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# PROFESSIONAL SERVICE FIRMS AS AGENTS OF ECONOMIC GLOBALIZATION: A POLITICAL PERSPECTIVE

## Abstract

In recent decades, numerous professional service firms have gone ‘global’ in search new markets and to support clients requiring services across nations. Whilst a lively debate has developed over the organizational implications of this phenomenon, the role of the firms in globalizing the wider world economy has received less attention. In this paper, we address this imbalance through an inter-disciplinary synthesis of the literature at the intersection of the professions and economic globalization and apply a political perspective to frame our analysis. Our contribution is twofold. First, we argue for a broadening of the research agenda to better elucidate the critical role of professional service firms as *agents of economic globalization*. This role, we argue, should become a core research theme given the firms are not just businesses offering services across the globe but also active participants in the globalization of the world economy. Second, we shed light on and conceptualize the specific power strategies deployed by the firms as part of their role as *agents of globalization*. We develop an integrative framework which, firstly, distinguishes between ‘design’ and ‘implementation’ and, secondly, specifies how the firms exert power to their advantage in each of these related areas. This model provides a theoretical scaffolding for understanding how professional service firms shape and indeed become hegemonic *agents of economic globalization*.

## Keywords

Professional service firms, economic globalization, power, multinational enterprises

## **Introduction**

In the last few decades, professional service firms from Western countries have established operations all over the globe. Much ‘[l]ike the drummers, messengers and concubines that accompanied ancient armies on the march, [the firms] followed their industrial clients as they expanded around the world in the 1980s and 1990s’ (The Economist, 2004). In the process, they have grown into major multinational enterprises, some of which have ‘a greater global reach than the overwhelming majority of corporations’ (Greenwood et al., 2006: 2). Typical examples are the Anglo-American ‘Big Four’ accountancies (Deloitte & Touche, Ernst & Young, KPMG, PricewaterhouseCoopers), the US-headquartered ‘strategy-organization’ consultancies (e.g. Booz Allen & Hamilton, McKinsey & Company), and the UK-based ‘Magic Circle’ law firms (e.g. Allen & Overy, Clifford Chance, and Linklaters). These organizations – now typically referred to as ‘global professional service firms’ (GPSFs) – are important because they not only offer a wide range of services to private and public clients around the world through ever-expanding office networks but also play a crucial role in the functioning of the so-called global knowledge economy (Lorsch and Tierney, 2002).

Unsurprisingly, a growing body of research in the field of management studies explores the work of GPSFs (Boussebaa and Faulconbridge, 2016; Brock, Leblebici and Muzio, 2014; Faulconbridge and Muzio, 2012). In particular, a lively debate has developed over how GPSFs are managed (e.g., Greenwood, Morris, Fairclough and Boussebaa, 2010) and how local (national) institutions mediate the firms’ ability to operate as integrated global organizations (e.g., Boussebaa, 2009, 2015a; Faulconbridge and Muzio, 2014, 2016; Faulconbridge, Muzio and Cook, 2012; Morgan and Quack, 2005; Muzio and Faulconbridge, 2013; Spence, Dambrin, Carter, Husillos and Archel, 2015). Such work is useful for understanding how GPSFs expand and organize themselves across nations and the institutional complexities they face in the process. However, its focus on questions of intra-

firm organization and tendency to treat globalization as an exogenous force has meant that relatively little attention has been paid to how GPSFs operate as *agents of economic globalization*. That is, we know little about how GPSFs participate in efforts to facilitate cross-national economic activities and, importantly, produce the institutions required to support and govern the latter. Our claim is that, despite a few scattered studies (e.g., Morgan, 2009; Quack, 2007; Suddaby, Cooper and Greenwood, 2007), management scholarship and indeed the wider social sciences have paid too little attention to the role of GPSFs in sustaining, intensifying and extending economic globalization. In this paper, therefore, we address the following question: *how do GPSFs act as agents of economic globalization?*

In addressing this question, we follow the institutionalist approach developed in sociological studies of the professions (Muzio, Brock and Suddaby, 2013; Scott, 2008). This approach highlights the crucial role played by professionals (accountants, consultants, lawyers) “in spreading business practices and in building the legal and fiscal infrastructure that supports global capitalism” (Muzio et al., 2013: 704). Our aim is to focus on the specific ways in which GPSFs drive economic globalization in accordance with their corporate goals. Whilst not denying the non-intentional dimension of institutional construction, we adopt a mostly “agent-based view [of institutions]” (Scott, 2008: 222) so as to explore the intentionality and power involved in GPSF-driven economic globalization. In other words, we adopt a political perspective in conducting our institutional analysis. We believe this is important given the relative absence of ‘interests’ and ‘power’ in the relevant literature (Suddaby et al., 2007). We draw inspiration from the growing body of management research on power and politics in and around organizations (e.g., Clegg et al., 2006, 2018) but also power-sensitive studies of the professions in a global context (Dezalay and Garth, 2010) to develop a distinctly political understanding of *GPSFs as agents of economic globalization*. Empirically, we tap into an interdisciplinary literature base concerned with the professions,

including studies at the intersection of the professions and globalization. When synthesized and interrogated with a specific focus on the agency of GPSFs, this literature provides useful insights into how these firms shape the institutional fabric of economic globalization to their advantage.

Our contribution is twofold. First, we argue for a broadening of the research agenda of GPSF-focused studies to better elucidate the critical role of GPSFs as *agents of economic globalization*. This role, we argue, should become a core theme in research given that GPSFs are not just businesses engaged in cross-border work and intra-organizational coordination; they are also highly active participants in the construction and diffusion of institutions that facilitate and support economic globalization. In making this argument, we also reinforce calls to connect intra-organizational issues to societal ones in the study of professional service firms (Brock et al., 2014). Second, we shed light on and conceptualise the specific *power strategies* deployed by GPSFs as part of their role as *agents of economic globalization*. We develop a framework which, firstly, distinguishes between institution ‘design’ and ‘implementation’ and, secondly, specifies how GPSFs exert power in each of these related areas. We identify ‘design’ power exercised by *forming strategic alliances, seeking to define and leverage expertise and lobbying with intent*. In relation to implementation, we show how the firms exercise power by *infiltrating client organizations, producing shared worldviews and dismissing alternatives*. Taken together, these strategies form an ecology of power and provide a theoretical scaffolding for understanding how GPSFs shape and indeed become hegemonic actors in processes of economic globalization.

