Chapter 1: Introduction

From the 1990s when they entered China quite cautiously to the beginning of this new century when they lord themselves arrogantly across China, only ten years have they used in China doing all the things which might have taken them several decades... or more than 100 years if in other countries.

Ding Pingzhun, Director General of the Chinese Institute of Certified Public Accountants (P. Ding, 2006b, p. 83)

This is a study of how an elite transnational group of large accounting firms (known today as the Big Four¹) came to dominate the market for auditing services in China and how indigenous firms have struggled to break their domination. The study draws from Gramsci’s (1935/1971) theory of hegemony, and argues that the Big Four, as part of a globalizing transnational capital class, has dominated indigenous firms by bringing to China an ideology that came to be accepted as “common sense.” By winning this battle of ideology, the Big Four gained access to the coercive power of the state, and to the power of transnational institutions that have subsumed part of the power of the state. Indigenous firms have pursued a counter-hegemonic strategy of undermining the ideological superiority of the Big Four through the infiltration and modification of institutional arrangements following what Rudi Dutschke (1969) called “the long march through the institutions.”

China’s rapid development into a major economic power late in the 20th Century is a remarkable event in world history. Few events in history have had such a dramatic effect on the lives of so many people in such a short period. Economic historian Angus Maddison estimated that China had about a quarter of the world’s real gross domestic product (GDP) in terms of purchasing power parity (PPP) in the first century, a share that would grow to a third by 1820 (Maddison, 2003). Over the next 160 years foreign incursions, civil war, the failure to participate effectively in the industrial revolution, followed by the adoption of communism would result in China’s share of global GDP falling to a low of 4.6%. In December 1978 Deng Xiaoping launched China on a program of economic reforms called the Four Modernizations, hoping to transform China into an economic power by the early 21st century.

¹ Arthur Andersen (AA), Arthur Young (AY), Coopers & Lybrand (C&L), Deloitte Haskins and Sells (DHS), Ernst & Ernst (E&E), Peat Marwick Mitchell (PMM), Price Waterhouse (PW) and Touche Ross (TR) were collectively known as the Big Eight. The Big Nine added the European firm of Klyneld Main Goerdeler, which later merged with PMM to form KPMG. E&E merged with AY to form Ernst & Young (E&Y); C&L merged with PW to form PricewaterhouseCoopers (PwC); DHS merged with TR to form Deloitte Touche Tohmatsu (DTT); and, AA failed to successively create the Big Six, the Big Five and the present Big Four.
The cornerstone of the reforms was the transformation of the economy from a centrally planned system to “socialism with Chinese characteristics.” Over the past 30 years of reform, socialism with Chinese characteristics took on all of the trappings of capitalism, with large capital markets and a largely market-driven economy that retains significant state influence. China began to climb back towards its historic position in the world economy, and by 2010 had the second largest national economy by GDP (PPP) and is forecast by the International Monetary Fund to pass the United States (U.S.) in 2016 (Barboza, 2010; Weisbrot, 2011). Foreign investment flooded into China in the late 20th century and formerly state-owned enterprises (SOEs) transformed into powerful multinational enterprises and sought capital on the world’s stock exchanges.

China’s emergence as an economic power involved massive social transformation. Reforms altered the cognitive orientations of society and modified fundamental existential and normative postulates, values, and ethics. The Chinese developed a new *weltanschauung* or worldview—a new way of interpreting and interacting with the world (Hiebert, 2008). New concepts of the role of government and business, and of China’s role in the world needed to be developed and assimilated into Chinese society. Implicit in the construction of a new worldview was the contemporaneous development and modification of China’s institutions. While none of China’s institutions, including education, legal, commercial, government, and social institutions, escaped transformational change during this period, some institutions did not exist and were created anew. Among the newly created institutions were certain professions that had not risen to significance in Communist China—professions that most prominently include accountants, lawyers, and other capitalistic professionals such as investment bankers, financial printers, and valuation experts. As China’s new economy ventured into the uncharted territory of a market economy, it needed these new institutions to provide the normative and regulative forces needed to guide development.

China had developed a public accounting profession in the early decades of the 20th Century, only to inter it together with other artifacts of capitalism following the Communist Revolution in 1949. As China began to open up to the world in the 1980s, it resurrected the public accounting profession to serve the needs of the developing market economy. Burgeoning interest by foreign companies eager to “sell one aspirin to one billion Chinese” led to the eight largest international accounting firms setting up tiny offices in China that would provide advice to potential foreign investors. The Chinese, however, kept the auditing
market to themselves and set up state-owned accounting firms to audit the new foreign investors.

