staff. When these data were not available from the local web page, we reviewed the firm's transparency reports, sustainability reports, annual reports, or published recruitment materials. If these sources did not provide the required data, then we checked the text description on the local firm's LinkedIn page. These combined sources are considered primary data sources.

In countries where staff information was difficult to find, we turned to a number of alternative (secondary) sources, including newspaper articles, descriptions from employer awards, job listings, Facebook company pages, and even the personal résumés of human resources officials. Reviewing these sources was time intensive but ultimately allowed us to identify 82%–95% of staff. If reliable secondary sources could not be found, but the firm was present on LinkedIn, we used the range in employee numbers provided on the firm's LinkedIn page to approximate firm size, using the midpoint of the range provided. For example, if the LinkedIn page for the firm listed between 51 and 200 employees, we recorded the firm as having 125 staff. These data were inevitably approximate in some cases.

Using these combined sources, we identified the location and number of staff for, on average, 91% of total global staff. At the country level, we collected data on staff numbers for 93 countries for Deloitte, 88 countries for EY, 104 countries for KPMG, and 102 countries for PwC, although we were unable to identify staff numbers for offices in all countries. However, given the similarity of the firms, long noted by scholars of isomorphism (Addison & Mueller, 2015; DiMaggio & Powell, 1983), we used the similarity of the firms to impute the missing data. For the locations where we had data for all four firms, we examined whether the number of staff per office was similar across the firms. Table 1 shows that the number of offices within countries was highly correlated across firms; similarly, the number of staff within countries was highly correlated across firms.

We were satisfied that the correlations for office numbers and staff numbers across the firms were high enough to use the similarity for imputation. Missing data for the number of staff in a

location were imputed where there were sufficient data on firm presence and office numbers and on the number of staff employed by the other firms in the location, using the following formula:

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

The global size of the firm is the relative size of the firm's global staff number relative to the average (of the four firms); average local office size is based on the number of staff per office for the firms for which we had collected data; and the number of offices is the number of offices for the firm in that country. *B* indicates the average of the Big 4 firms; *i* indicates the individual firm, and *c* indicates the country. The imputed staff number is therefore based on the size of the firms in the countries where data are available, corrected for differences between firm size and number of offices. This imputation method increased the number of locations for which staff numbers could be estimated to 82% of jurisdictions, representing 97% of employees.

Given the reported total staff numbers in global transparency reports, we can calculate the proportion of total staff identified through our coding of different sources. Figure 2 shows the total proportion of staff found relative to the total number of staff. Note that for Deloitte, we found slightly more staff than the total number they declared. We attribute this difference to the uncertainties introduced from the secondary data, particularly the LinkedIn mean.

TABLE 1 Correlations between firms.

	Office correlation				Staff correlation			
	Deloitte	EY	KPMG	PwC	Deloitte	EY	KPMG	PwC
Deloitte	1.00				1.00			
EY	0.89	1.00			0.82	1.00		
KPMG	0.92	0.95	1.00		0.81	0.94	1.00	
PwC	0.77	0.90	0.92	1.00	0.78	0.88	0.92	1.00

Note: This table shows the correlations between firms for office and staff numbers.

Source: The authors' compilation of web pages and transparency reports in 2017.

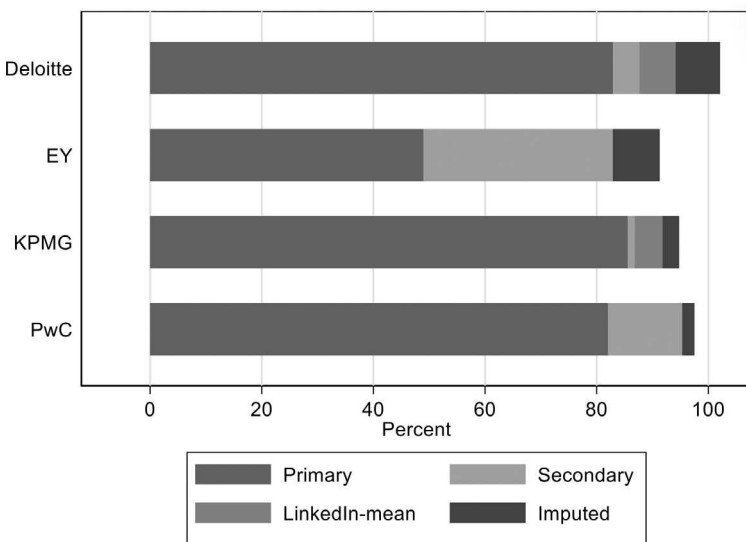


FIGURE 2 Identified staff numbers. *Source:* The authors' compilation of web pages and transparency reports in 2017.

3.3 | Data analysis

Using the collection method described above, we compiled a data set consisting of the staff and office numbers for all Big 4 firms globally and of the legal structure for KPMG. We analyzed KPMG's legal structure by reviewing each location and noting the apparent ownership relationship for each unit. We present these results using quotes and by outlining general patterns, and we note instances that lacked clarity. We also present quotes on the relationship between local and global units, and we contrast the quotes related to the legal dimension with quotes directed toward clients found on the web pages. We then analyze the geography of the Big 4 and present descriptive statistics and maps. Mapping the magnitude of staff rather than office presence alone better indicates the activity levels of the Big 4, revealing whether their presence is merely as a storefront or if significant work is happening on behalf of clients. Using the data from the geography and legal structure, we perform a meta-analysis of how challenging the data collection process was. We use this analysis to generate a score of opacity and correlate it with an index of financial secrecy. The goal of this analysis was to determine whether a pattern exists between organizational transparency and jurisdictional secrecy associated with aggressive tax planning.

In the following three sections, we present the findings as follows: first on the legal structure of KPMG, then on the geography of the Big 4, and lastly on transparency arbitrage across these partitions.

4 | LEGAL SEPARATION AS ORGANIZATIONAL PARTITIONING

It is already widely established how firms use legal structures to differentiate the claims from different stakeholders (Robé, 2011). We show how the legal structure of the Big 4 is created to enable unity in practice but separateness in liability. While a global unit handles unified service agreements and brand licensing, the membership structure provides several layers of separation within the system, such that regulatory claims are isolated to single legal units.