Our analysis proceeds as follows. In the next section, we begin with an overview of the management literature concerned with understanding GPSFs as multinational enterprises. We then examine the relevant literature on the professions and globalization as a means of expanding understanding of *GPSFs as agents of economic globalization*. Next, we briefly

discuss how power has been understood and conceptualized in management research and the social sciences more broadly and explore how such theorizing might be relevant to an analysis of *GPSFs as agents of economic globalization*. In a subsequent section, we present our analysis based on an inter-disciplinary synthesis of the literature on the professions and globalization. We then present our conceptual model and, in the final concluding section of the paper, suggest avenues for future research.

### **GPSFs as multinational enterprises**

GPSFs, as a category of organizations, have roots in the 19<sup>th</sup> or early 20<sup>th</sup> century and initially entered overseas markets to serve internationalizing home-country clients. This began in the colonial period when, for instance, UK accounting firms established networks of offices throughout the British Empire (Annisette, 2000). Following WW2, American companies launched an unprecedented period of foreign direct investment (FDI), giving rise to major US multinational enterprises (MNEs). As these companies expanded abroad, first in Europe, but then further afield, they prompted their home-country professional service providers to expand across the world (Cooper et al., 1998; Djelic, 2004). The process facilitated the rise of the ‘Big Eight’ (now ‘Big Four’) Anglo-American accounting firms (Annisette, 2000, 2010) and major US and UK firms in sectors such as law (e.g. Clifford Chance, Freshfields) and, more recently, consulting (e.g. Accenture, McKinsey). In the second half of the 20<sup>th</sup> century, major MNEs from dominant Continental European nations also emerged and, in turn, home-grown GPSFs have appeared in these countries in the last few decades (e.g. Capgemini in France and Roland Berger in Germany). Over time, GPSFs have also extended their services to host-country clients as well as foreign companies operating in host and home contexts. This further grew the global reach of the firms and, by the mid-1990s, many GPSFs had become ‘massive international operators’ (Ferner et al., 1995: 343) with offices dotted all

around the world. Today, the clear majority of GPSFs remains headquartered in dominant Western economies, principally the USA but also the UK and, to a lesser degree, other major European nations such as France and Germany. It is, nonetheless, worth noting that rivals are beginning to emerge from within Asia and other rising power countries.

Existing management research on GPSFs has thus far mostly been concerned with questions of strategy and organization. One group of studies examines the motivations for, and strategic-organizational implications of, firm internationalization as well as related issues of international HRM and knowledge management (e.g., Aharoni, 1996; Beaverstock, Faulconbridge and Hall, 2015; Brock and Hydle, 2018; Ferner et al., 1995; Klimkeit and Reihlen, 2016; Segal-Horn and Dean, 2009). A central theme in these studies is that ‘globalization’ – in particular, demand from ‘global’ clients for ‘seamless’ cross-national service – has created significant challenges of control and coordination and, in response, led firms to develop new organizational arrangements able to meet such challenges. The general view is that such an organizational response has transformed professional service firms into increasingly integrated ‘global’ or ‘transnational’ organizations (see e.g., Brown et al., 1996; Faulconbridge, 2008; Fenton and Pettigrew, 2003; Greenwood et al., 2010).

Another group of studies, mostly informed by institutional theory, reveals how the drivers, forms and outcomes of GPSF internationalization are mediated and constrained by the national institutional contexts across which the firms operate (Barrett et al., 2005; Belal et al., 2017; Faulconbridge and Muzio, 2016; Boussebaa, 2009, 2015a; Morgan and Quack, 2005, 2006; Muzio and Faulconbridge, 2013). Boussebaa et al. (2012, 2014) also point to the influence of colonial and imperial contexts in the internal structuring of GPSFs (see also Boussebaa, 2015b, 2017; Boussebaa and Morgan, 2014). Taken together, these studies provide rich insights into how the firms’ international expansion and organization are conditioned by national institutional contexts, bound up with geopolitical power relations,

and affected by various local resistances and related processes of adaptation and hybridization (for a review, see Boussebaa and Morgan, 2015).

Running through all this work is a shared focus on *intra*-organizational arrangements, the emphasis in effect being on how globalization (together with the institutional embeddedness of organizational processes) affects the internal workings of GPSFs. Whilst important, such a focus contributes to a rather myopic view of the GPSF and one in which globalization tends to be treated as an exogenous force acting on the organization rather than a process driven by GPSFs themselves. Important questions about how GPSFs shape processes of globalization, to theirs and their clients' advantage, are thus given little attention. This is a problem in its own right but also curious given the general recognition in management studies that GPSFs play a critical role in defining and diffusing 'best practices' globally (McKenna, 2006; Kipping and Wright, 2012) and in setting the accounting, legal and other professional standards that enable international business activity (Cooper et al., 1998; Lorsch and Tierney, 2002). What is required, therefore, is a prioritisation in GPSF-focused management scholarship of questions about *GPSFs as agents of economic globalization*.

### **Framing GPSFs as agents of globalization**

Recent efforts to develop a transnational sociology of the professions (Faulconbridge and Muzio, 2012; Seabrooke and Tsingou, 2014) and related analyses of the involvement of the 'Big Four' in the transnational regulation of professional services (see also Arnold, 2005) and of global law firms in world organizing (Quack, 2007), highlight the growing scholarly work in various disciplines on the role of GPSFs in economic globalization. In particular it has highlighted the way GPSFs are interested in creating the institutions necessary for accomplishing theirs and their clients' ends, i.e. in organizing the rules, norms and power relations of economic globalization in ways that support the firms' strategic requirements



(Quack, 2007). Consequently, first, GPSFs generally work to universalize their professional methods and standards, as a means of facilitating frictionless international business activity and reducing ‘transaction costs’ at the level of clients but also their own operations, given that MNE client service requires ‘seamless’ cross-national professional work (Barrett et al., 2005; Segal-Horn and Dean, 2009). Second, regarding market expansion, GPSFs have an interest in ‘creating the conditions for new markets to emerge in contexts where existing firms have little expertise or interest’ (Morgan, 2009: 588). For instance, Arnold (2005: 302) reveals how accounting GPSFs, ‘working with and through states and international economic institutions, ha[ve] worked proactively to create a global market for accounting and auditing services’ (see also Suddaby et al., 2007). These goals require the enforcement of ‘free trade’ rules but also the worldwide diffusion of Western (principally Anglo-American) institutions. Thus, far from simply being reactive to globalization, GPSFs are in many ways important drivers of it, and their efforts in this regard align with the goals of MNEs and non-market international (West-dominated) organizations such as the G20 and the World Bank, among others.

