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Dual Roles and Blurred Identities: A Framing Contest between Professional Associations in a Local Strategic Action Field

GEORG LOSCHER*, LUKAS LÖHLEIN** and HANSRUDI LENZ†

**School of Economics and Management, Chair of Human Resources Management and Organization, Bundeswehr University Munich, Neubiberg, Germany; **WHU – Otto Beisheim School of Management, Institute of Management Accounting and Control (IMC), Vallendar, Germany; †Faculty of Economics and Management, Chair of Accounting and Auditing, University Würzburg, Würzburg, Germany*

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ABSTRACT This paper examines professional associations' local responses to global demands of accounting standardisation. Our longitudinal study from 1998 to 2018 analyses how professional associations of the German audit profession engaged in an intense framing contest over the adoption of external quality controls. Drawing on the concept of strategic action field and the literature on framing, we unpack how the gap between large audit firms and small audit firms increasingly undermined the capacity of the professional associations to fulfil their dual role of governance and representation. We unveil how their failed attempt to maintain the image of a unified profession ultimately led to the creation of a new professional association representing the 'small auditor' professional, which successfully, albeit temporarily, took control over the field of German auditing. Our findings suggest that the passivity of small audit firms in the process of translating global regulatory regimes should not be presumed. Rather, we provide insight into how small audit firms can rebuild their own identity by actively responding to waves of global regulation. Doing so, and contrary to prior research, our case highlights that governance units within strategic action fields are not necessarily aligned with the interests of the most powerful field actors.

Introduction

The audit profession has grown increasingly heterogeneous and segmented. Whereas large audit firms have transformed into multinational and multidisciplinary operations with a steadily decreasing proportion of audit services (Greenwood & Suddaby, 2006; Suddaby et al., 2007), small audit firms and sole practitioners tend to adhere to localised values and accounting services (Suddaby et al., 2009). Despite this heterogeneity, large and small firms are often upheld by common institutions and regulatory requirements. In this regard, professional associations play a

*Corresponding Author: Georg Loscher, Chair of Human Resources Management and Organization, School of Economics and Management, Bundeswehr University Munich, Werner-Heisenberg-Weg 39, 85577 Neubiberg, Germany. Email: georg.loscher@unibw.de

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particularly important role, as they need to bridge the gaps between global and local representatives of the professional auditor identity to maintain the image of a single, unified profession. In this longitudinal case study of the German audit profession, we examine a failed attempt of local professional associations to maintain the ‘community of peers façade’ (Ramirez et al., 2015, p. 1343) in a context with increasingly diverging professional values, practices, and identities.

In contrast with the Anglo-American tradition, auditing exists as distinct profession in Germany. The German ‘Wirtschaftsprüfer’ is a qualified auditor, not an accountant (Loscher et al., 2020; Vieten, 1995). We examine how, by the turn of the last century, the ‘audit establishment’ – the allegiance between the traditional professional association and the largest audit firms (Malsch & Gendron, 2011) – framed the introduction of an audit quality monitoring scheme in order to reconcile the global regulation requirements of the Big 4 with national understandings of auditing. The regulatory move toward the ‘accountable professional’ (Ramirez, 2013, p. 846) appeared legitimate within the context of the daily routines pursued by the large audit firms, yet stood in sharp contrast to the daily working practices of small audit firms. This turned into a ‘constitutional problem’ (Ramirez, 2013, p. 846) when small audit firms felt stigmatised for failing to conform, and responded by establishing a second professional association to exclusively represent their interests, the Association for Medium-sized Auditing (*Verband für die mittelständische Wirtschaftsprüfung*, wp.net), which resulted in intense and emotional conflict between different segments of the German auditing profession.

To make theoretical sense of the dynamics of intra-professional conflict, we mobilise the theory of strategic action fields (Fligstein & McAdam, 2012) and the literature on framing (Becker et al., 2020; Clune & O’Dwyer, 2020; Cornelissen & Werner, 2014; Modell, 2019; Yang & Modell, 2015). A strategic action field (SAF) is a specific type of meso-level social space wherein multiple actors interact on the basis of a shared understanding. Because a SAF is ‘always . . . in some sort of flux’ (Fligstein & McAdam, 2012, p. 12), some actors work hard to reproduce their local social order, while others attempt to make adjustments to improve their positions in the field. These struggles are mediated by internal governance units (IGUs) which are responsible for the smooth functioning of the field. While prior research has established a view of IGUs a predominantly aligned with the interests of powerful field actors, we present a novel case where a field’s IGUs are temporarily taken over by marginalised field actors.

Conceptualising the field of German auditing as a SAF allows us to investigate how the changing nature of a SAF’s IGUs impact field stability. Within this context, we trace the emergence of a new professional association representing small audit firms, which, despite limited material and symbolic resources, succeeded in exercising influence within the SAF of German auditing. To this end, we analyse the roots of professional conflict and the intense framing contest (Kaplan, 2008) over the interpretation of a regulatory scheme of audit quality control. In examining our case along this line of inquiry, our study offers two main contributions to the literature.

First, by analysing how the actions of multiple IGUs impacted the evolution of the German auditing field, we contribute to the literature on IGUs within SAFs (Becker et al., 2020; Modell & Yang, 2018). We argue that professional associations represent a distinct form of IGU, as they need to fulfil both a governance and a representation function. We show how the SAF’s traditional IGUs increasingly faced difficulties in jointly navigating the demands of these dual roles when large firms urged them to adopt to global standards of audit practices. This triggered active resistance by the segment of small auditors, who ultimately took over one IGU. In this way, we contribute to the theory of SAF by demonstrating how IGUs are not necessarily aligned with the interests of dominant actors in the field. Rather, the roles, positions and framing strategies of these IGUs changed as opposing field actors sought to co-opt them in their jockeying for dominance in the SAF of German auditing. These struggles and framing contests ultimately contributed to the fragmentation and lack of firm institutional settlement of the field.

Second, we contribute to the literature on conflict in the audit profession by responding to calls to ‘bring back professional institutes into explanatory frameworks’ of auditing (Ramirez et al., 2015, p. 1350) and to study the impact of global standardisation on local communities of small accounting firms (Cooper & Robson, 2006; Ramirez et al., 2015). We demonstrate how the ‘global standardization agenda’ (Durocher et al., 2015, p. 83) increasingly imposed a conception of appropriate professional work and professional identity, and, in this way, caused intense intra-professional conflict. Conflict is not a rare phenomenon in the accounting literature, yet findings in prior studies consistently reveal that contests for professional authority tend to be dominated by large firms (Caramanis, 1999, 2002, 2005; Durocher et al., 2015; Ramirez, 2009, 2010, 2013; Richardson, 1989; Stringfellow et al., 2015). This is particularly true when new accounting regulations have the power to change ‘the benchmark of what constitutes the acceptable in auditing’ (Fogarty, 1996, p. 262). For instance, Ramirez (2013) revealed how large accounting firms in the UK used their influence within the largest British institute of auditors, the ICAEW, to determine norms of professional practice based on their own highly procedural and standardised approaches to auditing. Similarly, Durocher et al. (2015) showed that small practitioners in Canada adopted a logic of resilience when dealing with global standards in the context of their everyday realities, and eventually accepted their marginalised status. By providing a rare, and partially successful, example of small audit firms’ resistance against the ‘waves of global standardization’ (Durocher et al., 2015), our case suggests that small firms are not necessarily ‘a silent continent’ (Ramirez et al., 2015, p. 1342) in the translation of global forms of governance into local contexts.

The remainder of the paper is structured as follows. Next, we introduce the theory of SAFs and the literature on framing, which together provide a framework for understanding our empirical case. We then outline our data collection and analysis methods before briefly describing historical dimensions of intra-professional conflict in the field of German auditing. Afterwards, we present our case narrative, which is divided into three stages covering the period from 1998 to 2018. Drawing on evidence from our case study, we discuss the role of IGUs, their interdependence with field dynamics, and present our conclusion.

Theoretical Development

This section describes our theoretical approach to understanding IGUs’ actions within episodes of field contention. In order to analyse how the field of German auditing changes around the contested issue of audit quality control, we mobilise the theory of SAFs (Fligstein & McAdam, 2012) and the literature on framing (Becker et al., 2020; Modell & Yang, 2018; Yang & Modell, 2015). We conceptualise the field of German auditing as a SAF traditionally governed by two internal governance units.

Governance in Strategic Action Fields

The theory of SAFs is the most recent elaboration of field theory. Whereas neo-institutional field concepts focus on a routine order that allows for the reproduction of field actors’ relations to each other (DiMaggio & Powell, 1983; Meyer & Rowan, 1977), the theory of SAFs emphasises a field’s *contentious* nature (Fligstein & McAdam, 2012; Kluttz & Fligstein, 2016). In this way, the concept synthesises neo-institutionalist insights with Bourdieu’s ideas that fields reflect the power of dominant actors (Bourdieu, 1977), and provides a useful conceptual apparatus for analysing how social conflict emerges and is settled within fields. According to Fligstein and McAdam (2012), a SAF is a constructed meso-level social order in which actors – both collective

and individual, dominant and dominated – are attuned to and interact with one another. These interactions are shaped by shared, but not necessarily consensual understandings about the purposes of the field, relationships to others in the field, and the rules governing legitimate action in the field.