While the structure of separate legal entities serves as an advantage to the Big 4 firms' business models, it should be made clear that this purpose is not the intention behind its invention or design. Indeed, this structure predates the provision of tax services, which occurred relatively recently (Suddaby et al., 2007), and is grounded in local regulations, as stated on the PwC web page: "In many parts of the world, accounting firms are required by law to be locally owned and independent. The PwC network is not a global partnership, a single firm, or a multinational corporation" (PwC, 2024). Being organized as separate legal entities in different jurisdictions is also not unique to the Big 4, as many multinational enterprises also follow a similar structure. While there may be several factors behind the choice of structure of dispersed ownership, this model enables the firms limited regulatory and legal liability as well as ring-fences client activity from enquiry, all of which are helpful devices that ensure firms avoid scrutiny into their tax services to corporate clients.

Though all four firms are similarly structured, we provide an in-depth case study of KPMG's international legal structure. Each firm has a central organizing body that controls its intellectual property, licenses members of the network, and enforces common standards. Three of the Big 4 firms locate the company responsible for this activity in London. These companies are Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee that regulates the Deloitte network; PricewaterhouseCoopers International Limited, a UK private company limited by guarantee for PwC; and Ernst & Young Global Limited, a UK company for EY. KPMG uses a different but similar structure; it has coordinating entities, such as KPMG International Cooperative operating from the Swiss Canton of Zug (Swiss Official Gazette of Commerce, n.d.) and Amsterdam (OpenCorporates, 2021). The global KPMG website states that:

KPMG member firms do not, and cannot, operate as a corporate multinational. . . . Member firms in the KPMG organization are members in, or have other legal connections to, KPMG International, an English private company limited by guarantee. KPMG International acts as the coordinating entity for the overall benefit of the KPMG member firms but does not provide professional services to clients. . . . Our structure is designed to support consistency of service quality and adherence to agreed values wherever in the world KPMG member firms operate. KPMG member firms commit to conduct their operations in compliance with a common set of values, standards and service quality expectations. (KPMG, n.d.)

The implication is clear: there is a unity within this structure, and yet at the same time, there is a considerable degree of separation within the firm. That this separation may not be as stark as the legal wording implies is suggested by the job titles of those working for the global operation, such as “Global Head of Audit” and “Global Head of Advisory.” This suggests a degree of coordination in such activities that is contrary to the impression of a diversely controlled firm.

KPMG is structured as if it is made up of individual member firms, and yet each of these has to operate to common standards. There are also common financial interests: KPMG firms, for example, share a common captive professional indemnity insurance operation. Recent research finds evidence of tax-motivated profit shifting within the networks (Blaylock et al., 2024; Elemes et al., 2021), which requires a high degree of financial coordination between the units. In these respects, therefore, the Big 4 emphasize unity while also emphasizing the individuality of member firms when it comes to “responsibility” and “quality of work.”

As for the individual units, these are furthermore structured in hierarchical ways. The *KPMG in Thailand* transparency report for 2021 notes the KPMG governance structure:

The key governance and management bodies of KPMG International are the Global Council, the Global Board, and the Global Management Team. . . . The Global Council elects the Global Chairman and also approves the appointment of Global Board members. It includes representation from 61 KPMG firms that are “members” of KPMG International as a matter of Swiss law. . . . The key responsibilities of the Global Board include approving global strategy, protecting and enhancing the KPMG brand and reputation, overseeing the Global Management Team and approving policies with which KPMG firms are required to comply. (KPMG, 2021, p. 60)

This reference to there being 61 core members makes clear that there are tiers of membership within the KPMG structure—though the practice of correspondent firms has been noted in previous case studies (Belal et al., 2017). It also suggests that KPMG’s operations in many countries may be under sub-license from other jurisdictions, although which operations have which status is not clear. As KPMG LLP’s UK regulatory filings suggest, the maintenance of a local operation means that regulatory obligations can be geographically curtailed. The firm is only registered to provide services in the United Kingdom, Jersey, Guernsey, the Isle of Man, Japan, and the United States. There are also a number of regional (rather than local) firms. KPMG East Africa, which is incorporated in Mauritius, operates a number of KPMG offices. The offices in a group of mainly Dutch Caribbean locations also appear to be under common control. The small KPMG office in the British Virgin Islands appears to control the KPMG office in Saint Lucia. Whether the offices of KPMG in the Channel Islands are one or two firms is not clear. The operation of some of the KPMG offices in the Balkans is undertaken by local companies, but these are then subsidiaries of a company called KPMG CEE Limited, a company incorporated in Cyprus. None of these structures appear to replicate each other, meaning there is wide diversity at the local level.

Having a global brand and global service model, while maintaining the legal separation that means the firm is liable only to regulation locally, is a key advantage of the Big 4 business models. The firms can thereby guarantee that clients can get services from anywhere, while ensuring that their employees only have to live up to the laws and professional practices of their local jurisdiction. Clients of the Big 4 are presented with global services at the local branch, as this quote from Deloitte's web page in 2017 illustrates:

The flexible service delivery model of Deloitte member firms helps enable clients to choose a level of support that is right for them. Services can be provided using a local approach, a global or regionally coordinated approach, or a centralized approach to help increase efficiency and control over tax activities.

Clients benefit from the global reach of the worldwide network of Deloitte member firms, while retaining access to local tax knowledge when and where they need it. This means strong relationships with revenue authorities, an informed perspective on regulatory changes, and a tax provider with a deep understanding of their issues and the environments in which they operate. (Deloitte, 2017)

This quote underlines how clients are explicitly marketed the idea that wherever they become clients, they will have access to professionals from any other location. A similar example from the PwC web page, also from 2017, boasts of "access to global expertise: ensures clients receive the full benefit of PwC's global expertise and access to bespoke teams" (PwC, 2017a).