Studies in critical accounting (e.g., Curtis and Turley, 2007; Ezzamel, Robson and Stapleton, 2012; Gendron and Barrett, 2004; O’Dwyer, Owen and Unerman, 2011) offer a number of further insights into the role for GPSFs in the globalizing of the world economy (see also Boussebaa, 2015b). Arnold’s (2005) analysis of the activities of GPSFs and their relationship with the World Trade Association (WTO) is exemplary in this regard. The author outlines how global accountancies have helped construct and deploy particular WTO-backed institutional arrangements (such as General Agreement on Trade in Services articles relating to domestic regulation) that in effect facilitate the international expansion of GPSFs and their clients. Arnold outlines how the global spread of accounting ‘disciplines’ was negotiated by the accounting firms and how pressure was exerted on national governments and bodies to

amend rules and regulations to align approaches with the institutional arrangements promoted by the WTO.

Similar insights can be gained from more general analyses of the rise of transnational governance systems (for syntheses, see Djelic and Quack, 2003; Djelic and Sahlin-Andersson, 2006; Fukuyama, 2016). This literature is concerned with the question of how global order is achieved and examines how ‘transnational’ modes of governance come to be institutionalized and to define models of appropriate action at the local (national) level. Governance here is understood, like the institutional approach adopted here, to take on ‘hard’ (i.e. laws) but also ‘soft’ non-binding forms such as standards and guidelines (Djelic and Shalin-Andersson, 2006: 5). The work of Halliday and Carruthers (2009) on the emergence of international bankruptcy standards and their differentiated implementation across Asia is perhaps one of the best examples of the way this work can inform understanding of *GPSFs as agents of economic globalization*. They highlight how through differentiated national negotiations the bankruptcy standards favoured by the International Monetary Fund but also GPSFs were created and implemented in different countries.

Overall, studies such these help confirm that GPSFs are not just businesses responding to ‘globalization’ and institutional complexities, as typically depicted in the GPSF management literature. Rather, they suggest that GPSFs play an active role in the sustaining, intensifying and extending of processes of globalization. They sustain globalization for their long-lived Anglo-American and other Western clients – ensuring in particular that Western multinational enterprises and financial institutions are able to achieve their goals. They intensify globalization for newer clients in regions that have developed rapidly in the new millennium. Perhaps the best example here is the work that GPSFs do for sovereign wealth funds based in countries such as the United Arab Emirates and Singapore – GPSFs in effect allow such funds to achieve their global investment goals (Clark, Monk, Dixon, Pauly,

Faulconbridge, Yeung and Behrendt, 2010). GPSFs also extend globalization, working with companies based in ‘rising powers’, as for example law firms Sullivan & Cromwell and Linklaters did when facilitating the IPO of China Mobile – one of the first large-scale cross border IPOs from China (Wójcik and Camilleri, 2015). Our goal is, therefore, to tap into existing research on the role of the professions and professional service organizations in the world economy to elucidate *how* GPSFs sustain, intensify and extend processes of economic globalization. More specifically, we use existing studies to develop an integrative analytical framework that theorizes the range of GPSFs’ actions and effects in economic globalization. In so doing, we adopt an explicitly political perspective, which we discuss next.

### **Inserting power in the analysis of GPSFs as agents of globalization**

In approaching *GPSFs as agents of economic globalization*, some sensitivity to questions of power and politics is required. This is important as questions about who benefits from the actions of firms and how these benefits are secured are fundamental to understanding issues of agency. Existing studies often fail to place such questions center-stage, institutionalist accounts of professions, like institutional accounts organizations and field formation, too often leaving ‘interests’ and ‘power’ out of the analysis (Suddaby et al., 2007). Referring to this body of work, Clegg (2010: 9) notes how ‘[s]omewhere along the way the more sophisticated conceptions of power relations as constituting the core of the social went missing in action’ (see also Clegg et al., 2018). The focus is generally on disinterested, spontaneous processes and outcomes of institutionalization rather than on the interests and the associated struggles and political strategies of particular actors. And yet, as DiMaggio (1988: 13) put it, ‘institutionalization is a product of the political efforts of actors to accomplish their ends’.

In this paper, we therefore adopt an explicitly political approach to develop understanding of *GPSFs as agents of economic globalization*. To this end, we draw inspiration from the rich vein of research on power and politics in the field of management and organization studies (e.g., Clegg et al., 2006, 2018; Levy, 2008). Underlying such work is, as Clegg et al. (2006: 3) aptly put it, consideration of the way ‘power is to organization as oxygen is to breathing’. Put simply, power is fundamental to getting things done. Also recognized in this work is that power is not merely a possession but rather a relation. It is also something which is both enabling, in the sense that it allows goals to be achieved but also to be challenged, and constraining or oppressive in that it may coerce others to act against their will.

The starting point for most discussions is questions about the ‘faces’ (Lukes, 1974) or ‘modalities’ (Allen, 2003) of power. A now well-rehearsed typology draws distinctions between, initially, two basic expressions of power: ‘episodic’ and ‘systemic’ (Clegg, 1989). Episodic power refers to purposeful action by self-interested actors, whereas systemic power is non-strategic, operating through technology, socio-cultural orders and bureaucratic organizing. Scholars generally further divide these two core expressions of power into various dimensions such as coercion, manipulation, domination, and subjectification (e.g., Allen, 2003; Clegg et al., 2006; Fleming and Spicer, 2014). The first two represent episodic forms of power while the other two are systemic. Table 1 provides a summary of the distinguishing features of these dimensions; the previously cited work offering extended analysis of each. For the purposes of this paper, our interest lies in how these dimensions might help explain the actions and effects of *GPSFs as agents of economic globalization*. Following O’Mahoney and Sturdy (2015), our goal is not to adopt a ‘singular approach’ to power but rather to explore the different forms of power which GPSFs exert as part of their role as *agents of economic globalization*.

[Insert Table 1 here]

## **The power of GPSFs**

### *Designing the institutions of economic globalization*

To understand the agency of GPSFs requires us to start by considering the often-covert exercising of power through other actors. GPSFs are adept at *forming strategic alliances* with other organizations. For instance, there is ‘a new compact’ (Suddaby et al., 2007: 334) between GPSFs and intergovernmental organizations (IGOs) such as the WTO and IMF, through which the principles and systems of enforcement of transnational governance are determined. This compact is one of mutual benefit: GPSFs gain the advantage of influence over the design of models of appropriate action whilst IGOs gain advocates and implementers for their policies. Moreover, GPSFs actively contribute to the formation of new associations with the sole purpose of developing vehicles to promote institutional arrangements that serve their interests. Examples include the International Bar Association and INSOL, both of which are organizations that ‘dominate global law reform efforts’ (Halliday and Carruthers, 2007: 1183). Meanwhile a similar story exists in accountancy where the International Federation of Accountants, International Accounting Standards Board and other organizations are beholden to the ‘dominant Northern “Big 4” accounting firms’ (Hopper et al., 2017: 131).