On the night of June 4, 1989, tanks rolled into Tiananmen Square and squelched popular demands for political reforms. Foreign investors fled China and reforms paused during a period of introspection by Chinese leaders uncertain about whether to retreat to their familiar communist ideology or to advance towards further reform. Cognizant of the breakup of the Soviet Union, Deng Xiaoping ended the debate with a call for the acceleration of reforms during his famed Southern Tour in 1992, and an amazing period in global economic history began. Foreign investment flooded into China, making it the second largest destination (after the United States) for the two decades to follow. China reopened its stock exchanges to help state-owned enterprises raise capital. The economy rapidly privatized. Many Chinese companies began to list on international stock exchanges in order to raise capital and to import foreign corporate governance principles with the expectation that these reforms would improve the competitiveness of Chinese companies in world markets.

The acceleration of reform created the opportunity for the Big Four to capture the rapidly expanding accounting markets. Foreign investors starting businesses in China wanted to use their own accounting firms rather than a state-owned firm. Investment bankers advising Chinese companies seeking international stock listings told the companies to start by hiring the Big Four to get their accounts in order. In 1992, the Big Four won the right to audit in China provided they entered into a joint venture with a state institution. The Big Four and their joint ventures rapidly secured the lion’s share of audits related to foreign direct investment (FDI) and international listings, leading to a dominant position in the market.

Concerned about losing their market to foreigners, local firms and regulators embarked on a series of reforms that were intended to return the auditing markets to Chinese control. China adopted international accounting and auditing standards, and separated the state-owned audit firms from the state in order to make them independent of their clients, following international practices. The concept of creating a Chinese Big Four captivated some Chinese regulators; other regulators believed that the international Big Four was best suited to serve China’s economic aspirations.

As the millennium approached, China’s leaders sought to reach their long-held goal of becoming a full member of the global community by obtaining membership in the World Trade Organization (WTO). While accession to WTO was mostly a process of removing market barriers, Chinese accounting regulators saw an opportunity to localize the accounting
profession by forcing the Big Four to practice in entities controlled by local CPAs, as was the practice in most WTO member countries. The Big Four outmaneuvered Chinese negotiators and persuaded the American and European government representatives to carve out a special exception permitting them to keep their China practices under foreign control.

Following China’s accession to WTO the economy expanded anew. Chinese companies developed a voracious appetite for capital, and in 2009 seven of the ten largest global initial public offerings (IPOs) were from China (PricewaterhouseCoopers, 2010a). The Big Four, unleashed from their state-owned joint venture partners grew into substantial firms of over 4,000 professional staff each and the firms began to talk of the not-too-far-off days when the China firms would rival their American firms as the largest in the Big Four networks (J. L. Lee, 2007).

The Big Four would face great pressure to localize their practices, and in 2012 were forced to turn over ownership control of their audit practices to local CPAs. A boom in listings of private companies both in China and abroad collapsed in the wake of widespread accounting scandals and auditing failures. Chinese, American and Hong Kong regulators sparred over how to regulate transnational activities of Chinese companies.

Chinese local firms, supported by the Chinese Institute of Certified Public Accountants (CICPA), began to lobby for greater support in their competition against the Big Four. The CICPA put forth policy recommendations, ultimately accepted by the State Council, China’s highest executive organ, which called for ten large Chinese CPA firms capable of serving China’s multinational corporations globally. One of the strategies sanctioned by the State Council was for China’s local firms to align with second tier global firms, and by 2012 a merger of the Chinese member froms of RSM and Crowe Horwath would vault the firm ahead of KPMG to become China’s third largest accounting firm. The rapid ascension and strong government support of local firms raises the future possibility that the Big Four will not dominate the Chinese accounting profession in the same way it has dominated most markets in the world.

The Purpose and Significance of this Book

The purpose of this book is to document and understand the historical development of the accounting profession in China with a focus on the role of the Big Four accounting firms. This research is necessary to understand how accounting markets develop in emerging economies and to understand how the forces of globalization shape the competitive structure
and regulation of these markets. The book will also provide insight in the future development of the accounting profession in China. Should indigenous firms successfully challenge the hegemony of the Big Four in China there may be implications for accounting markets globally.