To regulators, however, the contrast is stark, with a strong separation and avoidance of commitments across borders. All four firms operate with the same model of ownership with member firms as separate legal and independent entities. The web pages outlining these governance models establish this fact and underline the implications for liability, further corroborated by this quote from Deloitte indicating how member firms "are liable only for their own acts and omissions, and not those of each other" (Deloitte, 2021). EY underlines how the global and regional entities and member firms do not have "any authority to represent or bind" each other, or vice versa (EY, n.d.-b). The legal partitioning means that while clients are offered the full scale of global services, regulators will only ever experience the Big 4 as being local. This limits their power to regulate the advice given to domestic taxpayers/tax-avoiding firms, which is key to decreasing the impact of national regulation on the Big 4 (Malsch & Gendron, 2011).

The mitigation of risk to the global network from individual unit distress is the simplest benefit of the structure that the Big 4 share with certain other multinational enterprises. Their structuring allows individual member firms to be ejected from membership of the overall organization in the event of catastrophic failure. The lessons of Arthur Andersen's failure after its audit of Enron may have been noted, as it was a more integrated form than the others at that time and in the public eye became "associated with imageries of the villain and fraudster" (Gendron & Spira, 2010, p. 279). If a local unit is perceived to risk the reputation of the global firm, it is important to be able to "cut loose" this part of the operation. Recent history shows, for example, how EY's partners from outside Germany feared integrating with the German arm of EY, worrying about repercussions from the Wirecard scandal (Stolowy et al., 2022), and how the Russian arms of the Big 4 were excluded from the firms' networks following the invasion of Ukraine. This flexibility in the loosely coupled legal arrangements is a key structural underpinning of the Big 4, protecting the global organization from local problems.

A further advantage of the structure comes from the ability to protect clients from scrutiny across jurisdictions. This is key to providing aggressive tax planning services and being able to offer these services as global, seamless solutions to clients. By transferring clients to a separate firm in a separate jurisdiction, the client can feel more confident that the authorities of their

home jurisdiction cannot compel testimony about tax avoidance practices from their advisors. This is underlined on Deloitte’s web page, which states that all member firms and the global firm are “legally separate and independent entities, which cannot obligate or bind each other in respect of third parties” (Deloitte, 2021). The structure allows each member firm to argue that it has liability only to its own clients and to its own regulators, preventing the disclosure of client-related documentation to regulators outside its own jurisdiction, whether for tax or other purposes. As a result, the maintenance of client confidentiality in the face of regulatory investigation is much easier to secure.

5 | GEOGRAPHICAL SCOPE AND OFFSHORE PRESENCE

The Big 4 have significant global scope, with almost a million staff worldwide. Table 2 outlines the global size of the Big 4 in 2017. Locating the number of staff in GPSFs, and how “transnational” they are, is a topic of considerable interest in recent years (Boussebaa, 2009; Spence et al., 2015, 2018). This concern comes from a desire to understand professionalization trends as well as career and social mobility trends (Duff, 2017).

We are interested in understanding the magnitude and heterogeneity in local presence of the Big 4, particularly the extent of their operations in so-called “offshore” jurisdictions: places where the local market is relatively small but where the legal and tax environment is permissible to certain arbitrage mechanisms that enable tax minimization for wealthy individuals or corporate clients from across the globe. It is well known from various data leaks and scandals that the Big 4 firms have all been involved in marketing and innovating such “offshore” tax planning mechanisms (Addison & Mueller, 2015; Christensen & Seabrooke, 2022; Sikka, 2015). Table 3 illustrates the sources of income for the Big 4 in 2017. Tax services make up about a quarter of their total revenues, represent a significant portion of their activity, and are one of their core service lines.

We map the Big 4 firms’ presence and staff numbers using data collected from their web pages and other sources (see Section 3). We suggest that the size of local staff presence is a function of either the size of the local market or a reflection of the importance for the jurisdiction in serving international clients in that jurisdiction, which includes both staff to service the actual clients but also to gather local knowledge and ensure good relationships with tax authorities. We find that the Big 4 are physically present across the globe and are over-represented in markets that hold strategic importance for tax purposes.

The Big 4 are present in an overwhelming majority of countries. We include these data in full in the Appendix, as we believe this mapping to be relevant to studies of the Big 4 and GPSFs more widely. Figure 3 presents the staff map, which shows that the Big 4 have significant widespread presence that enables them to serve many local markets. They have local offices and staff in over 150 jurisdictions, with larger staff presence typically in larger markets. One aspect is, of course, their ability to provide services in all markets that they work as “globally coordinated tax professionals [that] offer connected services across all tax disciplines to help you thrive in an era of rapid change” (EY, n.d.-c). Their ability to serve local clients everywhere

TABLE 2 Global headcount.

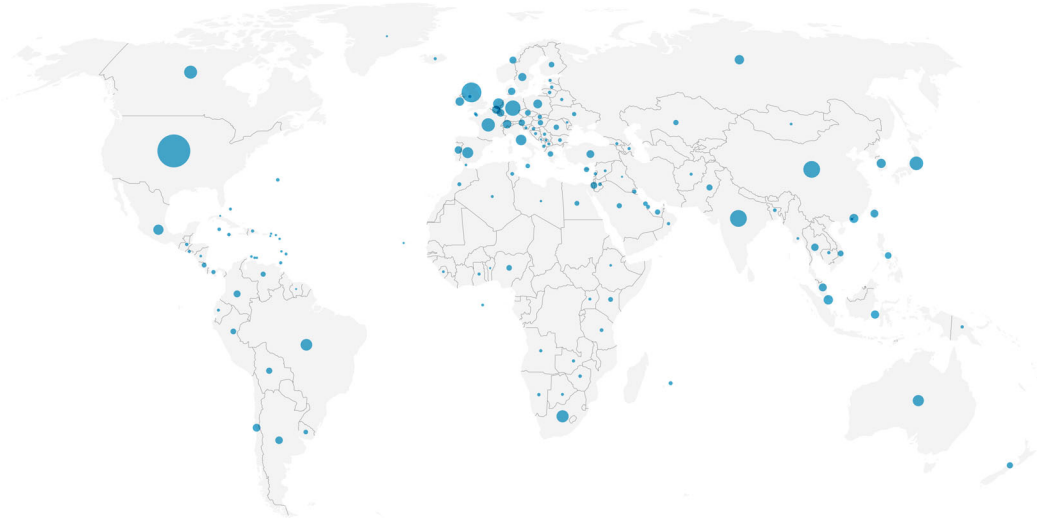
	Deloitte	PwC	KPMG	EY
Global headcount	244,445	223,468	188,982	230,800
Partners	11,122	10,830	9,843	Not known
Professionals	193,199	177,182	147,028	189,111
Administrative staff	40,124	35,456	32,111	41,689

Source: The authors’ compilation of web pages and transparency reports in 2017.