In *forming strategic alliances*, GPSFs can, then, direct institutions (hard rules as well as softer standards and relationships between actors) through their manipulation of associations. The process allows, as Flood (2011) notes for law in particular, GPSFs to partly disappear into the background and hence become invisible hands in processes of economic globalization. But how exactly do GPSFs use their strategic alliances to advance their interests? A simple starting point is the way the firms ensure that the staffing of committees works in their favour. This means combinations of paying for membership to ensure a place

at the table (Morgan, 2008) and securing for a member of the firm the role of Chair in key committees. Indeed, many associations, in recognition of the economic power of GPSFs, allocate dedicated seats on boards and committees for representatives of the firms, leading to an overstaffing by the firms of key international organizations and associations (Hopper et al., 2017; Suddaby et al., 2007). This presence is then used to manipulate the process of institution production in a variety of ways. As Pistor (2013) notes, GPSFs find themselves in the privileged position of shaping but then also opining on the enforceability of Western professional standards. This provides them with a unique opportunity to set the rules of the game in a way that provides them with competitive advantages when selling services. Wade (2007) refers to the outcome of such influence as the production of a ‘global financial architecture’ comprised of both hard and soft rules that enable the cross-border activities of and penetration of new markets by GPSFs and their clients.

At first glance, it appears that simple forms of episodic power – using firm size and financial resources to manipulate organizations and associations – allow GPSFs to direct the design of the institutions of economic globalization. This is undoubtedly important, but other forms of power are equally significant. GPSFs also *seek to define and leverage expertise*, in the sense of dominating discussions about what counts as a solution, and what should be reproduced worldwide. This concerns the subtleties of how new forms of business activity or governance challenges are responded to and structured through new accounting and legal systems. Garth (2016: 453) describes this as the ‘sustained imperial investments’ that facilitate the influence of GPSFs whilst Dezalay and Garth (2010: 116) go as far as suggesting that ‘knowledge represents a key resource (or weapon) in these battles’ as GPSFs ‘produce a representation of social issues that fits with what they are trying to market’. As such, GPSFs construct themselves a position of expert power which renders them as ‘gatekeepers in the policy process determining what counts as evidence and as credible

arguments' (Seabrooke and Tsingou, 2015: 23). In the consulting sector, for instance, GPSFs continually work to create external, environmental 'threats' in the minds of clients and then define 'solutions' for them. One good example here is the ideas concocted by McKinsey that companies have been engaged in a 'war for talent' (Michaels et al., 1997) or, more recently, confronted with 'extreme competition' and faced with the possibility of an imminent loss of sectoral leadership. Faced with such 'threats', companies then logically conclude they must seek advice from their knowing consultants. As McDonald (2014: 290) puts it, '[t]he implied solution is: get a consultant to show you the way forward'. The way forward is then defined as adherence to certain models of strategy-making and talent management that are circulated globally.

Relatedly, Slaughter (2013) describes the importance of 'power with' and the new form of Gramscian hegemony constructed by creating opportunities to 'plug into' agendas. We explore the idea of hegemony further below. Slaughter's (2013) key argument is that by creating spaces for participating and sharing, GPSFs enroll others into agendas, more or less intentionally. For GPSFs such 'plugging in' strategies are epitomized by the activities of groups such as INSOL, the International Competition Network and the Loan Market Association. These organizations, which as we have already noted have their agendas set in large part by GPSFs, provide open access to their documentation and 'expertise', in turn their standards and guidelines becoming de facto models to be leveraged throughout the world. This relates to broader issues of the accepted dominance of 'soft' capital-market norms, and the role of GPSFs in constructing these norms. As Flood (2007) argues, as a result of the input of GPSFs into such associations, they have become the 'sanctifiers' of international business activities, the adoption of their advice and expert models legitimating activities and being associated with expert authority.

The *defining and leveraging of expertise* by GPSFs can, however, also have a more practical dimension. After all, power is about getting things done and not always the outcome of deliberate tactics of control (Clegg et al., 2006). This is most apparent when the ambiguities of cross-border business create a need for new modes of ‘soft’ transnational governance. In the legal sphere, for instance, Quack (2007: 644) argues a constant process of improvisation and sense-making is needed to coordinate international business activity. As a result, the defining and leveraging of expertise can be ‘byproducts of professional problem-solving [which] gradually accumulate into non-binding legal rules that, in turn, can be strategically used as input in the transnational law making process’. Specifically, GPSFs seek to standardize cross-border business contracts around their preferred models and gain acceptance for western norms of deal structuring, both to overcome impediments to cross-border activity and to give themselves competitive advantage in the servicing of such activity. This has been particularly important as financial innovation has proceeded faster than regulation and is fundamental to the international financial architecture of cross-border finance described by Wade (2007). As such, the emergence and institutionalization of modes of governance can, as Smets et al. (2012) suggest, move ‘from practice to field’. This involves forms of ‘situated improvising’ which ‘[i]n contrast to the “institutional design” of institutional entrepreneurs...[is] distributed rather than focused and experimental rather than carefully planned’ (Smets et al., 2012: 893). Smets et al. (2012) show this with reference to the way English law firms, as part of improvisations designed to ‘get deals done’ in Germany, brought German standards and norms relating to cross-border corporate transactions more closely into line with those used in London. This both allowed their clients’ interests to be served and gave English firms a distinct competitive advantage in Germany – enabling their successful entry into this market (Faulconbridge and Muzio, 2015). This reminds us that, whilst at times calculating, GPSFs via their intermediary role in global



capitalism in part direct the design of the institutions of economic globalization through everyday actions.

Nonetheless, ultimately, GPSFs often fall back on their perhaps most well documented and more intentional tactic of *lobbying with strategic intent*. As Greenwood et al. (2002: 73) note, professional associations, when producing new institutional arrangements, are usually responding to ‘the jurisdictional and organizational movements of the profession’s largest firms’. This means that when associations theorize the need for change – i.e., create a compelling case for particular modes of governance - they are often responding to the lobbying efforts of GPSFs. Suddaby and Greenwood (2005: 61) see this as ‘deliberate manipulation’ through language. Illustrative is the widespread reporting of the ‘[e]xtensive lobbying from transnational accounting firms’ which led to ‘the WTO’s *General Agreement on Trade in Services* and the *Disciplines on Domestic Regulation in the Accounting Sector* [which] abolished domestic regulations perceived as barriers to trade and investment’ (Hopper et al., 2017: 132, original emphasis). In law, Morgan (2006) reports on the lobbying of the European Commission by US law firms as they sought the alignment of competition law with US anti-trust models, whilst the International Bar Association and INSOL lobbied the United Nations Commission on International Trade Law to secure global bankruptcy standards modelled on Anglo-American practices (Halliday and Carruthers, 2007).