Fligstein and McAdam (2012) explain that the source of turbulence and contestation often stems from a SAFs relations with a broader environment. This is because SAFs do not exist in isolation, but are embedded within broader environments made up of proximate fields. Significant changes or issues in a proximate field are like a ‘stone thrown in a still pond sending ripples outward’ to a focal SAF (Fligstein & McAdam, 2012, p. 19). When actors in a given SAF interpret and respond to these issues differently, fields become ‘arenas of power relations’ (O’Sullivan & O’Dwyer, 2015, p. 35) in which interpretative struggles are carried out among actors with different perspectives and competing logics.¹ In this way, SAFs often evolve and change around contested issues that are of substantial importance to the interests and objectives of certain actors (e.g. Humphrey et al., 2017; O’Sullivan & O’Dwyer, 2015). The theory’s emphasis on a field’s embeddedness in proximate fields, ‘where broader, but related, issues are at stake’ (Modell & Yang, 2018, p. 3) is particularly helpful for analysing dynamics in the accounting profession: As prior work has shown, some members of the profession, namely the Big 4, increasingly straddle diverse fields and occupy central positions in proximate fields that intersect and shape action in the focal SAF.

Recent work has shown that while small audit firms tend to maintain their local professional roots (Loscher et al., 2020; Loscher & Kaiser, 2020; Ramirez et al., 2015; Stringfellow et al., 2015; Suddaby et al., 2009), large accounting firms occupy powerful positions in a transnational field where they interact with international standard setters and compete with the ‘elite members’ of other professions (Greenwood et al., 2002; Greenwood & Suddaby, 2006; Malsch & Gendron, 2013; Suddaby et al., 2007). Suddaby et al. (2009), for instance, analysed various attitudes toward the professional ideology of Canadian Chartered Accountants, and revealed how the strongest espoused deviation from core professional values is most pronounced in the Big 4 firms. Similarly, Ramirez et al. (2015, p. 1357) assumed that because small practices are less exposed to the trends of internationalisation, more rooted in local life, and have closer relationships with local clients, small audit firms might ‘better represent the national type of professional’. In our case, we are interested in how ideas of implementing and standardising formal modes of external quality control born at the transnational field of accounting and cultivated by the Big 4, challenged local practices of auditing. We are especially focused on how these formal modes of control increasingly undermined the traditional type of German audit professional. To analyse how such issues are interpreted at the local SAF, we focus on the concept of internal governance unit (IGU).

The IGU concept has been introduced to the theory of SAFs to account for those actors that are responsible for the smooth functioning of a SAF (Fligstein & McAdam, 2012). In contrast to other field actors that often straddle multiple, proximate fields, IGUs are internal to the focal field. Their central function is to oversee compliance with formal and informal field rules as they work to maintain a shared understanding about which actions are legitimate, meaningful, and interpretable for actors in a SAF. Importantly, rather than serving as neutral arbiters of conflicts between field actors, Fligstein and McAdam (2012) suggest that IGUs, although being analytically distinct from dominant field actors, they often preserve their interests and field dominance. Consistent with the theory of SAFs, prior work on local fields of auditing has shown how distinct

¹The theory of SAF therefore shares some similarities with issue-based conceptions of institutional fields, where the interpretation of important issues can result in processes more akin to ‘institutional war than isomorphic dialogue’ (Hoffman, 1999, p. 352). For a discussion on the varieties of field theories, see Klutetz & Fligstein, 2016.

IGUs, such as professional associations (Fogarty et al., 2006; Greenwood et al., 2002; Ramirez, 2009, 2013) or local audit oversight bodies (Caramanis et al., 2015; Löhlein & Müßig, 2020; Malsch & Gendron, 2011) tend to reflect the imprint of Big 4 firms professional interests and understandings. These are regularly mobilised to preserve a field's status-quo in periods of regulatory change or to change field rules according to their interests. Malsch and Gendron (2011), for instance, showed how the formally profession-independent Canadian audit oversight body, from its foundation, became captured by large accounting firms, resulting in a relatively harmless watchdog 'whose main functionality is to reassure capital markets about the quality of financial audit work' (p. 464).

Some more recent studies, however, indicate the more complex role that IGUs might play in shaping fields (Becker et al., 2020; Modell & Yang, 2018). For instance, Modell and Yang (2018) analysed the field dynamics surrounding governance reforms in Chinese state-owned enterprises. The study revealed how the field's IGU, in its attempt to arrive at a state of field settlement, actively channelled pressure to adopt a shareholder value orientation by creatively combining 'Western' governance practices with longstanding local notions of governance. Similarly, Becker et al. (2020) showed how IGUs might deliberately shape the development of new field rules. By analysing the trajectory of 'beyond budgeting', they analysed how the Beyond Budgeting Round Table (i.e. the field's IGU) did not, at least initially, *enforce* a specific understanding of the concept, but was more oriented towards open information exchange and learning, and, in this way, could serve as a catalyst for innovation. One could therefore argue that Fligstein and McAdam (2012) might not fully explore the plurality of roles or modes of interaction between multiple IGUs within SAFs.

Recognising the more multifaceted role IGUs play within SAFs (Becker et al., 2020; Modell & Yang, 2018), we pay particular attention to the capacity of professional associations to serve as IGUs and stabilisers of a SAF. We argue that professional associations epitomise a distinct form of IGU, as they need to fulfil both a governance function (i.e. regulating entry to profession, monitoring the professional conduct of members, and enforcing professional standards) and a representation function (i.e. safeguarding the interests of the profession vis-à-vis the public, the state as well as other professions). In a SAF populated by an increasingly heterogeneous set of field members, professional associations therefore need to find creative ways to balance the tensions between their dissonant identities as governors and representatives of the profession. In the context of novel field issues (Humphrey et al., 2017; Modell & Yang, 2018; O'Sullivan & O'Dwyer, 2015), they particularly need to propose interpretative 'frames' that are aligned with distinct field actors' interests, values and identities. To explore actors' framing repertoire, we now turn to the literature on framing.

Frame Blending, Shifting, Decoupling

Frames play a central role in stability and change within a SAF (Fligstein & McAdam, 2012).² As 'schemata of interpretation' (Goffman, 1974), frames provide actors with shared meaning structures to interpret and categorize new events and induce cooperation. Framing processes help explain the recursive processes through which new meanings and interpretations of new issues emerge, spread, and in some cases, become the basis for field settlement or contestation (Cornelissen & Werner, 2014; Fligstein & McAdam, 2012). When frames resonate with an actor's beliefs, they enable interaction and motivate participation within groups. Skilled actors therefore

²Frame analysis can be traced to Goffman (1974), who was concerned with the construction of meaning at the micro level. Others, such as social movement theorists, have also mobilized framing theory to investigate macro-level dynamics (e.g., Benford & Snow, 2000).

seek to align frames with other actors' interests to support their strategic intentions (Snow et al., 1986). This turns framing into an activity that is 'highly contested and tightly intertwined with the political pursuit of interests' (Kaplan, 2008, p. 730). Our case of actors' response to the issue of external quality control exemplifies three framing activities: *frame blending*, *frame shifting*, and *frame decoupling* (see Modell & Yang, 2018; Yang & Modell, 2015).

Frame blending involves iteratively engaging with and combining different frames to 'bridge' old and new meaning structures by drawing analogies between them. Blending creates frame alignment by satisfying the interests of multiple groups in a field, as in the case of Chinese state-owned enterprises (Modell & Yang, 2018) where a combination of Western and Chinese framings of governance has been implemented. By preserving the heterogeneity of old and new meaning structures, frame blending tends to lead to relatively weak settlements representing negotiated compromises between the interests of multiple field actors (Cornelissen & Werner, 2014; Modell, 2019). *Frame shifting* involves establishing new meaning structures by promoting alternative frames that contrast with existing frames. Frame shifting involves actively querying existing frames, departing from existing meaning structures in the field, and pursuing differentiation to establish new meaning structures. Reinecke and Ansari (2016), for example, described how social movements engaged in frame shifting to hold businesses (rather than the state) responsible for a humanitarian crisis.