TABLE 3 Service lines.

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

Source: The authors' compilation of web pages and transparency reports in 2017.

**FIGURE 3** Staff size. Source: The authors' compilation of web pages and transparency reports in 2017.

is not, we suggest, the most important part of their widespread presence. Rather, it is the ability to collect local knowledge for all jurisdictions in ways that enrich the entire global network with knowledge of potential tax mechanisms in those systems and to provide services across jurisdictions, including “offshore,” meaning to nonresidents.

The Big 4 have staff in the markets where they need to be present to gather local expertise or serve international clients. These factors are important everywhere, but perhaps the second factor is more important in very small countries with a limited number of (local) clients but which provide jurisdictional advantages in terms of favorable tax regimes. Big 4 staff numbers relative to population in countries with lower taxation far exceed their relative size in higher-tax countries. Figure 4 maps staff numbers relative to local population, showing that the places with the most employees relative to the local population are the Cayman Islands, Luxembourg, Bermuda, Bonaire, Gibraltar, and the Channel Islands. When we look at the number of staff relative to gross domestic product (GDP)—which is likely a better measure for the local market—the top jurisdictions are Malta, Cyprus, Luxembourg, Bolivia, Antigua and Barbuda, Mauritius, Saint Lucia, and Barbados. Most, though not all, of these jurisdictions are known for providing tax regimes with favorable conditions such as high secrecy, low taxes, and ease of incorporation. The overrepresentation of Big 4 staff here suggests that they are serving nonresident clients.

We locate the staff numbers as a test of whether an office is merely a legal entity or whether there is substantial activity associated with the firm and is accessible to clients. The staff

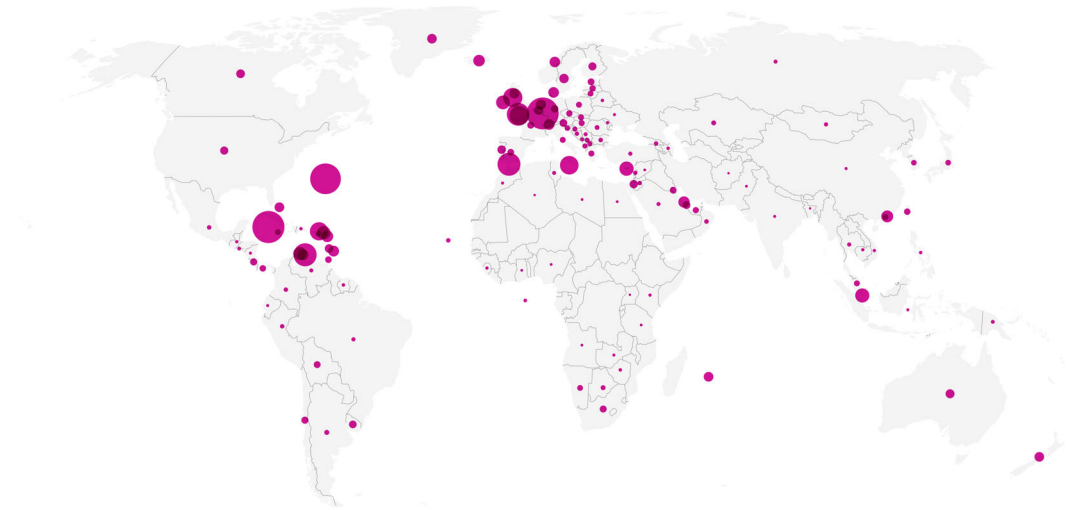


FIGURE 4 Staff numbers relative to population. *Source:* The authors' compilation of web pages and transparency reports in 2017.

numbers show that there is substantial work being done locally—their local presence is not just a storefront. Being immersed in local practices and cultures with clients and authorities is necessary to gain timely knowledge about the tax developments within all jurisdictions. Elbra et al. (2020) show how the Big 4 have close relationships with authorities because they provide advice on tax system design. This close relationship of consulting with governments provides them with insight into legislative developments. The relationship to authorities is crucial in acquiring knowledge that anticipates changes in the tax landscape. As PwC boasts, “We also have the latest information on both current and upcoming legislative developments affecting inter-company loans globally, as well as boots-on-the-ground knowledge of local tax authorities’ evolving attitudes towards transfer pricing of financial transactions” (PwC, 2017b). Such knowledge can come only through what firms themselves term as “boots on the ground,” the importance of local presence. When problems occur, there is recourse to the global force: “Where a controversy has already occurred, our professionals leverage the network’s collective knowledge of how tax authorities operate, and increasingly work together, to help resolve difficult or sensitive tax disputes” (EY, n.d.-a). While the individuals who work in Big 4 firms are skilled professionals in their own right, the knowledge and expertise which underpins their dominating position is not a sum of the individual parts. Rather, it is the networked ability to share information and innovate across disciplines and jurisdictional boundaries to find the best method of legal and accounting techniques with which to serve their clients. This expertise is cultivated at the local level through presence and particularly through working intimately with clients and regulators in all jurisdictions. As such, they act as a knowledge management organization, akin to Pistor’s (2019) finding for law firms.