There are, then, three ways that GPSFs exercise power to design the institutions of economic globalization: *forming strategic alliances*, *seeking to define and leverage expertise*, and *lobbying with intent*. Importantly, these tactics, whilst effective in isolation, are most significant because of their interdependence. Arnold (2012) demonstrates this when she documents how the Financial Stability Forum was established to create 12 standards for global financial governance. GPSFs formed a strategic alliance with the Forum, leading to

them ‘working in coalitions with international financial firms to lobby governments’ (Arnold, 2012: 375). This lobbying with intent was designed to reinforce the idea that ‘Anglo-American capitalism and Anglo-American accounting [are] roughly synonymous with international capitalism’ (Arnold, 2012: 363). In other words, the standards became synonymous with those of Anglo-American GPSFs. As a result of these efforts, GPSFs were able to define and leverage expertise, this meaning that being audited by a GPSF has become a means of demonstrating compliance and legitimacy in cross-border financial markets. As such these firms now also provide the infrastructure for the diffusion of the new standards. For GPSFs, this use of multiple tactics was designed ‘to achieve market concentration and consolidate control over the accounting and auditing industry worldwide’ (Arnold, 2012: 375). This case illustrates, therefore, how the different tactics outlined above are crucial parts of a cooperative toolkit that allows the designing of the institutions of economic globalization in accordance with GPSFs’ strategic goals.

### *Choreographing implementation*

The input of GPSFs into the design of institutions is only one part of their role as *agents of economic globalization*. As existing research on transnational governance reveals, the ‘transposing’ (Boxenbaum and Battilana, 2005) of institutions across different national contexts is equally important and is not a uniform process (Djelic and Quack, 2003; Halliday and Carruthers, 2009). Much of the debate in the relevant literature has been about the reasons for variations in implementation outcomes, importantly this highlighting the negotiated compromises that develop, primarily due to economic power asymmetries and cultural differences between countries and world governing organizations such as the IMF and World Bank (Carruthers and Halliday, 2006). Extending this discussion to recognize the

role of GPSFs in directing implementation and the tactics they deploy is the purpose of the present section.

One of the main ways GPSFs seek to direct implementation is by *infiltrating client organizations* around the globe. This is typically achieved through ‘revolving doors’ between GPSFs and various national regulators and government departments (Seabrooke and Tsingou, 2009, 2014) but also between GPSFs and corporate clients (Craig, 2005; McKenna, 2004). Consulting firms, for instance, through their ‘up-or-out’ system and extensive alumni work help to place many of their professionals within corporations and government institutions throughout the world (McDonald, 2014; Raghavan, 2013; Saint-Martin, 2013). For example, McKinsey’s alumni have occupied key posts in a host of important organizations, including major MNEs such as IBM and American Express; powerful international banks such as Goldman Sachs and Lehman Brothers; and government institutions such as Britain’s NHS and Financial Services Authority and the US Treasury (McDonald, 2014; McKenna, 2006). Similar firm-to-client personnel flows have been observed in the Big Four accountancies (Suddaby et al., 2007). GPSFs also recruit globally and then use their high-performing international hires to set up offices around the world and insert themselves into the institutional fabric of different countries (McDonald, 2014; Raghavan, 2013). As part of this, GPSFs also achieve influence locally through direct spending on clients, including free business-class flights, five-star hotel stays, lavish banquets and entertainment (McDonald, 2014). These infiltration tactics help in not only entering and selling into new markets but also in implementing institutional arrangements in ‘local’ societies given that they produce a sympathetic audience.

Indeed, client infiltration also helps in *producing shared worldviews* across national divides. GPSFs are adept at the use of techniques that systemically align different parties with their own interests. In terms of professionals located in countries around the world, the

previously discussed ‘revolving doors’ experience of working for GPSFs helps shape the thinking of those being asked to adopt the institutions promoted by the firms. In Foucauldian terms, professionals are ‘subjectified’, leading to them embracing prescriptions and then reproducing them in a variety of different national contexts. Illustrating this with specific reference to low-income countries, Dezalay and Garth (2010: 122) highlight the importance of movements of lawyers from these countries to the ‘North’ as part of a process of ‘cooptation and training of lawyers from the South’. We can understand how this tactic of assimilation works through the various literatures that document processes of recruitment, training and socialization inside professional service firms (e.g., Anderson-Gough et al., 2000; Brown and Lewis, 2011; Grey, 1998). This work shows how such processes work to ‘discipline’ professionals so they willingly reproduce firm prescriptions. The firms and their methods in effect become part of professionals’ self-identities.

The production of shared worldviews is further supported by the *dismissing of alternatives*. Both as part of the training of professionals, but also more widely as part of engagement with professional associations, regulators and government institutions in countries across Africa, Asia and South and Central America, GPSFs seek to portray alternatives to their preferred institutions as ‘other’ forms of knowledge that are problematic. Flood (2016) describes how this involves presenting the approaches of particular countries as ‘unreliable’, in contrast to the firms’ ‘dependable’ global institutions. Pistor (2013) notes that this means associating choice of model with risk and questions of enforceability; the preferred institutional arrangements of GPSFs being positioned as risk-minimization strategies. Related to all of this are broader questions, as Wilkins and Papa (2013: 1176) ask, about a ‘Gramscian hegemony where dominant players lead by making their agenda understood as common sense and universal’. Rendering the approaches produced by GPSFs as incontestable is a powerful way of ensuring their ‘universality’. For example, participation

and legitimacy in international financial markets become tied to the adoption of GPSF promoted institutions, such as the bankruptcy, loan and competition examples discussed above, which have become ‘normalized’ in global financial architectures (Wade, 2007). This also involves GPSFs refusing to use documentation and structures that are not in line with preferred institutions, producing what Halliday and Carruthers (2007: 1154) describe as a ‘normative influence’ whereby alternatives exist but are rarely considered as possibilities. To ensure such outcomes, the firms put considerable effort into promoting their prescriptions as universal gospel. Consultancies, for instance, invest heavily in the development of their own ‘think-tanks’<sup>1</sup>, in the editing of management journals and in the writing and global promotion of business books, and in so doing gradually come to universalize Western (principally Anglo-American) models (McKenna, 2006; McDonald, 2014; Saint-Martin, 2013).