The existence of multiple frames often leads to framing contests (Kaplan, 2008) whereby existing relationships between different frames are challenged, reconfigured, or transposed until differences are settled and a new alignment is established (e.g. Modell & Yang, 2018; O'Sullivan & O'Dwyer, 2015). When disagreements between different groups in a field cannot be resolved through frame blending or frame shifting, *frame decoupling* refers to the separation of competing frames in order to enable the coexistence of different frames. Frame decoupling is different from frame shifting and blending in that it neither aims at replacing nor reconciling different conceptions of, for instance, professional work and identity, but rather attempts to preserve their distinctiveness in order to end or avoid conflicts between competing field actors (Modell, 2001, 2019). Put differently, rather than trying to impose the dominant frame on others, actors 'agree to disagree'. In this way, frame decoupling balances different actors' interests and ends ongoing framing contests, leaves room for competing meaning structures and thereby often stabilises heterogeneity (Gray et al., 2015; Modell, 2001, 2019).

We study the mechanisms underlying the emergence and settlement of social conflicts by considering the development of the local SAF of German auditing. More specifically, we focus on how the field's IGUs frame the issue of audit quality control. Given their central role in field governance and field stability, we suggest that an IGU's framing strategies play an important role in (de)stabilising a SAF. We show the multifaceted field dynamics associated with the introduction of external quality controls and the resulting intra-professional conflict in the field of German auditing. The local framing of an 'issue of concern' (O'Sullivan & O'Dwyer, 2015, p. 45), which arose out of the broader environment of the SAF of German auditing, was shaped by the frame blending strategy of two traditional IGUs. We explain how this frame blending strategy eventually polarised the field, leading to the foundation of a novel professional association and a bitter framing contest which shaped the field of German auditing.

Research Method

To investigate the multiple actors' framing strategies in a local SAF, we conducted a historically informed case study (e.g. Caramanis, 2002; Evans, 2018a; Yang & Modell, 2015). To obtain a thorough understanding of the chain of events, we relied on a variety of data sources and used a triangulation research methodology (Denzin, 2009).

Data Collection

Between January 2010 and August 2018, we conducted 61 interviews with 57 different individuals. Each lasted between 35 and 200 min, with an average length of 80 min. Most of our interviewees had extensive experience in the politics of German auditing and had held various key positions in state authorities as well as professional and regulatory bodies (see Appendix A for detailed information about the interviews). To follow the development of intra-professional conflict, we interviewed some informants on more than one occasion. This provided opportunities for respondents to validate our emerging interpretations. The majority of interviews coincided with a particularly intense period of professional conflict. Thus, we aimed to not only solicit retrospective accounts of the developments and dynamics surrounding intra-professional conflict, but also capture real-time interpretations and insights. All interviews were semi-structured and included questions about changes within the field, the prospective development of the profession, and the interplay between the various IGUs. We aimed to identify events that influenced the profession, and how members of different professional segments interpreted them. With participants' permission, we recorded all but 17 interviews. We also took extensive notes during and after each interview.

Our archival materials and documentary evidence fell into three categories (see Appendix B). First, we examined annual reports, newsletters, and trade magazines published by the professional associations and regulative agencies between 1998 and 2018 (126 documents, 1,998 pages in total). Second, we analysed transcripts of debates in the German parliament with regard to the audit profession (6 documents, 156 pages in total). Third, we obtained access to the internal minutes of the IDW, which allowed us to follow debates within the professional association (30 documents, 736 pages in total). We used the archival materials to validate key events, obtain additional insights into changes and debates in the profession, and triangulate the interviewees' accounts of dynamics with textual sources dating back to the actual events.

Data Analysis

Our data analysis proceeded as follows. Throughout our field work, we used a relatively open-ended coding scheme to continuously code our interview data, and compare our emerging insights with documentary evidence.³ This step allowed us to develop a detailed chronological map of actors, events, triggers, interactions, and changes during our event window (1998–2018). Throughout this process, we moved iteratively between our data sources, the generated themes, and emerging theoretical concepts. Once it became clear that the implementation of external quality control was a strategic and contested field-issue, which not only brought together various field constituents, but also had the capacity to (re)define the German audit professional (Hoffman, 1999; O'Sullivan & O'Dwyer, 2015) the theory of SAFs was identified as a helpful analytical lens for interpreting our data. We therefore re-examined our draft using the analytical frame provided by the theory of SAFs, focusing particularly on the different framing strategies employed by the professional associations in the evolution of the German field of auditing.

Our analysis benefitted from deep engagement with the field (Gioia & Thomas, 1996; Jones & Bartunek, 2020). More precisely, one of the authors provided expert opinions during parliamentary debates on legislation and regulatory initiatives during the event window. Having followed the events from the very beginning, this member of the research team was able to shed a more

³This paper has its roots in two, initially independent, larger research projects on the German audit profession. By contrasting insights from both research projects, we engaged in what might be called 'second-order-triangulation', as we were able to compare our independent findings, develop a joint understanding of actions and dynamics within the profession over time, and eventually validate our primary interpretation of the material.

nuanced light on context-specific meanings and actors' interpretations of certain events, while the other two members of the research team assumed the role of theoretically informed 'outsiders' (Modell & Yang, 2018, p. 6), examining these interpretations from a more etic perspective (Lukka & Modell, 2010).

Through this abductive analysis (Lukka & Modell, 2010), we began to order our observations along the distinct phases that typically characterise the evolution of SAFs: initial destabilising changes, episode of contention, and institutional settlement (similarly, Modell & Yang, 2018). In SAFs, changes often occur in response to destabilising changes in broader social contexts. These may take the form of exogenous shocks, such as economic or social crises, but may also occur through more incremental change processes whereby novel issues emerge in other fields and spill over to the focal field. Such destabilising changes often feed into episodes of contention, as different field actors openly vie for influence over field governance. This is followed by a state of institutional settlement where actors (partially) accept the new mode of field governance. Table 1 summarises key events and the strategies of frame shifting, frame blending, and frame decoupling pursued by different IGUs across the three analytical phases.

In the next section, before presenting the case narrative, we provide a brief history of the development of the field of German auditing. This provides the background necessary for understanding the episodes of intra-professional conflict between large audit firms on the one hand, and small audit firms and sole practitioners on the other hand.

Intra-professional Conflict in the Field of German Auditing

Intra-professional conflict is not a new phenomenon in the field of German auditing. Controversies about professional jurisdiction, representation, and identity have shaped the profession's history since the late nineteenth century.⁴ At this time, audit services, which were still voluntary, were provided by individual practitioners (*Bücherrevisoren*) and trust companies (*Treuhandgesellschaften*), most of which were owned by banks or commercial groups. The former consisted of an 'eclectic mix' of licensed and non-licensed auditors with often 'dubious qualifications' (Evans, 2018a, p. 691).

By the end of the nineteenth century, various corporate collapses revived debates on the quality of audit services, and the licensing of auditors developed into a 'marketing advantage' (Evans, 2018a, p. 691). Responding to the threat of loss of status and economic opportunities, non-licensed auditors mobilised and established the very first association of German auditors in 1896 (*Verband Berliner Bücherrevisoren*). Competition further intensified when also trust companies began to offer audit services to the general public in the early twentieth century (Evans, 2003; Quick, 2005). In response, licensed auditors took over the existing association of non-licensed auditors, and began to engage in sharp attacks against trust companies, calling them 'obedient servants of capitalist-speculative interests' (Beigel, 1924; cited by Evans, 2003, p. 47) that do not share any similarities with the 'honorable German Bücherrevisor' (Evans, 2018a, p. 696).⁵

Professional heterogeneity increased further when both small and large trust companies soon established their own professional associations to better represent their interests to relevant

⁴Here, we briefly sketch episodes of intra-professional conflict in the German audit profession. For detailed analyses of the history of German auditing, see Evans (2003, 2005, 2018a), Evans and Honold (2007), Loscher (2016) and Quick (2005).

⁵Evans (2005) provided various examples of practitioner writings at the time that were filled with political rhetoric against the trust companies. Interestingly, these arguments, taken mainly from 'the sphere of the Marxist struggle', for instance, accusing trust companies of having been founded by banks as 'new devilish means', closely resemble those that were used against Big 4 audit firms in our case.