The knowledge acquired by local teams is not only used locally for the benefit of local clients but also actively shared within each firm through networks and knowledge brokers within the firm (Kohler et al., 2021). Through setting up formal or informal knowledge-sharing mechanisms on tax, for example through “virtual hubs” (Ferron, 2020), the firms are able to draw upon these insights across the globe (cf. Boussebaa et al., 2012). EY emphasize an “international assignment program,” which combines local knowledge and global insight:

Senior tax professionals, working on rotation in major business centers around the globe, gain a clear understanding of the subtleties of a range of tax issues, of the complexities of how tax systems interface with one another—and of different

business cultures. They use this knowledge to our clients' advantage to discuss the tax implications of an issue or to provide the latest developments and insights. (EY, 2019)

EY goes on to state that it has the “world’s most globally-coordinated tax practices, with a network of 28,000 professionals in more than 120 countries dedicated to setting the standard for exceptional client service” and emphasizes its “centralized and coordinated services” (EY, 2019).

On their web pages, most Big 4 firms describe the relationship between local and global to be “seamless,” indicating that clients do not need to navigate different work cultures: “As part of an integrated and extensive global network, our teams work seamlessly together from offices around the world, responding quickly to your global and local needs” (EY, n.d.-d). Across all four firms, there is a clear thread of marketing to clients indicating that while work cultures may differ locally, the Big 4 act as global, singular firms in their relationships with clients, engaging in cross-national “networks of interpretation” in their approach to clients (Kohler et al., 2021). The fact that standardized practices in the Big 4 firms’ work are filtered through local cultures and contexts in ways that limit global uniformity does not necessarily undermine their global commercial identity (Belal et al., 2017). Rather, it enables local Big 4 chapters to create local relationships with authorities and clients that enriches their network-based knowledge to scan for potential regulatory changes (Christensen & Seabrooke, 2022).

6 | TRANSPARENCY ARBITRAGE

In our investigation into the geography of the Big 4, identifying the number of staff was extremely difficult for a number of locations and even impossible for some. This turned our attention to the pattern in the difference between how seemingly nontransparent some member firms were versus how transparent other member firms were. We suggest that the level of transparency on staff numbers is not random. The jurisdictions where data were lacking for any of the four firms include Andorra, Brunei, Cook Islands, Liberia, Liechtenstein, Monaco, Saint Vincent and the Grenadines, the Seychelles, and Turks and Caicos Islands. We note that these jurisdictions are known as offshore financial centers with high levels of financial secrecy, which have been used for purposes related to tax avoidance, tax evasion, and money laundering (Cobham et al., 2015; Garcia-Bernardo et al., 2017).

We test whether the duplicity corresponds to measures of offshore finance. To compare the transparency of member firms across countries, we generate an “opacity score.” If staff numbers were available from official firm documents, we assign the firm an opacity score of 0. If staff numbers were not available from firm documents but were found in secondary sources, we assign the firm an opacity score of 0.5. If no secondary sources were found and we used the LinkedIn midrange value for staff numbers, we assign the firm an opacity score of 0.75. If no information on staff numbers was found in any source, we assign the firm an opacity score of 1. While the Big 4 firms differ slightly, their mean opacity scores are very close, ranging from 0.43 to 0.54. Finally, we take the average opacity score of the four firms for each country and generate an opacity score at the country level.

To test whether the legal institutions within countries can explain the pattern in where the Big 4 appear as transparent or secretive, we use the FSI. This index rates countries on 15 indicators of the legal system with respect to financial secrecy, such as banking secrecy, beneficial ownership transparency, and tax system efficiency (Cobham et al., 2015). We use the secrecy score from the FSI, which is based on the legal system, and we disregard the “global scale weight,” which is used elsewhere to rank countries in terms of their importance as “secrecy

jurisdictions.” Figure 5 shows the relationship between the opacity of the Big 4 and the level of financial secrecy within legal frameworks. As can be seen from the figure, the opacity of the firms is positively correlated with the financial secrecy of the country.

Transparency in ownership structures also varies by location. In 55 locations with KPMG offices, the office’s website does not state what entity is representing KPMG in the jurisdiction. In jurisdictions where the website does not identify a local operating company, there is invariably a reference to the website being operated by KPMG International. The locations in question represent 91 offices (12.3% of the total) but just 4.8% of identified staff. It should be noted that there is a much higher incidence of being unable to identify staff working in these locations than in those in which ownership can be determined.

It is worth noting that opacity does not depend on geography alone but also on audience. Among the secondary sources, we found recruitment materials to be helpful. In many cases, the firms would be nontransparent about their local staff numbers to the general public and clients, but more forthcoming to potential employees who may be interested in employment. In one case, an online recruitment video for PwC Bermuda shows the local atmosphere with video of sailing and golfing, while the CEO provides company information, including stating that their office employs “over 200 people.” This value had not been disclosed elsewhere. Thus, the recruitment materials show that the employee numbers are not secret but that the client-facing material is designed to project discretion in those jurisdictions.

We link the practice of contingent secrecy to strategic duplicity and conceptualize it as “transparency arbitrage,” noting how the Big 4 strategically send mixed signals across markets. The strategic use of different levels of disclosure about their operations is a form of arbitrage as it leverages differences between systems. We note that this type of arbitrage is different from, for example, tax arbitrage because it relates to signals rather than actual secrecy. Organizational secrecy literature suggests that secrecy can be symbolic, with secrets kept as a signal because it serves a purpose, rather than used to keep the information confidential (Costas & Grey, 2014). We posit that employee numbers are one such “secret,” whereby there would be no