The ‘new world order’ that Slaughter (2004) documents is, then, structured in important ways by GPSFs. This does not, however, mean GPSFs are uncontested in their globalization efforts. As the literature on the diversity of outcomes of transnational governance implementation would suggest (for a summary, see Brunsson et al., 2012), different national contexts generate varied responses to the tactics of GPSFs. For instance, Botzem and Dobush (2012: 738) analyze the standardization cycles involved in the ‘setting, diffusing, and implementing of rules’. They note that international accounting standards become influential through different cycles of standards production followed by ‘local contextualization’, the latter ‘being critical to ensure the transformation of abstract rules into practice’ (Botzem and Dobush, 2012: 756). Illustrating what this means when GPSFs seek to choreograph implementation, Halliday and Carruthers (2009) outline how Indonesia was coerced into implementing global bankruptcy standards due to its economic fragility, whereas

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<sup>1</sup> Examples of such think-tanks include Accenture’s Government of the Future Center (established in 2009 in partnership with the College of Europe and the Lisbon Council), KPMG’s Public Governance and Government Institute, and McKinsey’s Global Institute (established in 1990).

South Korea entered into negotiations and had to be persuaded to implement some of the principles, this occurring because of the relative strength of the South Korean economy. Such work suggests the agency of GPSFs is variously contested.

Indeed, a number of events including the demise of Enron, the global financial crisis of 2008, and scandals associated with tax evasion, including the publication of the so-called Panama Papers, have led to scrutiny, critique and new-found visibility of the involvement of GPSFs in economic globalization. For example, investigations into the bankruptcy of WorldCom revealed that the Big Four accountancy firms were behind the creation of a raft of tax products, designed to reduce liabilities, that had been normalized as legitimate for MNCs to exploit (Sikka and Hampton, 2005: 333). This is just one example of what Urry (2014 :44) describes in his work on offshoring: an increased visibility of institutional arrangements, promoted by GPSFs, which may or may not be technically legal, but which are viewed as immoral. Indeed, Sikka and Hampton (2005: 327) note that US Senator Joseph Lieberman, following his investigation of tax evasion, stated that “ranks of lawyers, accountants, and financial consultants have abused the law and their own professional ethics simply for the sake of huge sums of money to be made helping their clients evade taxes”. Harrington (2015) reaches similar conclusions in how work on wealth management firms.

In the face of such critique and local resistance, GPSFs respond in various ways. In some cases, simple forms of coercion are applied whereby GPSFs *impose constraints* on professionals and governments around the world. For instance, GPSFs are not averse to simple threats of jurisdictional arbitrage should a country not adopt their preferred institutional arrangements (Dezalay and Garth, 2010). Illustrating this, the Big Four accountancy firms worked with Slaughter & May and Simmons & Simmons in London and Mourant du Feu & Jeune in Jersey to create structures that allowed for limited liability partnerships in Jersey. They then threatened to relocate their London operations to Jersey

unless similar limited liability structures were created in England. GPSFs are also not averse to encouraging, if not forcing, professionals in offices outside of the Anglo-American world to adopt particular rules or norms (Boussebaa, 2015b, 2017; Boussebaa et al., 2014; Muzio and Faulconbridge, 2013).

GPSFs will also adopt tactics used in the design of institutions as part of implementation processes – *lobbying with intent* being the most common. For example, global law firms typically employ a cadre of general counsel who ‘continuously engage with country regulators to discuss solutions to different attitudes’ (Flood, 2011: 520) – i.e. to negotiate the acceptance of their prescriptions. *Forming strategic alliances* is also a way to engage ‘in a game of power, seeking to bend national legal systems’ (Morgan, 2008: 640). A good example is the way the Law Society of England and Wales, and even the UK government, was enrolled to support UK-headquartered law firms such as Clifford Chance in their attempts to gain access to Indian markets and align the market with WTO principles (Flood, 2011). However, further emphasizing the point that GPSFs do not always succeed in their efforts and face resistance, attempts to gain access to Indian markets failed, and if anything inspired even tougher regulation of GPSFs, which then led to legal challenges to their indirect operations in India through local partners. As such, GPSFs are supple in their choice of tactic depending on the specifics of country contexts, but outcomes are not teleological and it would be misleading to paint a picture of uncontested and always successful attempts to choreograph the implementation of preferred institutional arrangements.

### **The ecology of power in GPSF-led economic globalization**

Our analysis has shown that GPSFs pursue two interrelated approaches as *agents of economic globalization*. The first relates to the coordination of cross-border business operations. Here

the firms seek influence the nature of particular (Western) institutions (e.g., laws, standards and procedures) that are used to enable economic globalization. The second relates to the organization of national markets. Here efforts are made to ensure the institutions already noted are adopted. Thus, both legally binding ‘rules’, such as those associated with the WTO and IMF, and informally recognized ‘standards’, such as those associated with the ‘global financial architecture’ of cross-border capital markets (Wade, 2007) are targeted by GPSFs as a means of accomplishing their corporate ends and those of their clients. It is crucial, therefore, that GPSFs are conceptualised and approached not simply as firms responding to economic globalization but also as agents of such process.

An understanding of *GPSFs as agents of economic globalization*, in turn, requires an understanding of the various power strategies they deploy in this role. Our analysis has shown how GPSFs are adept at deploying a range of strategies, and have become influential through an ecology of power relations (i.e. a systems of interacting elements). The ecology is comprised of multiple, often quietly discrete and interdependent dimensions of power. Figure 1 summarizes this ecology and shows how the various power strategies relate to one another. It shows that GPSFs seek to organize the institutions of economic globalization to their advantage by, first, designing such institutions to reflect their interests. They do this by *forming strategic alliances, seeking to define and leverage expertise and lobbying with intent*. We have also shown how the firms deploy three further strategies aimed at choreographing local implementation, namely, *infiltrating client organizations, producing shared worldviews and dismissing alternatives*.

[Insert Figure 1 here]

Importantly, efforts to design and implement institutional arrangements are mediated by various forms of resistance to the activities of GPSFs. The increasing visibility of the agency of GPSFs, and local concerns about the impacts of the institutional arrangements promoted,



result in both failures, as exemplified by what happened to English law firms seeking to invoke changes to regulations in India, and a need for GPSFs to redouble their efforts to exercise influence. Indeed, the important feedbacks outlined in figure 1 between design and implementation strategies are partly related to this redoubling of efforts. GPSFs in effect deploy those design tactics to assist with choreographing implementation when resistance is experienced, whilst the outcomes of implementation reinforce design efforts.