Table 1. The Evolution of the SAF of German Auditing

Analytical phase	Destabilising changes: Peer review introduction	Episode of contention: Mobilising resistance	Towards settlement: The entrenchment of professional fragmentation
Time period	1998–2005	2005–2011	2011–2018
Key events	Adoption of the ISA and pressure on Big 4 to adapt peer review.	Foundation of wp.net.	Victory of wp.net in the 2011 election, strongest party in 2014 and 2018. In 2014, coalition of Big 4 and IDW is dominant in the WPK; continuous struggles with wp.net.
	Certificate of attendance necessary to conduct statutory audits.	Hearing on peer review in German parliament and open opposition of wp.net.	Coalition formed with representatives of all segments after 2018 election; movement towards settlement.
	A significant number of SMAs left the audit market because they did not apply for a certificate of attendance.	New election system established in the profession based on absentee votes.	Quality review system evaluated with regard to the needs of SMAs.
Frame blending	IDW and WPK engaged in blending traditional frames with international frames.		
Frame shifting		wp.net framed changes as an attempt to purge the audit market and questioned the legitimacy of the close cooperation between the IDW and WPK; wp.net framed the WPK elections as undemocratic and unfair.	Cycle of attacks and counterattacks between wp.net and the IDW as they tried to implement their own frames of the profession.
Frame decoupling			Beginning to replace the frame of a unified, homogeneous profession with a frame of distinct professional segments.
Role of IGUs	The IDW and WPK worked as co-governance units in promoting changes to the profession	The role of IGUs (WPK and IDW) is increasingly undermined by wp.net's alternative vision of professional governance; crisis after wp.net's victory in the WPK election.	The WPK with governance function, wp.net as representative body of the segment of small audit firms, and IDW fulfilling functions of both representation and governance.

authorities and the public (Evans, 2003; Gietzmann & Quick, 1998). As a result, multiple professional associations held competing views on the organization of the profession, and were in disagreement about whether and how the quality of auditing needed to be assured. Eventually, in 1931, and in response to the economic crisis of the 1920s, some unexpected collapses of large corporations and because of increasing encroachment of international audit firms, statutory audits for stock corporations (*Aktiengesellschaften*) were introduced (Gietzmann & Quick, 1998; Quick, 2005). The state formally unified the different professional segments by establishing the ‘*Wirtschaftsprüfer*’ profession, represented and organised by the newly created professional association: the Institute of Auditors (*Institut der Wirtschaftsprüfer*, IDW).⁶ For the first time, the heterogeneous understandings and practices of individual auditors, medium-sized audit firms, and large audit firms were concealed within a unified regulatory structure and label.

After the Second World War, a legislative process which was initiated to create a new legal framework and a public Chamber of Auditors (*Wirtschaftsprüferkammer*, WPK) created again tensions between different professional segments. Sole practitioners lobbied to prevent audit corporations from joining the chamber, arguing that ‘commercialised and anonymous corporations’ would be atypical for a liberal profession (Ganster, 2000, p. 563). Nevertheless, in 1961, the legislature established the WPK, granting membership to individual auditors *and* audit corporations. The WPK was established as a public self-regulatory body with mandatory membership. It was responsible for professional education, examination and licensing, and quality oversight. Thus, starting in 1961, the field of German auditing would be held together by two internal governance units; the WPK, a state-imposed but self-regulatory entity, which was formally established to ‘create a more level playing field for all members . . . [by being] a neutral arbiter of field relations’ (Fligstein & McAdam, 2012, p. 78); and the IDW, an archetypical, voluntary professional association.

Although the organisations formally represented two separate units established with different field roles and identities, the relationship between the IDW and WPK quickly evolved into one of close cooperation. The two organisations initially used the same facilities, were occasionally headed by the same general manager, and often auditors served on committees of both organisations simultaneously (Markus, 1997). In addition, both organisations were influenced by large audit firms’ interests, since the professional voting system was based on the number of employed auditors, which effectively granted control to the large audit firms (e.g. Koch, 1957; Lenz, 2014). In this way, although the German system was formally established as a dual system with the WPK and IDW fulfilling clearly distinct functions for the audit profession, their role and identities were becoming increasingly blurred.

On the one hand, rather than only fulfilling a function of representation, the IDW maintained its leading role in adjudicating on matters regarding fundamental accounting principles. In particular, it was responsible for the publication of auditing standards (*Facharbeit*). This was an important task which was delegated to the IDW by the WPK because of its historical development and associated expertise. This helped develop and maintain a ‘parallel authority’ (Puxty et al., 1987, p. 284) within the profession.⁷ The WPK, on the other hand, developed a ‘comfortable relationship’ with the profession and was frequently described as a ‘faithful advocate’ rather than an overseer (Dykxhoorn & Sinning, 1992, p. 87, 88). Put differently, the two primary functions of the organisations – advocating for and regulating the profession – became ‘practically inseparable and indiscernible’ (Harston, 1993, p. 156).

⁶Having an auditing profession rather than an accounting profession expresses the primary purpose and function, that the state wanted the profession to perform for society, namely, auditing (Vieten, 1995).

⁷Dykxhoorn and Sinning (1992), for instance, revealed how the German codified auditing standards resulted entirely from the IDW’s efforts.

Underlying this alliance was a shared understanding of a united profession. This was translated and diffused within the field through the dictum ‘an audit is an audit’. This collective frame reminded members of the profession that ‘audit quality’ should not be seen as a function of organisational size or structure: no material difference exists between the work of self-employed practitioners, small and medium-sized audit firms (SMAs), and the Big 4 firms. A former WPK president explained:

The idea that an audit of big corporations has, in principle, the same requirements as an audit of small and medium-sized clients: an independent and personal judgment by the auditor that is not monitored by other parties . . . And if you see things from that perspective, the answer is immediately clear: There is no reason to divide the profession. Two different types of German auditors don’t exist! (Interviewee #27)

The majority of large and small firms shared these sentiments. The IDW and WPK frequently invoked this as well, as illustrated in the following quote:

The necessary audit quality should be always the same, irrespective of the audit client’s size, the legal form taken by his business or the extent to which he uses the capital market. This means that we should strive to keep the auditing profession unified and should prevent it from becoming split into two. (WPK 01/1997)

The shared understanding of a united profession represented a unifying force, which kept the different actors in the SAF of German auditing together.⁸ However, from the 1980s, the professional distance between Big 4 audit firms and small audit firms began to increase. To support the internationalisation endeavours of their clients, large audit firms had to reach a ‘critical mass’ (Markus, 1997, p. 157) and develop an international presence by merging with international or national partners. The continuous movement of large firms towards an expanding transnational accounting field was accompanied by regulatory changes. Laws and regulations were passed to align the ‘anachronistic German model of corporate governance’ (Cioffi, 2002, p. 359) with global standards of global equity markets. Faced with a need to internationalise their standards, larger audit firms increasingly needed to use their dominance within the IDW and WPK to adapt international practices to the German context.

It is against this background, where different professional segments had always existed, but had been successfully ‘managed’ by two governance units, dominated by large firms, that we examine the interplay of multiple framing strategies of IGUs to make sense of regulatory change arising from outside the local field of German auditing. Here, we show how the field’s traditional IGUs’ efforts to prevent ‘segments’ communicating’ (De Beelde, 2002, p. 461) with state authorities and the wider public became increasingly difficult by the turn of the century, and how their decreasing capacity to hold together drifting apart professional segments eventually resulted in the establishment of a second professional association, which fundamentally affected the governance of the SAF of German auditing.

Case Narrative

In the following section, we present the results of our analysis. The section is divided into three phases and traces the chronology of events from 1998 to 2018.

⁸In the 1980s, the perception of a one-tier profession became partially scrutinized when the 7th and 8th EU company law directives were implemented into German law, granting tax advisors and lawyers the legal right to qualify as ‘sworn-in’ auditors (vereidigte Buchprüfer). Although, after qualifying as sworn-in auditors, they could carry out statutory financial audits for mid-sized limited liability companies (*Gesellschaft mit beschränkter Haftung, GmbH*), they overwhelmingly provided non-statutory auditing, accountancy and taxation services for their clients. Evans and Honold (2007) provide a detailed analysis of this conflict between the auditing profession and the ‘accounting periphery’ (Evans & Honold, 2007, p. 71). In order to ‘restore the unity of the auditing profession’ (German Parliament, 2003, p. 26), this second pathway to professional membership was closed again in 2004.

Destabilising Changes: The Introduction of Quality Control (1998–2005)

In 1998, the IDW translated the International Standards on Auditing (ISA) into German. Beyond a literal translation, the IDW adjusted the ISA to national peculiarities. These were formally transformed into the German Generally Accepted Standards on Auditing, making Germany one of the first European countries to adopt global auditing regulations. The traditional idea that auditors use their professional judgment to select appropriate procedures to secure audit quality gave way to detailed checklists and auditing standards. As recalled by a member of the IDW board of directors, the new norms represented a major change in professional work:

I remember that time [at the end of the 1990s] very well. In the professional news bulletins from the IDW, you received a new standard that had been transformed in each issue—this was a gigantic change for the profession. Previously, you had three expert opinions and then you had a transposition of the entire ISA into German Audit Standards. That was a direct intervention in real audit practices. (Interviewee #13)

The adoption of the ISA was accompanied by debates on external quality control instruments, in particular, peer reviews. By the late 1990s, Germany was among the very few countries that had no formal peer review system.⁹ Once German auditors passed their examinations (*Wirtschaftsprüferexamen*), they were only reviewed by the profession in cases of severe breaches of their professional duties. However, when the International Federation of Accountants stipulated that all members must have a mandatory peer review system (Federation of European Accountants, 1998), the lack of formal quality control procedures became a competitive disadvantage for large German audit firms. Pressure increased when U.S. regulators set a February 1998 deadline for audit firms with clients listed on the NASDAQ to undergo external quality controls. In the IDW, representatives of large audit firms soon began to campaign for a mandatory external quality control system for statutory auditors who served publicly-traded clients. Complying with international standards was absolutely necessary to remain in their international networks and maintain international competitiveness.