**How this study contributes to the literature.** I have positioned this book within a body of research that has addressed the development of the accounting profession in China. Western scholars began to turn their attention to the development of the modern accounting profession in China in the early 1990s, approximately a decade after China first opened up. Substantive papers on modern Chinese accounting begin to appear in the mid to late 1990s, nearly 20 years after the profession was re-established. Most early papers chronicled the current state of the profession. These papers were primarily descriptive, with the apparent purpose being to introduce Chinese accounting to the academy.

**Extant research related to the development of the CPA profession in China.** Xiang (1998) explained how the transition of China’s economy was influencing China’s accounting reforms and standards. He found that accounting reforms lagged managerial reforms in China. Lin (1998), one of the more prolific scholars on Chinese accounting, published one of the first important papers. This paper focused on the process of internationalization of the CPA profession in China. He found evidence of this in improved qualification standards for CPAs, the establishment and consolidation of professional organizations, the implementation of professional standards and training, and the opening up of the market to foreigners. The major problems the profession faced at that time were independence, quality, lack of competition, a weak legal environment, and poor enforcement of standards. A number of similar papers reported on early developments in the profession in China (Bai, 1988; M. Chan & Rotenberg, 1999; A. Lau & Yang, 1990; Scapens & Hao, 1995; Q. Tang & Lau, 2000; Y. Tang, Chow, & Cooper, 1994). Hilmy (1999) concludes that accounting reforms were a response to political pressure to improve the economy.

Hao (1999) documented the development of the CPA profession from 1918 to the mid-1990s. He found the state to be the dominant player in the development of the profession. Foreign influences were more significant than community and market forces. He contrasted the development of the Chinese profession to that in the Czech Republic and observed that the Big Nine firms had failed to dominate in China as they had in the Czech Republic.

International influences on the development of accounting in China are a common theme in the extant literature. Early articles by Fang and Tang (1991) and Ge (1993)
explained how increasing internationalization described the early development of the profession. A different type of article was written by Yunwei Tang (2000) and published in Accounting Horizons. Tang was a noted Chinese accounting professor, International Accounting Fellow with the International Accounting Standards Committee (IASC), senior partner of Da Hua, Shanghai’s largest CPA firm, and Chairman of Price Waterhouse Da Hua, PW’s joint venture firm in Shanghai. Tang observed the difficulty experienced in setting accounting standards in China, the need to accept international practice, and the importance of developing people. This article and three others he authored (Y. Tang, 1997a, 1997b, 1999) provide a perspective on this period from an actor inside the emerging institution.

The first attempt to write a book length modern history of accounting in China fell short. Allen Huang and Ronald Ma’s (2001) covers the period from 1949 to 2000, but its 122 page length results in it merely pointing out the major events. It is strongest in its coverage of Mao era accounting, a topic rarely considered by others. Coverage of the role of the international firms is absent. Lu and Saunders (2005) wrote about the history of Chinese public accounting from the 1900s to the present. The article simply reported key events and did not provide any meaningful analysis or interpretation.

There are several significant historical publications written in the Chinese language. The two volumes of D. Y. Gao’s (1982b; 1988) General History of Chinese Accounting predate the significant institutional developments of the profession that occurred in the 1990s, as does the work of Li and Wang (1989). The memoirs of Ding Pingzhen (2008) are a five volume set that include many source documents related to his service as Director General of the CICPA during the key periods of development of the profession. These documents, while often exhibiting an extreme bias, provide remarkable insight to the workings of the Chinese government bureaucracy and political system. This book makes extensive use of these memoirs.

Rask, Chu and Gottschang (1998), writing in the economic literature, described the role of accounting in the transition of China’s economy. They observed that enterprises operating under market forces were outperforming SOEs, and that western accounting practices were necessary for a market economy.

This book extends extant research that has examined the development of the profession in China in three ways. First, this book examines the development of the CPA profession over a longer period of time and in considerable detail. Because much of the extant research was conducted before 2000, it does not consider the significant development
of the profession and China’s economy in the first decade of the 21st century. This book fills that gap. Second, it further explains how international institutions shaped China’s accounting institutions, and in particular, how the Big Four served as agents of change. Finally, the focus of this book is on the role of the Big Four, a frequently ignored actor in extant research.

**Role of the Big Four.** Most extant research on Chinese accounting has focused on institutional developments such as the gradual adoption of international standards and has not focused on the role of firms in the development of the profession. Research that does consider accounting firms as important actors in the development of the profession has principally looked at indigenous firms, ignoring the “elephant in the room” presented by the much larger Big Four firms (Dai, Lau, & Yang, 2000; W. Lu, Ji, & Aiken, 2009). A conception that the Big Four are insignificant players in the Chinese audit market has developed and persisted.