Table 2 summarizes how the tactics deployed by the firms are manifestations of different ‘faces’ (Lukes, 1975) or ‘dimensions’ (Fleming and Spicer, 2014) of power. This reveals that GPSFs are adept at deploying multiple tactics and are exerting influence in a range of ways, and again emphasizes that this influence is contingent on the other actors encountered as each country throughout the world poses subtly different opportunities and challenges. Despite resistance, GPSFs appear however to have developed a position of hegemony through the ecology of power relations outlined in figure 1 and table 2. Some have previously referred to the hegemony of GPSFs and the models they promote (e.g., Slaughter, 2013; Wilkins and Papa, 2013). Here we develop this idea by coupling the hegemonic situation to an understanding of the underlying power relations.

[Insert table 2 here]

Commonly associated with the work of Antonio Gramsci in his *Prison Notebooks*, the concept of hegemony is typically used to refer to a situation whereby one group holds disproportionate sway over the organization of society (Clegg, 1989). Crucially, hegemony is a result of those being dominated consenting to their domination via, as Levy (2008: 952-53) puts it, ‘consensual processes that accommodate subordinate groups to some degree, through a measure of political and material compromise and by the dissemination of ideologies that convey a mutuality of interests’. In his review, Haugaard (2009: 239) suggests this situation

arises because of the links between specific forms of ‘power [relation] and hegemony’, yet ‘there are few works that theorize the relations of the concepts to each other’. Here we do not claim to have theorized per se the links between hegemony and different forms of power relation. We contend, however, that we have revealed the specifics of how GPSFs become hegemonic, and in the process key *agents of economic globalization*, as a result of the ecology of power relations outlined in figure 1 and table 2.

Our contention that GPSFs have created themselves a hegemonic position reflects the way that hegemony is captured as the third of the ‘three faces’ of power outlined by Lukes (2005) in his updated analysis, and the way hegemony operates in conjunction with the first and second, episodic and systemic faces outlined in tables 1 and 2. Hegemony draws from episodic and systemic forms of power to create and sustain a situation of accepted domination. Smith and Meiksins (1995) allude to hegemonic forces in the world economy in their concept of ‘dominance effects’, which attempts to capture the way in which certain societies dominate particular eras in the history of capitalism and evolve models of appropriate action that invite emulation by those perceiving the dominant to represent ‘modernity’ and the ‘future’. What our analysis points to is a more ‘top-down’ form of dominance in which GPSFs actively seek to shape processes of globalization in ways that facilitate the accomplishment of their corporate goals and, concomitantly, those of their clients. That is, GPSFs are significant as *agents of economic globalization* not so much because they invite ‘emulation’ but rather because of the way the different power strategies they deploy and the related forms of power relation they produce (table 2) establish their preferred institutional arrangements as ‘common’ and ‘universal’.

Of course, hegemony is fractured as struggles to maintain and counter continue. For Laclau and Mouffe (2001) hegemony is always in the process of being articulated, and the examples described above of geographically variegated (country-by-country) differences in

responses to the efforts of GPSFs and of resistance such as in the case of India in relation to market liberalization, demonstrate that the firms' hegemony is an ongoing accomplishment and never total. This explains why an ecology of power relations is so central to the activity of GPSFs: it maximizes the chance of maintaining hegemony across time and space.

## **Conclusions**

That GPSFs have become important MNEs and, as result, faced with major internal coordination challenges whilst also being subject to 'institutional legacies' (Morgan and Quack, 2005) is now relatively well understood. What is less understood, however, is how the firms become entangled in broader processes of economic globalization as they expand and further embed themselves in local economies around the world. In this paper, we have therefore argued for the field of management research to move beyond concerns about the 'organizing of the firm' towards understanding the firms' roles as *agents of economic globalization*.

Importantly, drawing on the insights of a range of scattered studies in fields as diverse as accounting, business history, economic geography, international relations, law and sociology, we have unpacked and conceptualized the various power strategies by which the firms operate as agents of economic globalization. We have shown how, in combination, six strategies enable GPSFs to shape processes of globalization in line with their own corporate goals, thanks to the creation of a situation of hegemony in which the institutional arrangements they promote, and their role in cross-border capitalism, is embedded and continually reproduced.

Much, however, remains to be done if we are to better understand the role of *GPSFs as agents of globalization*. As noted earlier, our analysis has mostly focused on conscious, intentional forms of power, thereby giving relatively limited attention to non-intentional and disciplinary power relations in the workings of GPSFs as agents of economic globalization –

further research is therefore required to address this imbalance. Additionally, the ecology of power strategies we have described needs examining in professional settings not included here – our analysis may or may not be relevant to firms in other professional service sectors such as advertising or executive search. Cross-sector comparative case analysis is also required. Another important area for future consideration relates to the question of how the power strategies we have discussed are enacted in various local contexts. Relatedly, the role of national and local governments in the processes we have analyzed requires more extensive investigation. What do local politicians think about the power GPSFs exert as agents of economic globalization? Giving consideration to these lines of inquiry would enrich our analysis and provide much needed knowledge on the effects GPSFs have locally. It would also extend our understanding of the potential for fracture in, and/or the continual reproduction of the hegemony of GPSFs. In pursuing this line of inquiry, attention is also required on the role of GPSFs emerging outside Anglo-America and the West more broadly in ‘rising powers’ such as China and India. Only very recently have GPSFs begun to grow in these economies and, to date, they have had limited influence on the institutions of economic globalization (Garth, 2016). However, in a context of increasing polycentrism in the world economy, one may expect a more geographically complicated process of GPSF-driven economic globalization.