Following debates between the IDW and large firms, the IDW and WPK established a ‘Committee on Quality Assurance’ to discuss the design of a formal peer review system. The committee was comprised of 11 members, 6 of whom were representatives of large audit firms. As members of international accounting networks, large firms had to comply with quality standards of their U.S. partner firms. These firms thus already possessed an internal quality control infrastructure. To better align with global regulatory standards and reduce the gap between the German and U.S. systems, large firms and the IDW advocated copying the U.S. peer review system. To convince skeptical members of the profession, representatives of large accounting firms and the IDW used the WPK’s member journal to tout the U.S. system as the ‘system with the best global reputation’ (Dörner, 1999, p. 127). The liberal design of the US system would very ‘effectively match’ the local tradition of self-regulation (Marks & Schmidt, 1998, p. 980). Moreover, the peer review system was presented as a ‘perfect marketing tool’ (Interviewee #37) that could be used, especially by non-Big 4 firms, to demonstrate high audit quality:

Only the compliance with uniform and high quality requirements for professional practice can ensure the competitiveness of small- and medium sized audit firms. An auditor’s clients rely on the fact that this work is subject to the same high quality requirements regardless of whether the auditor comes from a large company or from a medium-sized or smaller practice. (IDW Annual Meeting, 2001)

⁹This may be explained by German banks’ traditional ‘universalistic role’ (Gietzmann & Quick, 1998, p. 86) as lenders, underwriters as well as supervisory board representatives, that guaranteed them privileged access to corporations’ financial information. In contrast to Anglo-Saxon countries, German audit firms were therefore not perceived as ‘ultimate safeguards of corporate governance’ (Gietzmann & Quick, 1998, p. 100), and, while, for instance, in the US, a peer review system for audit firms was already introduced in the 1970s (e.g., Löhlein, 2016), debates on external quality schemes remained largely absent in the German context until the late 1990s.

Eventually, in November 1998, the committee announced its approval of the IDW's proposal. The system of External Quality Control (*Externe Qualitätskontrollen*) was established. To avoid the risk that differences in the system's procedures could undermine the perception of a single unified profession, the WPK made the system obligatory for all statutory audits and did not differentiate between large and small audit firms or public and private clients. As a former WPK management board member recalled, representatives of small audit firms discussed this issue controversially:

We discussed this intensively and for a long time. Of course, it was clear: Should we make two categories—for example, in the sense that only auditors who audit capital market-oriented companies are subject to a peer review? Indeed, some of the smaller auditors adhered to this point of view. But other small auditors rejected the idea simply because they did not want to establish a first and second class of auditors. (Interviewee #10)

The act further stipulated that a certificate (*Teilnahmebescheinigung*) confirming an audit firm's successful participation in the quality control system would be a prerequisite for conducting statutory audits. A firm had to have this certificate in order to perform audits for publicly-traded clients for fiscal years beginning after December 31, 2002; for all other clients, the certificate was required for audits beginning after December 31, 2005. Although the introduction of the peer review system was motivated by a desire to maintain a unified profession, the certificate of attendance represented a significant modification of professional work. Previously, auditors who had passed the statutory examination possessed a lifetime license to conduct statutory audits. Now, they had to reapply for a license every 3 years. For the first time, a German auditor did not automatically have the right to conduct a statutory audit. And yet, this was called a necessity in face of global requirements:

The advancing globalization of the capital markets does not stop at the gates of auditing. This not only affects the Big 4, which are integrated in international networks and audit multinational companies. This also has an impact on SMAs, as their clients are increasingly opening up to foreign investors. (WPK Report, 2002)

The adoption of the ISA and the introduction of a mandatory quality monitoring system impacted different segments of the profession differently. For large firms, alignment with international standards facilitated the transfer of services across member firms, as they could build on existing global work standards and quality control systems. Because it addressed public quality concerns and legitimated audit practices, which were systematic and involved the rule-based delegation of audit tasks from auditors to junior staff, the review system aligned well with large audit firms' needs. By the end of 2002, all large and some medium-sized companies with publicly-traded audit clients had successfully passed their first quality reviews. The quality system seemed 'to be working well and as intended' (2002 Annual Report of the Commission for Quality Control, *Kommission für Qualitätskontrolle*).

However, for smaller audit firms, professional work had changed more substantially, mostly in contrast to the expectations of committee representatives. The established quality control system enforced the adoption of ISA as the new set of professional standards. The quality of established work practices was now measured against abstract standards created mainly for large corporations rather than small and medium-sized firms. Due to their long-term relationships with mostly regional clients, the majority of self-employed practitioners had no experience with formal external quality controls; moreover, they did not have the documentation systems which were necessary for dealing with the internal controls designed for audits of public interest entities. These practitioners had to create entirely new quality control systems to formally document audit procedures that were already functioning relatively efficiently (Heininger & Bertram, 2003). A member of the IDW's executive board acknowledged:

It is also true, according to my observation, that the burdens tend to be heavier for smaller and medium-sized practices than for larger units. This can be explained by the fact that expenses for organizational changes, the

development of specialist know-how, etc., often, to a large extent, have the character of fixed costs for which a much narrower distribution basis is available for smaller units in the profession. (IDW Annual Meeting, 2005)

Although the first debates about the higher burden for small audit firms had begun to emerge, the consequences of redefining professional work remained largely hidden, as smaller firms were allotted more time to pass their first quality reviews (until 2005). By the end of 2004, very few sole practitioners and small audit firms had participated in the quality control system.

In this phase, we see how the Big 4 firms experienced increased pressure to adapt to global standards of professional work. The WPK responded tentatively at first by opposing the implementation of a mandatory quality control system. This was accomplished by pursuing the German profession's traditional 'defense strategy' (Evans & Honold, 2007, p. 80) which emphasised the high standards of professional training and education. Dominated by the Big 4, the IDW took the lead to actively promote the new standards, blending local frames of a unified and high-quality producing profession with an international frame of standardisation and external quality control. To maintain the homogeneous self-image of its membership, the WPK followed suit and soon joined and reinforced the IDW's frame blending strategy (Cornelissen & Werner, 2014; Modell, 2019). In doing so, the 'audit establishment' (Malsch & Gendron, 2011) had successfully imposed a new conception of appropriate professional work.

Episode of Contention: Mobilising Resistance (2005–2011)

2005 marked the deadline for the SMA's first quality control deadline, and a 'shock wave' ran through the segment of small auditors (wp.net Newsletter 2009/1). SMAs realised that the term 'unified profession' used by the WPK and IDW meant that they had to either fulfil quality control requirements like the Big 4 firms or stop delivering statutory audits. The resulting difficulties for small auditors were exacerbated by the fact that the IDW's first manual on quality controls was based on a (English) Big 4 manual and not tailored to the needs of small audit firms. Against this background, in January 2005, 11 self-employed practitioners established a new professional association, wp.net, to exclusively represent the interests of SMAs.

In its statute, the new association explicitly distanced itself from the Big 4 firms, and characterised itself as an association of German auditors who 'are self-employed or work in a partnership of an entrepreneurial nature and are not organised in a big accounting firm or network' (wp.net Statute). From the beginning, the rhetoric of wp.net therefore built on the traditional understanding of German professionalism, utilising terms such as self-responsibility, self-regulation, liberal profession, and public trust. In a press statement, wp.net summarised this view:

We want to remain what we are and in line with what we have sworn to do: auditors who, in fulfilment of their public duties, give an independent, incorruptible, and trustworthy opinion on a company's financial statements. (wp.net Press Statement 05/2013)

Quickly, the new association began to address the issue of quality control by attacking the 'marketing tool' narrative. Wp.net labelled the introduction of this 'marketing tool' as a plan by the WPK and the IDW to 'purge' the audit market of smaller audit firms: 'Don't react by abandoning auditing, as the big players in the industry hope' (wp.net Newsletter 4/2005). The accusation of a planned market shakeout was frequently repeated in members' newsletters and annual reports. Consequently, wp.net established a narrative that likened SMAs to David fighting Goliath, and described SMAs as being suppressed and dominated by the Big 4. The president of wp.net stated:

With the help of the argument that the small auditors have not passed the peer review, the way will be paved for large audit firms to take over audit clients who will be available because of over-bureaucratization. (wp.net's President, in Engelken, 2005)

In particular, wp.net claimed that the standards regarding quality controls should explicitly consider the principle of proportionality (*Verhältnismäßigkeitsprinzip*). Debates became more heated in June 2006, when the European Directive on Statutory Audits of Annual Accounts and Consolidated Accounts was released. The fact that the directive used the term ‘review’ rather than ‘control’ was used by wp.net as proof that the IDW had deliberately overstepped the mark when establishing the German ‘Qualitätskontrollsystem’. Emphasising the linguistic difference between ‘control’ and ‘review’, wp.net accused the IDW and WPK of deliberately mistranslating ‘review’ as a form of surveillance in order to push a restrictive notion of ‘peer review’. As a result, wp.net positioned itself in direct opposition to the IDW, questioning the legitimacy of its proposals:

Does this committee of the IDW [responsible for issuing the guidelines as audit standards] have legitimacy for binding technical rules in this composition? It goes without saying that appointment to this committee is not based on any democratic legitimisation (wp.net Newsletter 10/2006).