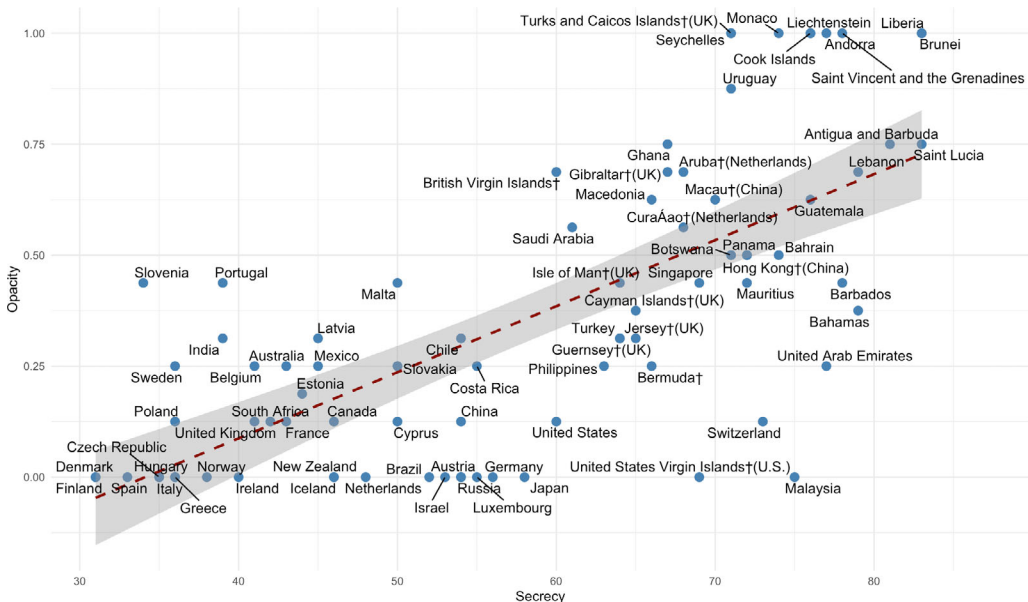


FIGURE 5 Contingent transparency. This figure shows calculations of opacity based on the authors’ compilation of web pages and transparency reports in 2017. The secrecy score is from Cobham et al. (2015).

consequence if employee numbers were “exposed”—and indeed, we were often able to find these numbers in alternative materials that were not client-oriented. The transparency of other jurisdictions can be seen to be similarly symbolic. Their (lack of) transparency is therefore not about hiding actual operations or organizational facts but rather is symbolic: it is about projecting to clients that they fit into a world of discretion just as well as they fit into a world of transparency, depending on context. Such transparency arbitrage is motivated by strategic duplicity, in which the Big 4 communicate and project one identity to some clients and another identity to others depending on context. Here, they are strategically duplicitous in providing an image of transparency to “onshore” clients and regulators while providing an image of discretion in “offshore” jurisdictions. Given that the secrecy of staff numbers is so easily breached, we do not see staff numbers or other organizational facts as the signal itself. It is not the opacity or transparency that hides or reveals the nature of the work of the Big 4. Rather, transparency itself is the signal.

It is of course not surprising that levels of transparency vary somewhat by jurisdiction, given different demands from regulators and the institutional environment (Girdhar & Jeppesen, 2018). We find that Big 4 member firms in some jurisdictions work to appear very transparent by publishing reports and writing at length about their local firms on their web pages, beyond what would be strictly required. The Big 4 are therefore able to appear transparent to clients and regulators in some markets, while clients interested in the firms’ work in jurisdictions known for financial secrecy may be reassured by the level of discretion apparent there.

The projection of transparency or discretion through the publication of staff numbers is, of course, largely symbolic but serves as an example of the segmented virtue signaling across jurisdictions. The importance of jurisdictional differentiation is, of course, much larger when it comes to protecting the confidentiality of clients and their operations. However, symbolic transparency, such as acknowledging staff numbers and ownership ties, is an important signal, especially in relation to offshore jurisdictions associated with aggressive tax planning, as transparency has been the key measure suggested to address this area.

7 | DISCUSSION

Our central argument in this article is that firms are able to manage conflicting constituencies by separating them alongside organizational partitions, which enables them to send separate signals as strategic duplicity. The two central tenets of organizational partitioning are legal and geographical structures, which reinforce each other in keeping the social-organizational unit and the legal unit of a firm separate—with national regulators confined to local units, and clients able to draw upon firm resources globally.

We focus our article on the salient case of the Big 4 and their involvement in providing advice for aggressive tax planning, placing them at odds with their traditional professional obligations. Given the importance of GPSFs to contemporary capitalism, including in both the public and private sectors, developing investigative cases on how the Big 4 operate is important. We suggest these firms use organizational partitions to send strategically different signals and make accountability for their actions difficult to establish.

The Big 4 have immense resources at their disposal, which raises concerns over their power, for example, being described as a “David versus Goliath” battle when tax authorities are trying to match them (Addison & Mueller, 2015). Their global scope means that they are almost impossible to regulate from the standpoint of authorities tied to jurisdictional borders (Malsch & Gendron, 2011). When challenged within jurisdictions, they justify their practices with reference to their expansive expertise (Suddaby & Greenwood, 2005) or to rhetorical framings in line with neoliberal ideas of free market competition (Addison & Mueller, 2015). Our research provides insight into how this powerful position is attained and upheld through the

axes of international legal protections coupled with global scope, which limit liabilities but increase market potential for clients.

We have provided evidence of strategic duplicity in how the Big 4 signal to different stakeholders, specifically signaling transparency in some jurisdictions while signaling discretion in other contexts. Another example of strategic duplicity is the reference made by firms to speak for the “national interest” (Anesa et al., 2019) while simultaneously cross-selling advice to other clients holding other interests. Further research could uncover how the Big 4 engage in other forms of arbitrage that combines strategic duplicity with organizational partitioning.

Our framework could also be extended to other global firms. Notably, recent geopolitical shifts have underscored how global firms increasingly face contradictory demands on highly politicized issues. For example, diversity, equity, and inclusion strategies have come under political attack in parts of the United States, even as they remain required elsewhere. Similarly, the anti-environmental, social, and governance (ESG) policies of the second Trump administration are having an impact on how green finance is being organized and on what materialities—financial or environmental—count in the United States versus in Europe (Golka, 2024). The initial response from large asset managers, like BlackRock, appears to be pro-ESG in Europe while anti-ESG in the United States. While some firms may choose to align with one political stance or another based on commercial interests or values, others may adopt a strategy of strategic duplicity, projecting different commitments to different audiences. Future research could look into what organizational partitions exist for different types of global firms and what types of strategic duplicity firms engage in depending on their contexts. Their success may depend less on coherence and more on the firm’s internal capacity to manage and perform different signals through its structural configuration.