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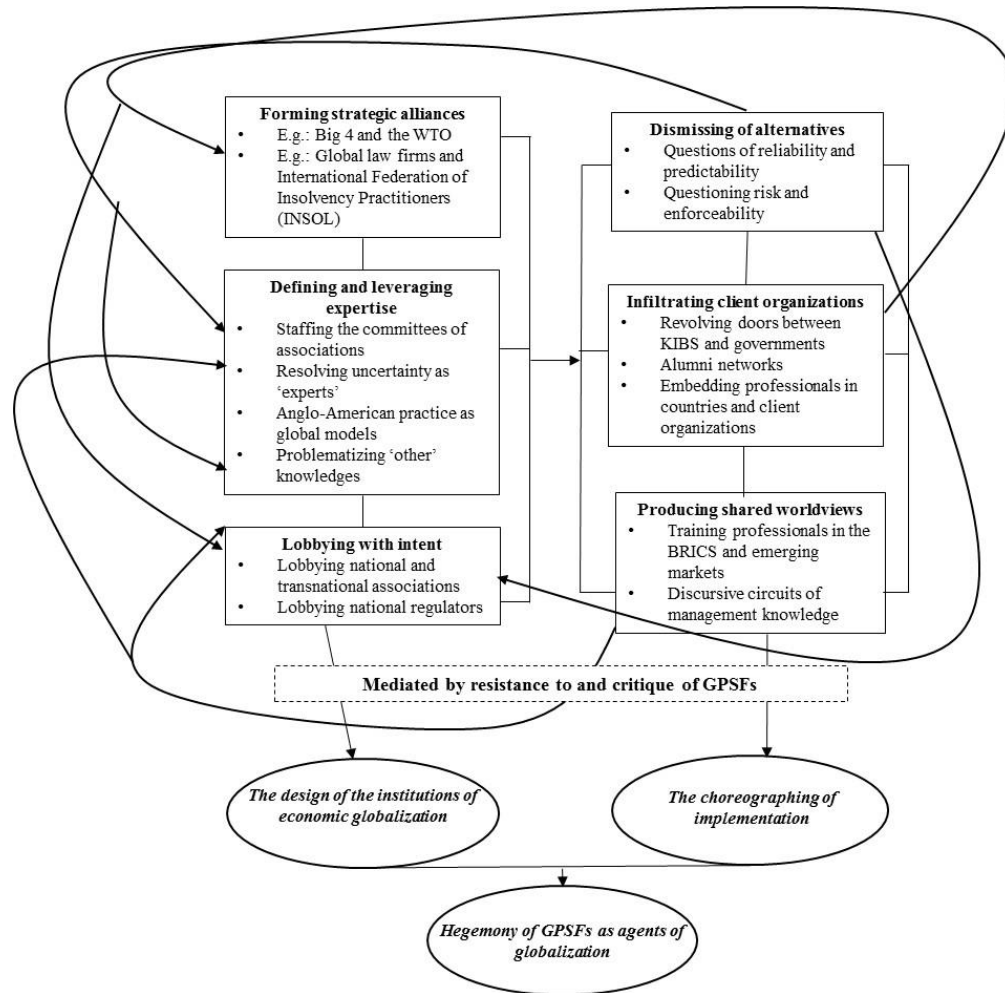
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**Table 1: The expressions and dimensions of power**

Expressions	Dimensions
<p><i>Episodic:</i></p> <ul style="list-style-type: none"> <li>• An identifiable act of the exercising of influence by one actor over another</li> <li>• One actor forcing another to do something that otherwise would not do</li> </ul>	<p><i>Coercion</i>, through:</p> <ul style="list-style-type: none"> <li>• Hierarchies and defined lines of authority</li> <li>• Control of resources (financial, material, etc.)</li> <li>• Threats and the ability to act upon them (because of one of the above advantages)</li> </ul>
	<p><i>Manipulation</i>, through:</p> <ul style="list-style-type: none"> <li>• Development and exploitation of networks of influence</li> <li>• Trickery, deception and storytelling</li> <li>• Taking advantage of information asymmetries</li> </ul>
<p><i>Systemic:</i></p> <ul style="list-style-type: none"> <li>• Embedded and routinized influence that does not require deliberate acts</li> <li>• Behaviours, beliefs and systems constructed by one actor align others with their interests</li> </ul>	<p><i>Domination</i>, through:</p> <ul style="list-style-type: none"> <li>• Creating and exploiting hegemony that prevents challenges and alternatives</li> <li>• Constructing systems and processes that serve one's interests</li> </ul>
	<p><i>Subjectification</i>, through:</p> <ul style="list-style-type: none"> <li>• The production of discourses that shape identities and sense-making</li> <li>• The deployment of disciplinary technologies (e.g., training and appraisal)</li> </ul>

Source: based on Fleming and Spicer (2014) and authors' literature review

**Figure 1: The ecology of power underlying the agency of GPSFs**



**Table 2: The difference ‘faces’ comprising the ecology of power**

<b>Faces of power</b>	<b>Dimensions of power</b>	<b>Core mechanisms</b>	<b>Design effects</b>	<b>Implementation effects</b>	<b>Representative studies</b>
Episodic	Coercion	Threats of jurisdictional arbitrage  Control of offices by powerful home-country professionals	Professionals throughout the world forced into promoting Anglo-American systems	Adoption of systems under duress  Compelled compliance by all offices of GPSFs with Anglo-American systems	Dezalay and Garth, 2010; Halliday and Carruthers, 2009  Barrett et al., 2005; Boussebaa et al., 2012, 2014; Cooper et al., 1998
	Manipulation	Alumni networks  Staffing committees to ensure influence over non-GPSF members	Ex-employees of GPSFs direct the production of systems in ways that serve their ex-employers’ interests  Disproportionate influence of GPSFs over design decisions	Ex-employees become advocates of systems GPSFs help produce  Potential barriers to implementation worked-around rather than used as motivation for alternative systems	McDonald D, 2013; McKenna, 2006; Raghavan, 2013  Hopper et al., 2017; Morgan, 2008; Suddaby et al., 2007; Wilkins and Papa, 2013
Systemic	Domination	GPSFs promoting neoliberal ideologies  Exporting Anglo-American practices; Othering’ knowledges and practices emerging from outside of Anglo-America  Lobbying	Principles and goals of systems defined in ways that reproduce demand for the work of GPSFs  Modernization logic establishes Anglo-American systems as progressive and optimal and thus to be reproduced globally  Priorities and agendas for systems reflect the interests of GPSFs	Alternative priorities or practices delegitimized  Resistance to Anglo-American models deemed regressive and ill-informed resistance  Resistance to systems overcome in jurisdictions around the world	Suddaby et al., 2007; Hopper et al., 2017  Garth, 2016; McKenna, 2006; Raghavan, 2013  Arnold, 2012; Greenwood et al., 2002; Flood, 2011; Suddaby and Greenwood, 2005; Morgan, 2006
		‘Power with’ – encouraging the adoption of Anglo-American models through ‘free’ provision of governance resources	Existing systems presented as accepted ‘gold standard’, preventing discussions of alternative designs	Systems presented as readymade, efficient solutions to governance challenges that should be replicated	Slaughter, 2013; Flood, 2007; McDonald, 2014
	Subjectification	Training and identify regulation in GPSFs  Discourses of expertise and legitimate and illegitimate knowledge	Thinking and priorities of GPSF representatives on committees normalized around firms’ agendas  Resistance to Anglo-American models in the design process side-lined through creation of aligned ways of thinking	GPSF professionals accept unquestioningly appropriateness of systems  Group of sympathetic implementers produced in countries throughout the world	Anderson-Gough et al., 2000; Faulconbridge et al., 2012; Grey, 1998  Flood, 2016; Pistor, 2013