When wp.net began to actively function as a professional association representing SMAs, the IDW could no longer claim to be the sole representative of the profession. This politicisation of the field became obvious during a hearing on the quality control system in German parliament. Being invited to a consultative hearing for the first time was seen as ‘the crowning of our political efforts’ (wp.net Newsletter 02/2007). During the hearing, wp.net criticised the overly bureaucratic quality control system and argued that the state should protect small audit firms from unfair competition from the Big 4. The hearing provided an opportunity for wp.net to publicly demonstrate its oppositional role within the profession and refute the notion that the IDW equally represented all auditors.

After establishing itself as a legitimate professional association, wp.net increasingly began to claim influence in the field’s IGU, the WPK. Given the WPK’s role and large firms’ traditional dominance within the organisation, one objective of wp.net was to achieve representation in the WPK. At that time, only members who attended the WPK’s general meeting in person had the right to vote; however, it was possible for a member attending the meeting to exercise proxy votes for up to six absent members. This electoral design resulted in very low voter turnouts (e.g. only 19% in 2008). Moreover, wp.net claimed this system provided an advantage for Big 4 firms, which were able to systematically organise votes for their candidates. The election system represented a serious obstacle for smaller auditors, who wished to turn their political dissatisfaction into political participation. Changing the election system therefore became a major priority for wp.net. As its founder stated: ‘With this election system, we could never have changed anything – that was clear. We needed to change these rules – that is, introduce proxy votes’ (Interviewee #28).

Hence, wp.net began to undermine the election system by establishing a narrative against the established process in which the IDW had a major influence on who would be nominated for the election. Wp.net pointed to the relationship between the IDW and the Big 4:

Why is the IDW so little oriented toward SMAs? Who pays the piper, calls the tune! This wisdom apparently also applies to the IDW. The IDW refuses to disclose the contributions of all Big 4 companies and their subsidiaries . . . When it comes to appointing members to the committees, securing Big 4 power is the top priority. (wp.net Journal 1/2011).

In communications, wp.net declared that the control exerted by the dominant coalition of large firms resulted in *undemocratic*, *unequal*, and *unfair* elections. During a discussion at the WPK’s Assembly in 2005, a Big 4 representative stated, ‘We don’t like surprises!’ (wp.net Journal 10/2007), thus implicitly acknowledging the Big 4’s strong influence in the election process. In various newsletters, wp.net repeatedly mobilised this statement. The president of wp.net viewed this as a systematic problem of politics and a power play by the Big 4 to dominate the market,

stating: ‘Whoever designs the rules of the game wins the game. That’s why rules exist’ (wp.net Journal 2013/1). In this way, wp.net framed the issue of absentee voting rights as a central step in establishing a democratic situation in the profession; they also characterised the dominant coalition as unwilling to change the election law. In 2007, wp.net prepared a preliminary proposal for a new election system. The WPK discredited the proposal and argued that the traditional election law was a central element of the chamber’s self-regulation. The proposal was eventually rejected by the majority of board members in the WPK Assembly in 2008. In other words, despite growing membership numbers, wp.net’s attempts to give voice to SMAs were blocked by the traditional hierarchical field structures of the field’s dominant actors.

In response, wp.net began to extend its efforts and asked auditors to attend local ‘*jour fixe*’ – regular informational meetings held by the WPK throughout the country – and to express their dissatisfaction. The WPK described the meetings in its official bulletin:

In part, we had very lively discussions . . . These discussions were mainly led by groups that also criticize occupational policies on other occasions in their publications, namely wp.net . . . Sometimes they had an inappropriate way of saying things. In some cases, the claims were simply wrong. (WPK Annual Report, 2009)

Yet, a growing number of auditors demanded changes to the electoral system, which placed increasing pressure on the IDW and WPK. Given the growing number of auditors demanding changes, traditional IGUs were no longer able to claim that they represented the interests of the entire profession and that the electoral system was fairly balanced. Wp.net also approached the Federal Ministry of Economics. However, the Ministry refrained from intervening because of the country’s strong tradition of professional self-regulation. In light of the WPK’s opposition to reforming the electoral system and the Ministry’s passive stance, wp.net contacted members of the Federal Parliament and described the undemocratic practices in the professional electoral system:

Even if a list [of candidates] other than the current WPK list were to receive 49% of the votes, those votes would go away empty-handed in the procedure sought by the WPK—i.e. they would not receive a single seat in Parliament. (wp.net Journal 1/2011)

Eventually, in 2010, the Ministry invited representatives of the WPK, the IDW, and wp.net to discuss possible reforms to the electoral system. During the discussion, wp.net convinced the Ministry to draft a law to establish absentee voting rights, likely invoking an argument similar to the one reflected in this publicly available quote in its member magazine:

wp.net does not want a backroom democracy. The postal ballot is the linchpin of an effective control of the Big 4 companies! Elections in a self-governing body by means of proxies are a post-democratic farce (wp.net Journal 1/2009).

In the end, the Ministry agreed to change the WPK’s electoral system. Once the German parliament passed the amendments to the German Public Accountants Act (WPO), the WPK changed its statutes and electoral regulations in January 2011. The next elections for the WPK advisory committee were scheduled for June 2011,¹⁰ and wp.net organised an intense election campaign against the IDW, the WPK, and the Big 4. For example, wp.net questioned the legitimacy of the Big 4 in providing statutory audits:

The fact that the profession may be exercised at all in a Big 4 is in itself a contradiction to the noble principles of statutory audits as a public office . . . to document personal responsibility, the audit work [in Big 4 firms is] bureaucratized and aligned with checklists . . . [which] replaces the morality of the statutory auditors who have taken an oath . . . The expropriation of the individual’s right to an autonomous moral auditor’s opinion, which manifests itself in the legal demand for personal responsibility (*Eigenverantwortlichkeit*) must be reversed. (wp.net Journal 1/2011)

¹⁰The advisory board of the WPK consists entirely of representatives elected to the chamber; the management board is elected by members of the advisory board, controls the WPK’s initiatives and tasks, and represents it externally.

The election campaign strongly polarised the field, and wp.net problematised the close connections between the IDW, the WPK, and the Big 4. They accused the WPK of failing to neutrally represent the interests of the entire profession, and of intentionally understating the number of audit firms and sole practitioners who had left the market as a result of the quality control system. The IDW and Big 4 remained fairly calm and trusted in their larger member numbers. Whereas more than 13,000 auditors were members of the IDW, wp.net still had fewer than 1,000. The conflicts between the WPK and the IDW on the one hand, and wp.net on the other hand, intensified when leading figures who were closely associated with the IDW refused to compile a slate of candidates that included both IDW and wp.net members. For the first time, the audit profession had to choose between two slates of candidates.

In July 2011, the WPK announced the official result: wp.net won the election with 52% of all votes. Voter turnout was 50.2%. This sharp increase of 30 percentage points over the 2008 election was attributed to absentee voting by mail. Under the majority voting system, all 51 seats on the Advisory Board were filled exclusively by wp.net representatives. Michael Gschrei, founder of wp.net, became the WPK's president. The vibrant rhetoric and emotions associated with the conflict in the field had manifested as political change in the professional governance system. The Big 4 were 'shocked' (Big 4 Executive, Interviewee #6). For the first time in the profession's history, the WPK's managing body did not include representatives of the Big 4 and the IDW; a 'palace revolt', as it was likened by the media, had taken place (Jahn, 2011; Wadewitz, 2011).

In summary, events during this phase reveal a disconnect between the IGU's blending strategy and the day-to-day reality of small audit firms and sole practitioners. Established as instrument for demonstrating the high quality of professional service delivery, quality control became a form of field governance that not only made the different types of professional visible, but also rendered the small audit firm's auditing practice inferior. This moment of 'frame-breaking' (Feront & Bertels, 2019, p. 3) mobilised the segments of small auditors around the establishment of a new professional association. As new field actor, wp.net engaged in frame shifting by mobilising an alternative frame that restructured the expectations and experiences of small auditors. Frame shifting amplified latent tensions within the blended frame, and revealed the incompatibility and inconsistency of distinct elements (e.g. standardisation vs. uniqueness; commercialisation vs. professionalism) which had been blended together by the IDW and WPK during the first phase. In this way, wp.net's frame shifting strategy attempted to rebuild the identity of the German professional auditor and revive 'the soul of audit professionalism' (Hazgui & Malsch, 2019, p. 2). By developing alternative framings on the changes implemented by the WPK and IDW, wp.net also undermined the ability of the field's IGUs to fulfil their traditional roles. When wp.net won the WPK election, the field was thrown into crisis and the traditional mode of field governance was torn away.