This (arguably nationalistic) bias against considering the impact of the presence of the Big Four can be traced to Hao (1999, p. 300) who wrote: “At the date of this writing, it appears that the Big Five cannot be expected to play a dominant role in the formation of a Chinese accountancy community in the near future.” Yapa and Hao (2007, p. 33) updated Hao (1999) based on a series of interviews in Beijing in 2005, reaching a dubious conclusion, albeit one consistent with Hao (1999):

However, according to available information, despite the PRC’s openness to the outside world, it appears that “Big Four” and other international accounting firms cannot be expected to play a prominent role in the development of the Chinese accountancy profession in the near future.

The authors appear to have based their conclusion largely on Tang’s (1999) report that the international firms had a market share of about 15% at the undisclosed time when Tang collected his data. Data that was readily available when Yapa and Hao prepared their study would have indicated that the Big Four firms had a significant market share when measured by revenues or by market capitalization audited. The authors further indicate that regulations forbid the international Big Four from doing statutory audit or accounting work in China, yet they acknowledge the firms can open representative offices, establish joint ventures, and accept member firms. The authors appear to fail to understand that the Big Four typically practice in these one of these forms in most countries in the world.

Helen Yee (2009, 2012) has addressed the development of the CPA profession in China in the 1980s and early 1990s. She states that the international accounting firms did not have much influence in China in the 1990s. She suggests that it would be worthwhile to explore the uneasy relationship between the state and the international accounting firms on
the development of the accounting profession after 2001, following China’s admission to the WTO. This book shows that the influence of the international firms began long before 2001, but it does answer Yee’s call for study of the role of international firms in China.

Lu, Ji and Aiken (2009) critically evaluated the significance of governmental dominance in Chinese accounting development. They examined the role of government over three periods of Chinese development – until 1949, 1949-1979, and 1979 to the present, with an emphasis on the most recent history. They concluded that government played a dominant, near exclusive, role in shaping the accounting profession. The article reaches some questionable conclusions by completely ignoring the presence and influence of international firms and institutions in China. For example, they state that there is no independent accounting profession in China because of the influence of the state and that most clients are SOEs. This ignores the reality of the existence of sizable international accounting firms that are clearly independent of the state and the reality that by 2002 the non-state sector would produce over two thirds of China’s GDP (Asian Development Bank, 2002). While the paper does acknowledge that outside forces have influenced the development of accounting (in particular the worldwide trend towards IFRS), the authors maintain that the government still maintains controlling powers and are likely to do so for the foreseeable future. The paper fails to even mention the presence of international CPA firms in China, the role of the World Trade Organization, and how international capital markets have shaped China’s accounting markets.

This refrain was most recently repeated by Simunic and Wu (2009, p. 21) who call for auditing research in the Chinese environment because “the market share of the Big 4 firms is quite low.” The present book will correct those misconceptions and explain the prominent role played by the Big Four in the development of the Chinese accounting profession. In this study, the author observed what appears to be a nationalistically driven resentment of the Big Four presence in China by Chinese academics. This resentment has led to bias in presenting research results. By exposing the facts, this book will contribute to the eradication of this source of bias.

Globalization. I have also positioned this book within the body of research addressing globalization and accounting, a field that is itself a subset of globalization research within the discipline of the political economy. It answers Poullaos’s (2004) call for greater engagement between critical accounting researchers and the globalization literature. Samsonova (2009, p. 529) conceives of globalization as “not merely something that is imposed or exerted but
rather as something that is a product of the cross-border collaborative agency of state as well as non-state actors, both individual and collective.” This book follows Samsonova’s perspective of globalization, and focuses on the roles of state and non-state actors in the process of developing and globalizing China’s accounting profession. In this respect it extends Suddaby, Cooper and Greenwood (2007) by providing a field level account of how the Big Four and transnational institutions like the World Trade Organization have subsumed some of the power of state regulators. It also explains the role of transnational accounting firms in the processes of globalization, extending to a new geography similar studies conducted in Greece (Caramanis, 1999, 2002, 2005); New Zealand (Baskerville & Hay, 2010); and Eastern Europe (D. J. Cooper, Greenwood, Hinings, & Brown, 1998; Samsonova, 2009).

Cooper and Robson (2006) observe that accounting historians have not always clearly stated the implications that the historical development of the profession in Britain and the United States might have in determining “…the likely strategies available to accountants in other parts of the world who are attempting to create a professional body, or others trying to resist such attempts” (p.418). This book will attempt to avoid that shortcoming, and will address the likely strategies available to protagonists and counter protagonists in future developing markets.