Serving clients with opposing interests provides the Big 4 with not only a large market but also a broad enough scope to strengthen their expertise. These benefits can only accrue if the Big 4 are able to segment their audience to reduce tensions and questions over how they maintain client confidentiality and offer transparency at the same time. For the Big 4, strategic duplicity is most sustainable when they can uphold organizational partitioning, such as legal separation across jurisdictions. Within single jurisdictions such partitions are harder to uphold, challenging the ability of the Big 4 to continuously serve both tax authorities and private clients interested in tax minimization. Recent scandals show what happens when strategic duplicity collapses: KPMG UK has been caught actively marketing to clients how it could help them take advantage of tax rules that it had helped UK authorities design (Mazzucato & Collington, 2023). Similarly, PwC Australia has recently been caught sharing proprietary information gathered when consulting with the government about its tax-minimizing side of the business (O’Dwyer et al., 2023). As soon as conflicts are exposed, the firms—particularly in the Australian case—are fundamentally challenged on their business model. In the Australian case, executives from PwC Global worked to ensure local containment of the scandal, illustrating how the legal differentiation into separate units is relied upon as a strategy (Anesa et al., 2019; Sturdy et al., 2024).

Our mapping shows that the Big 4 share *similar* legal structures and staff geographies. This begs the question not only of the causes for this isomorphism but also of how they might reinforce each other in upholding both the organizational partitions that make strategic duplicity, such as transparency arbitrage, actionable. Humphrey et al. (2009) found that the Big 4 coordinate their political and lobbying efforts. Given that the Big 4 almost exclusively audit most larger multinational corporations, they can rely on other Big 4 firms to audit transactions in a jurisdiction. The importance of this trust between the Big 4 in auditing transactions, particularly when such transactions include tax planning, is a subject worthy of further study.

We have built our research on the understanding of a rather crude split between so-called offshore and onshore tax planning services, operationalized with a scale of financial secrecy. There are reasons to think about this binary as too simplified and tax planning as something

that can happen in all jurisdictions (Seabrooke & Stausholm, 2023). It would be interesting to study signaling across jurisdictions using a more nuanced distinction between them, which may reveal multiplicities in signaling. One could potentially differentiate between jurisdictions that offer “sink” functions for aggressive tax planning versus those that offer “conduit” services (e.g., The Netherlands vs. Luxembourg, see Garcia-Bernardo et al., 2017). Research could also extend beyond tax practices to other potentially controversial service lines, examining how stakeholders are segmented in those cases.

Recent reforms, such as the OECD’s BEPS Project, have brought about changes to the market and practices surrounding the Big 4 firms’ tax services (Christensen & Seabrooke, 2022). At the same time, the Big 4 are delving into new service lines, with increased attention to sustainability consulting, ESG reporting, technology, and artificial intelligence. These emerging service areas may provide new contexts for how the Big 4 orient themselves and what signals are more important for them to send. Firms might also shift the geographical gravitation away from offshore if these jurisdictions either become effectively regulated or pose significant reputational risks for both clients and consultants. Future research could update the staff data to examine how these changes in the political economy context have changed the geographical dispersion of Big 4 activities.

While others have considered the ambiguities internal to organizations, we have focused on external signals. What we have not considered in full is the relationship between internal and external duplicity. Studies of how professionals navigate careers in Big 4 firms have noted how professionals are caught between the global and the local (Spence et al., 2015), needing to grapple with the organizational partitions. This might also be true for professionals caught in the crosshairs of different service lines, serving opposing client interests. Future research could potentially uncover the recursive relationship between the external signaling and the internal tensions in professional identities and practices, and the ways they reinforce or contradict each other.

8 | CONCLUSION

This article sheds light on how global firms remain resilient when they navigate conflicting expectations from different stakeholders, taking the case of Big 4 firms and their involvement in aggressive tax planning advice alongside their professional obligations. We suggest the Big 4 are able to navigate this complexity through an organizational setup with geographical and legal partitions that, when coupled with strategic duplicity, enables transparency arbitrage to send different signals to different constituencies.

The Big 4’s legal structures provide flexibility with ring-fencing at the local level while serving clients globally. Our finding of KPMG’s structure with separate liabilities underscores the distinction between the firm and the legal unit (Robé, 2020), in which regulators can only extend their oversight at the local level, while clients may access the entirety of the global firm—an entity which exists only to a very limited extent, legally speaking. Geographic boundaries reinforce and strengthen the division between units. Furthermore, our mapping of staff presence shows that the local manifestation in hundreds of countries is not limited to a legal entity present for financial purposes but rather indicates significant local activity. Their scale in offshore financial centers suggests they operate also on behalf of nonresident clients here and that their local staff also serves as an engine to gain expertise on local rules for the benefit of the global network.

Keeping certain stakeholders like national regulators bound to jurisdictional borders, and others like international clients seeking tax advantages within a seamless global network, is made possible by organizational partitions of geographic and legal distinctions. These partitions enable the Big 4 to move flexibly between projected signals. Here, we find that information on

both ownership and staff numbers is harder to find for the jurisdictions associated with offshore finance and tax planning. This form of transparency arbitrage serves as a signal to stakeholders, projecting at once discretion in some markets and transparency/accountability in others.

While complexities such as the local–global distinction within these firms have often been observed, we link these to a source of protection from outside forces. This organizational partitioning is crucial to enable the Big 4 to provide controversial services, especially those related to aggressive tax planning. Empirically, we provide new data on the legal and geographical organization of the Big 4, which may also prove useful for other scholars of GPSFs and global accounting firms. The Big 4's effective organizational navigation explains their remarkable resilience in the face of decades of increased complexity and controversy.

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DATA AVAILABILITY STATEMENT

The original data set is shared as an Excel file in the Supporting Information.

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SUPPORTING INFORMATION

Additional supporting information can be found online in the Supporting Information section at the end of this article.