Towards Settlement: The Entrenchment of Professional Fragmentation (2011–2018)

The first months under the leadership of wp.net were shaped by internal quarrels between wp.net representatives on the WPK's advisory board. More radical members wanted to position the WPK in direct opposition to the IDW, while more moderate members argued for a more consensual relationship. After publicly accusing moderate representatives of supporting opaque relations among the WPK, the IDW, and the regulator, the WPK's new president (the founder of wp.net) resigned after only 6 months in office. Afterwards, internal conflict continued between moderate board members led by the newly elected president and more radical board members led by the founder of wp.net. As a result, most of wp.net's initiatives (e.g. quality control system reform, a mandatory schedule for audit fees, measures to increase transparency

of the oversight system) failed. The one initiative that was successful was an electoral system reform. In 2013, wp.net replaced the traditional winner-takes-all principle with a proportional representation system to assure that all segments of the profession would be represented in the WPK.

Finding itself without allies in the WPK for the first time, the IDW began to refocus its own activities on an initiative aimed at winning back the trust of SMAs. In November 2011, the IDW announced the ‘Initiative for SMAs’ (*Mittelstandsoffensive*), acknowledging that it had failed to address their specific needs in the past. It also organized seminars and distributed management handbooks to address SMAs’ specific needs, transformed the complex ISA regulations into SMA-compatible tools (e.g. IDW Audit Navigator, a scaled audit approach), and supported major audit software providers in developing SMA-compatible products. Wp.net answered this initiative by establishing a strategic partnership with an education provider for SMAs and developing its own guidelines, calling the IDW’s initiative a ‘fig leaf’.

By late 2013, all relevant actors were preparing for the next WPK elections in July 2014 by engaging in intense campaigning activities. For the first time, the IDW did not support a slate of candidates, and the Big 4 firms each created separate slates of candidates. Larger medium-sized companies (e.g. the Next 10) established the ‘Together for All’ initiative (*Initiative Gemeinsam für Alle*), which focused on transparent decisions in the chamber, stronger personal responsibility, and stronger self-regulation of German auditors. Without naming wp.net directly, the initiative claimed that intra-professional struggles were harmful and that a unified profession was key to protecting collective interests. Additionally, it argued that their slate of candidates was the most representative for SMAs, as it was ‘balanced in terms of the size and focus of its activities as well as its regional aspects’ (Together for All Initiative, 2014). Similar to previous years, wp.net focused its campaign strategy on delegitimizing the Big 4 firms, framing voting as an act of ‘democratic civil courage’ and claiming that the dominant system run by the WPK and regulators had characteristics of an ‘illegitimate tyranny’. This enabled wp.net to (re)position themselves as a bulwark against the commercialisation introduced by the international Big 4 firms and the only true representatives of the liberal profession. For the first time, different parties proposed different directions for the profession. The apparently homogeneous profession was divided into heterogeneous subgroups with different candidates representing SMAs, larger medium-sized firms, and each Big 4 firm.

Nearly 56% of members participated in the election, a sharp increase over prior elections. Although wp.net candidates secured the most votes (37%), the Big 4 (30%) and mid-tier firms (30%) formed a coalition and did not grant wp.net any seats on the WPK management board. Once again in the position of the opposition, wp.net engaged in constant attacks on WPK leadership. Wp.net positioned itself as the democratic voice of SMAs, trapped in a system ruled by a ‘bloc-party coalition’ (*Blockparteien*), and compared the alliance between the Big 4 and the ‘Together for All’ representatives with the former communist party of Germany. In addition, wp.net called for the simplification of quality review procedures for medium-sized practices, demanded that responsibility for technical work (e.g. the enactment of German auditing standards and translation of the ISA) be transferred from the IDW to the WPK, and proposed differentiating WPK membership fees based on size to more fairly distribute the financial burden. The coalition between the Big 4 and mid-tier firms responded by invoking professional values and calling wp.net obstructionist and unworthy of the profession, and pledged to maintain the unity of the audit profession, oversight and the established division of responsibilities between the WPK (professional examination) and the IDW (technical work such as audit standard setting).

The cycle of attacks and counterattacks lasted until the election of 2018. During the campaign, wp.net – with 1,000 members, an estimated budget of €350,000, low personnel capacity, and few material resources – relied on non-traditional tactics to mobilise its members. In addition to

its newsletters, wp.net harnessed the power of the internet; the organisation created a YouTube video¹¹ modelled after a Hollywood movie trailer that included heroic music and depicted the Big 4 as pirates and octopuses stealing money from the righteous before finally being defeated through the collective efforts of ‘normal’ citizens (the SMAs). The video, which framed the Big 4 as crooks, received approximately 1,800 views prior to the election. Moreover, several articles in the financial press (e.g. Becker, 2018; Jakobs, 2018) helped attract attention in the public sphere. For example, the *Handelsblatt*, the leading national newspaper on financial and economic matters, likened the intra-professional conflict to David’s battle against Goliath. A quote from Gschrei in the article – ‘The others have the money, but we have the majority’ (Jakobs, 2018) – implicitly depicted wp.net as democratic and the Big 4 as corrupt.

In the end, wp.net candidates received 45%, Big 4 candidates received 28%, and mid-tier firm candidates received 23% of the votes (WPK Magazin 3/2018). Given the lack of measurable results when wp.net had led the WPK, the significant increase in votes relative to the 2014 election reflected the dissatisfaction of smaller auditors with the most recent WPK leadership, which was comprised mainly of mid-tier and Big 4 auditors. The financial press described the election results as additional evidence of a split within the auditing profession (Giersberg, 2018). The speaker of the IDW described it as ‘fragmentation like in the German parliament’ and called for a new ‘unified profession’ that delivers high quality in every audit to avoid the threat of a two-tier profession (Naumann, 2018). Whereas it would have been possible to form another coalition against the election winner, this time the WPK board included wp.net representatives. In an editorial published after the 2018 election (WPK Magazin 3/2018), the re-elected president disclosed that representatives of all three subgroups had signed a statement of principles that established a renewed shared understanding based on common issues. The WPK thus was framed as an institution for balancing the interests of different segments and maintaining differentiation in the profession.

On the initiative of wp.net, the WPK established a committee to evaluate the German implementation of European regulations on external quality control for auditors. As a result of the committee’s work, the WPK decided to amend the Statutes for Quality Control (*Satzung für Qualitätskontrolle*). As summarised by the WPK’s president, the WPK revised its quality control guidelines ‘in the spirit of all interest groups’ and ‘especially from the viewpoint of small and medium-sized firms’ (WPK Magazin, 3/2019). These changes were intended to facilitate quality control for SMAs, and were depicted as first evidence of cooperation between the different interest groups within the chamber.

Overall, in this phase, the multiple framing strategies became increasingly interlocked, as no new hierarchical settlement between competing frames could be found. However, the presence of a strong and state-mandated regulatory system, formally governed by the WPK, prevented the emergence of an altogether different field. In an attempt to end the framing contest (Kaplan, 2008), IDW, WPK, and wp.net replaced the traditional frame of a unified, homogeneous profession with an understanding that acknowledged the *distinct* professional segments with different professional understandings and regulatory demands. Rather than attempting to reconcile different conceptions of professional work, this process of frame decoupling attempted to preserve ‘professional distinctiveness’ in order to calm the conflict between competing constituency demands (Modell, 2001; Modell, 2019). The SAF of German auditing had eventually become a set of sub-fields represented by separate professional associations with different conceptions of professional work and identity.

¹¹ See www.youtube.com/channel/UCHuaYNU81rWS36tamZi2GSw.

Concluding Discussion

The theory of SAFs highlights how the interaction of multiple field actors creates permanent field tensions, balanced or kept under control by the field's IGU (Fligstein & McAdam, 2012). Emphasising IGUs' capacity to develop and oversee compliance with field rules, scholars have focused primarily on their governance function. However, our case reveals the dual role of *governance* and *representation* fulfilled by some IGUs, including professional associations and self-regulatory bodies. Our findings suggest that the ability of IGUs to reconcile these (often incompatible) roles is conditioned by *actors' positions* in a SAF. In analysing our case, we have shown how large firms' straddling between the focal SAF and the transnational field of accounting, and small audit firms' strong embeddedness in the local field, created a specific field constellation that made it increasingly difficult for IGUs to simultaneously govern and represent.