**Marxism.** This book brings accounting research informed by Gramsci’s theory of hegemony back to its Marxist roots in class struggle. This book casts the struggle between the transnational capital class represented by the Big Four and the indigenous Chinese CPA firms in stock Marxist terms as the quintessential confrontation between the proletariat and the bourgeoisie. Fleishman and Radcliffe (2003, p. 16) remind Marxist accounting historians of their responsibility to update Marx as new stages of capitalism wax and wane. This book makes a modest contribution in this respect by providing a field level account that applies Marxist theory to the conversion of China’s Marxist/Leninist, communist/socialist based economy to a form resembling capitalism.

This book also answers the call by McNally and Schwartzmantal (2009) for scholars of international relations to explain more broadly and more thoroughly the processes by which hegemonic consent by the subordinate class is obtained. This book also extends hegemonic research in accounting by providing a field level account of how counterhegemonic strategies are developed and executed.
Why this book is important. China’s emergence as a world economic power increasingly intertwines the lives of nearly all people with China. Consequently, China’s institutions have broad reaching influence. Accounting firms perform a normative and regulative function within society, and the Chinese CPA profession has increasing impact far beyond its local activities. Chinese companies have dominated the IPO market globally in recent years (PricewaterhouseCoopers, 2010a). China has become the second largest source of FDI, while remaining the second largest destination for the same. Chinese companies trade globally, and get into trade disputes globally. The CPA profession in China plays a key role in all of those activities, providing critical services that allow capital to flow and trade to continue. Understanding how the CPA profession in China fills these roles is the most important contribution of this book.

This book will be useful to a broad range of users. It will be of particular use to both domestic and international regulators of the accounting profession. Domination by the Big Four of global accounting markets is a matter of great concern for regulators worldwide (European Commission, 2009, 2010; General Accounting Office, 2003; Government Accountability Office, 2008; House of Lords, 2011). Because China is a relatively new market, we can see how globalization leads to market domination in a relatively short period. The examination of counter-hegemonic strategies by indigenous firms will inform the development of strategies to counter Big Four domination in markets globally. This book will help regulators in China to better understand how they are influenced, and to a certain extent controlled, by the transnational capital class and its supporting institutions. International regulators will be able to understand how emerging patterns of transnational regulation enable and constrict their powers and help them to identify how “regulatory holes” – gaps where transnational accounting firms escape regulation, come to exist. Although the scale of and institutional environment of China makes it a unique market among developing nations, this book will inform those involved with the development of the CPA profession in other emerging economies.

The findings of this book will be useful to accounting firms in their strategic planning. The Big Four will benefit from this book through gaining an understanding of the threats and opportunities that they face with respect to their market positions. Second-tier international firms will better understand how they can find the success in China that has eluded them elsewhere. Indigenous firms will better understand why they are dominated by the Big Four and how they can develop strategies to optimize their market position. This information will
be useful to indigenous firms in other markets who face competition from globalizing market entrants.

The Research Question

The major research question of this thesis is this: How did the accounting profession in China develop during China’s period of opening up and reform?² I will answer that question by answering three subsidiary questions.

How did the Big Four come to dominate Chinese accounting markets? Based on the findings in this thesis, I will argue that Chinese society chose to accept the Big Four as a means of reforming its economy and gaining acceptance in the global community. Chinese society decided to accepted the neoliberal ideology of global markets that, from an accounting perspective, includes international accounting and auditing standards, conventions as to the role and structure of accounting firms, and acceptance of the dominating role of the Big Four. I argue that the Big Four is a member of what the literature calls the globalizing transnational capital class, which gains access to and ultimate domination of local markets though the spread of its ideology, which in the present case was the neoliberal ideology of globalization (Carroll & Carson, 2003; Sklair, 1995, 1997, 2002; van der Pijl, 1984, 1998).

Why did the Big Four come to dominate Chinese accounting markets? I will argue that the process of globalization has resulted in the shifting of spatial, ideational and identification boundaries of the profession in a manner consistent with the theory developed by Suddaby et al. (2007). This theory posits that changing boundaries of the profession have resulted in a shift of power away from traditional state regulators to transnational forces such as the WTO and the Big Four firms. I argue that this shift in power led the Big Four to dominate the market in China.