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APPENDIX: BIG 4 TOTAL STAFF AND OFFICE NUMBERS

Country	Staff (offices)	Country	Staff (offices)
Afghanistan	392 (3)	Latvia	610 (4)
Albania	504 (4)	Lebanon	564 (4)
Algeria	347 (5)	Liberia	na (1)
Andorra	na (2)	Libya	124 (3)
Angola	527 (5)	Liechtenstein	na (2)
Antigua and Barbuda	125 (1)	Lithuania	694 (5)
Argentina	6,832 (18)	Luxembourg	7,034 (4)
Armenia	na (4)	Macau	161 (4)
Aruba	189 (4)	Macedonia	362 (4)
Australia	17,559 (41)	Madagascar	na (2)
Austria	4,350 (28)	Malawi	na (6)
Azerbaijan	464 (4)	Malaysia	7,635 (39)
Bahamas	340 (7)	Maldives	na (3)
Bahrain	1,746 (4)	Malta	1,663 (4)
Bangladesh	824 (5)	Martinique	na (1)
Barbados	326 (4)	Mauritius	1,110 (4)
Belarus	520 (4)	Mexico	14,209 (69)
Belgium	8,257 (37)	Moldova	158 (4)
Benin	25 (1)	Monaco	na (4)
Bermuda	740 (4)	Mongolia	252 (4)
Bolivia	4,072 (7)	Montenegro	47 (4)
Bonaire	116 (3)	Morocco	1,063 (6)
Bosnia and Herzegovina	403 (5)	Mozambique	na (8)
Botswana	338 (4)	Myanmar	237 (4)
Brazil	19,400 (55)	Namibia	599 (7)
British Virgin Islands	111 (4)	Netherlands	16,997 (52)
Brunei	na (4)	New Caledonia	na (2)
Bulgaria	887 (7)	New Zealand	4,000 (26)
Cambodia	591 (4)	Nicaragua	194 (4)
Cameroon	na (4)	Nigeria	2,751 (10)
Canada	24,796 (131)	N. Mariana Islands	na (1)
Cape Verde	59 (1)	Norway	5,600 (113)
Cayman Islands	748 (5)	Oman	546 (4)
Chad	na (3)	Pakistan	3,847 (12)
Channel Islands	na ()	Palestine	256 (5)
Chile	7,350 (19)	Panama	1,254 (4)
China	43,939 (68)	Papua New Guinea	517 (5)
Colombia	5,500 (17)	Paraguay	na (3)
Cook Islands	na (1)	Peru	3,300 (7)
Costa Rica	1,947 (5)	Philippines	4,801 (18)
Croatia	659 (4)	Poland	10,000 (30)

(Continues)

APPENDIX (Continued)

Country	Staff (offices)	Country	Staff (offices)
Cuba	25 (1)	Portugal	6,582 (8)
Curacao	189 (4)	Puerto Rico	na (4)
Cyprus	2,520 (14)	Qatar	1,129 (4)
Czech Republic	3,200 (16)	Republic of the Congo	na (7)
Dem. Rep. Congo	na (6)	Romania	2,750 (16)
Denmark	6,169 (53)	Russia	11,700 (33)
Dominican Republic	452 (5)	Rwanda	na (4)
East Timor	na (1)	Saint Lucia	123 (2)
Ecuador	409 (8)	Saint Vincent and the Grenadines	na (1)
Egypt	2,051 (7)	Saudi Arabia	2,476 (13)
El Salvador	389 (4)	Senegal	na (4)
Equatorial Guinea	na (3)	Serbia	552 (4)
Estonia	485 (4)	Seychelles	na (1)
Ethiopia	203 (2)	Sierra Leone	250 (2)
Fiji	na (6)	Singapore	11,697 (4)
Finland	3,046 (68)	Sint Maarten	72 (2)
France	26,250 (79)	Slovakia	1,390 (9)
French Guiana	na (1)	Slovenia	412 (4)
French Polynesia	na (1)	Solomon Islands	na (1)
Gabon	na (5)	South Africa	21,226 (52)
Georgia	403 (4)	South Korea	10,875 (7)
Germany	36,131 (88)	South Sudan	na (1)
Ghana	449 (5)	Spain	16,749 (70)
Gibraltar	196 (4)	Sri Lanka	na (6)
Greece	2,850 (8)	Suriname	25 (1)
Greenland	48 (4)	Swaziland	na (2)
Guam	na (6)	Sweden	8,087 (225)
Guatemala	665 (4)	Switzerland	9,142 (41)
Guernsey	377 (4)	Syria	302 (3)
Guinea	na (2)	Taiwan	7,545 (23)
Honduras	na (8)	Tajikistan	na (1)
Hong Kong	10,481 (4)	Tanzania	878 (4)
Hungary	2,700 (5)	Thailand	6,425 (4)
Iceland	441 (23)	Togo	na (2)
India	44,187 (45)	Trinidad and Tobago	465 (6)
Indonesia	8,481 (6)	Tunisia	871 (4)
Iraq	41 (4)	Turkey	7,300 (16)
Ireland	9,230 (20)	Turkmenistan	na (1)
Isle of Man	363 (4)	Turks and Caicos Islands	na (2)
Israel	5,100 (18)	Uganda	350 (4)
Italy	15,400 (89)	Ukraine	1,332 (7)

APPENDIX (Continued)

Country	Staff (offices)	Country	Staff (offices)
Ivory Coast	na (4)	United Arab Emirates	2,583 (15)
Jamaica	657 (5)	United Kingdom	63,236 (84)
Japan	27,479 (104)	United States	187,804 (324)
Jersey	427 (4)	US Virgin Islands	25 (1)
Jordan	821 (4)	Uruguay	1,723 (8)
Kazakhstan	2,603 (12)	Uzbekistan	na (3)
Kenya	2,024 (7)	Venezuela	2,346 (20)
Kosovo	240 (2)	Vietnam	3,360 (10)
Kuwait	1,386 (4)	Yemen	na (2)
Kyrgyzstan	na (4)	Zambia	492 (7)
Laos	na (4)	Zimbabwe	753 (8)

Note: Data were retrieved by the authors in 2017 through Big 4 home pages and social media sites. Countries with no office presence are not included in the table.