How have indigenous firms tried to break the dominance of the Big Four? This book will examine the counterhegemonic strategies and tactics used by local firms and their principal advocate, the CICPA. The book will find that the indigenous firms have primarily used a strategy of mimetic and normative isomorphism as a means of deepening contradictions related to the Big Four dominance of local markets.

² In 1978, China launched a policy of openness and reform that has guided China’s development in the 30+ years since. The term opening up has come to refer to the acceptance of foreign investment in China and the increasing engagement of China with the world (Démurger, 2000).
Overview of Methodology

This book is a critical historiography, conducted, in part, in the style of ethnography. The researcher has been engaged with the subject for over 30 years, first in a 28-year career with PricewaterhouseCoopers (PwC) that culminated in a leadership role in China, followed by a second career as an accounting professor at Peking University where he continued his interaction with the profession. The book uses a “bricolage”, as the term is defined by Denzin and Lincoln (2000). With a bricolage, the researcher draws from different qualitative approaches to knowledge construction and uses them to build a bespoke methodology.

There are two primary methodological streams for this book. The first evaluates the structure of the profession in China using established methodologies for measuring market concentration. These methodologies allow comparison of the China accounting market to markets in other countries. The second stream constructs a history of the involvement of the Big Four in China. This portion of the book uses various archival data sources including news clippings, firm histories, and private records. Significant to the book are the memoirs of Ding Pingzhun, the former Secretary General of the CICPA. Ding has preserved documents that provide a rare insight to the thinking of Chinese bureaucrats during this historic time and allow this research to speak to “both sides of the story.” Extensive interviews of people involved during the development of the CPA profession in China supplement the archival sources.

Limitations and Delimitations

The modern CPA profession in China has developed over a 30-year period beginning in 1980. I decided to study this long period in order to identify and analyze phenomena that result in persistent changes, rather than those with temporary impact. A longer period of study also fills a gap in the literature for a comprehensive analysis of the development of the profession in China. This decision, however, results in a more superficial analysis than an examination of a shorter period would allow. In my opinion, the level of analysis is appropriate to the purpose of this book, yet I acknowledge that a more comprehensive analysis of shorter periods of development would yield further insights. I leave this to future research.

This book focuses on the role of the Big Four in China. This has biased the research design towards collecting and evaluating data related to the Big Four rather than indigenous firms. In large part, I have allowed the memoirs of former CICPA Director General Ding
Pingzhen to speak for indigenous firms. While my research shows Ding Pingzhen to be a
tireless advocate of indigenous firms, other voices might add to the analysis of indigenous
firm responses to Big Four hegemony. Christine Chan (2008) has taken this up with her case
study of the strategies of two indigenous firms competing with Big Four firms, but there is
further work to be done.

This is a cross-cultural study. The important actors come from diverse backgrounds
including many of Western, Hong Kong, and Mainland Chinese origin. The researcher and
author of this book is an American who has lived and worked in China since 1997. Bias is a
major threat to cross-cultural studies. Constructs that are chosen may not be similarly defined
in all cultural groups (van de Vijver & Leung, 1997). Data for this book included materials
in both Chinese and English. Because I am not completely proficient in the Chinese language,
I have relied on translations of Chinese materials. Translation introduces a new level of bias
to research. The translation literature suggests that there is no one correct translation and that
the translator is like Aladdin in the enchanted vaults: spoiled for choice (Bassnet, 1994).

**Organization of the Book**

The organization of the remainder of this thesis is as follows: Chapter 2 explains the
overall grounding of the study in Marxist theory, and explains and justifies the selection of
Gramsci’s theory of hegemony as the guiding theoretical foundation for the book. Chapter 3
evaluates extant literature related to the Big Four accounting firms with a focus on the
globalizing impacts of these firms.

Chapters 4 through 7 present the findings of this study. Chapter 4 explains the early
development of the profession. Chapter 5 explains the process by which the Big Four
dominated the accounting profession in China. Chapter 6 explains how the Big Four have
sustained their domination. This chapter also presents findings related to the market structure
of the accounting profession in China. Chapter 7 outlines the counterhegemonic strategies of
the indigenous CPA profession.

Chapter 8 analyzes the findings and answers the three primary research questions: 1)
How did the Big Four come to dominate Chinese accounting markets; 2) Why did the Big
Four come to dominate Chinese accounting markets; 3) How have indigenous firms tried to
break the hegemony of the Big Four?

Chapter 9 addresses the implications of the study. I present strategies to enhance or
protect the respective positions of the three key groups of actors in this book: the Big Four,
indigenous firms, and accounting regulators. I also present a series of recommendations of areas for further research in this field.