When large audit firms needed to harmonise their working practices with international auditing rules, they used IGUs to change the local rules accordingly. WPK and IDW engaged in frame blending to maintain frame alignment between a set of increasingly heterogeneous field actors. Whereas the quality control system resonated with the practices of Big 4 audit firms, it broke with some of the field's core understandings of professionalism, and with the auditing routines embraced by small audit firms and individual practitioners. This left room for establishing wp.net to represent the interests of SMA. Consequently, wp.net engaged in an aggressive mode of frame shifting, which amplified the latent tensions between the established IGUs' roles, and revealed the incompatible and inconsistent values (from the small audit firms' perspectives), that had been blended previously. One particular component of wp.net's framing strategy involved its accusation that the audit establishment had deliberately mistranslated the term 'peer review' into 'quality control'. By illustrating the 'socio-cultural, subjective and ideological process' of accounting translations (Evans, 2018b, p. 1844), wp.net transformed 'peer review' from a neutral, pure technical concept into a political field issue, which mobilised small audit firms and sole practitioners around wp.net's attempt to restore the field's core identity. Importantly, wp.net's framing strategy was not only directed to make sense of *external* issues (Benford & Snow, 2000; Clune & O'Dwyer, 2020; Cornelissen & Werner, 2014; Werner & Cornelissen, 2014), but also to consolidate itself as a distinct 'claimsmaker' (Kaplan, 2008, p. 730) and legitimate field actor. Once legitimised to realign frames and influence how others see and interpret issues, wp.net established itself as IGU for the segment of small audit firms and individual practitioners. This suggests that framing is not only a relational, but also a strong self-referential process.

When wp.net eventually took over the WPK, the field of German auditing slipped into crisis; the new conception of field governance did no longer serve the interests of powerful actors (Fligstein & McAdam, 2012) and, perhaps more importantly, the IGUs' roles and identities became unclear, blurred and chaotic. The relationship between the established IGUs fell apart, the IDW lost its symbolic role of representing all members of the profession, and wp.net had to switch from a purely representative identity to one of 'neutral' governance. Therefore, the development towards (a rather fragile) field settlement that we observe in the last phase of our analysis was not only the result of a frame de-coupling, but also result of 'de-blurring' of IGU identities. The governance and representation functions became more separated amongst the different entities: The WPK partially restored its formal field role as a neutral and state-imposed IGU responsible for governance, the IDW repositioned itself publicly for embracing all segments more equally, and the wp.net's established its identity as a representative body for the small professional auditor.

Overall, we argue that when IGUs balance multiple and often conflicting field roles, as is often the case in the auditing context (e.g. Hazgui & Malsch, 2019; Morin & Hazgui, 2016), field tensions intensify. Increased cultural distance between the governed actors often results in 'multiple yet equally legitimate responses' (Greenwood et al., 2008, p. 11) to new field issues. In particular,

in a constellation of challenging actors which straddle the focal SAF and proximate fields, and actors embedded in the local field, the capacity of IGUs to maintain alignment among different field members' frames becomes increasingly difficult. As institutional settlement is never fully achieved, each novel field issue has the capacity to catalyse conflict at any time.

Our analysis offers contributions to the theory of SAF as well as to the accounting literature on intra-professional conflict. First, our analysis shows how interactions among multiple IGUs affected the field's evolution and reveals the complex role of IGUs within SAFs (Becker et al., 2020; Modell & Yang, 2018). Contrary to Fligstein and McAdam (2012), our case highlights that IGUs are not necessarily aligned with the interests of powerful field actors. Rather, the roles and positions of these IGUs varied as dominant and dominated field actors sought to co-opt them. The jockeying for influence in the focal SAF of German auditing eventually contributed to a lack of stable institutional settlement. Our case also points to the dual identity of particular IGUs, namely, professional associations that must fulfil the roles of field governance and representation. Specifically, it can be difficult for professional associations to fulfil both functions when powerful actors start straddling between fields, and 'disembed' themselves from traditional practices and understandings.

Second, our case complements prior research on intra-professional conflict in the audit profession. Whereas large firms' hegemonic domination of intra-professional dynamics has been explored extensively in prior research (Caramanis, 1999, 2002; Durocher et al., 2015; Malsch & Gendron, 2013; Ramirez, 2010; Stringfellow et al., 2015), our case points to the possibility of active opposition by small firms. Others have shown how 'small practices' are constructed as a category of inferior and stigmatised members (Ramirez, 2009, 2013) and noted that a range of institutions tend to 'categorize' and order the field of accounting firms under the premise that 'big is best' (Stringfellow et al., 2015, p. 91). We have shown how 'smallness' can be mobilised as an instrument of active resistance, carrying, re-invoking and thereby reconstructing professional identity around the image of the 'guardians of professional tradition' (Malsch & Gendron, 2013, p. 872). Thus, the typical connection between size and (legitimizing) hierarchy does not always operate as it appears in the Anglo-American context.

In this paper, we have mainly focused on the duality between small and large firms. Future research might further investigate heterogeneity within professional bodies. In particular, insights on the identity of mid-tier audit firms might represent a fruitful avenue for study. Research could consider whether mid-tier audit firms' current strategy of selectively adopting practices from both their global and local counterparts (Lander et al., 2013) prevents or enables a 'third way' of professional auditing to emerge.

Recently, scholars have argued for a 'global turn', suggesting that the relevant site of audit regulation has been relocated to a global sphere dominated by the transnational network of the Big 4 (e.g. Hazgui & Malsch, 2019; Humphrey et al., 2009; Samsonova-Taddei & Humphrey, 2015; Suddaby et al., 2007). Others, however, have argued that 'too much emphasis' has been placed on the global accounting firms and the markets they serve, leading to a lack of understanding of the local relevance of professional frameworks (Ramirez et al., 2015; Richardson, 2017). Attempting to combine these different perspectives, we have revealed the tensions that sit between global aspirations and local traditions of professional work and identity. We hope that this study motivates others to investigate whether our episode of professional resistance remains a singularity, or becomes an increasingly common pattern in the evolution of auditing.

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Appendices

Appendix A. Overview of Interviewees

Organisation	#	Occupation(s) at time of interview	Date
Big 4	1	Partner	10/2012
	2	Senior manager	10/2012
	3	Senior manager	10/2013
	4	Partner	02/2013
	5	Executive member of the WPK board 2008–2011	02/2013
	6	Executive	11/2013
	7	Former executive	02/2014
	8	Partner, member of the board 2014–2018	02/2014
			02/2015
	9	Former Big 4 executive, IDW board of directors (2015–2017)	02/2013
	10	WPK management board member, IFAC board	02/2015
	11	Audit partner	06/2015
12	WPK management board member and partner	07/2016	
Mid-tier	13	Partner, IDW board of directors and WPK advisory board (2014–2018)	02/2013
			02/2015
	14	Partner, WPK advisory board (2008–2011)	01/2013
			01/2013
SMAs	15	Partner, WPK advisory board (2008–2011)	01/2013
	16	Partner, member WPK advisory board (2008–2011)	02/2013
	17	Partner, member WPK advisory board (2008–2011)	01/2013
	18	Partner, member WPK advisory board (2008–2011)	01/2013
	19	Partner, member WPK advisory board (2011–2014)	02/2014
20	Partner, member WPK advisory board (2011–2014)	11/2012	
21	Partner, member WPK advisory board (2011–2014)	11/2012	

(Continued).

Organisation	#	Occupation(s) at time of interview	Date
	22	Partner, member WPK advisory board (2011–2014)	01/2013
	23	Partner, member WPK advisory board (2011–2014), former WPK president	02/2014
	24	Partner	01/2013
	25	Employed auditor (senior manager)	02/2013
	26	Employed auditor (senior manager)	02/2013
	27	Partner, Former WPK president	02/2015
Sole-practitioners	28	President and founder of wp.net, WPK president (2011–2012)	11/2012 02/2015 08/2016 06/2018
	29	WPK advisory board (2011–2014)	11/2012
	30	WPK advisory board (2011–2014)	11/2012
	31	WPK advisory board (2011–)	11/2012
	32	WPK advisory board (2011–2014)	11/2012
	33	WPK advisory board (2011–2014)	01/2014
	34	WPK advisory board (2011–2014)	02/2014
WPK	35	Executive director of the WPK	02/2015
	36	Executive director of the WPK	02/2015
IDW	37	Chief executive officer of the IDW	03/2015
	38	Executive member IDW board of directors	08/2016
	39	IDW head of the Department of European Affairs	08/2016
Policy officers	40	Policy officer at European Commission, Department for Audit and Credit Rating Agencies	02/2015
	41	Policy officer at European Commission, Department for Audit and Credit Rating Agencies	02/2015
	42	Policy officer for German federal government, responsible for the auditing profession	02/2015
	43	Former policy officer, German federal government, responsible for the auditing profession	02/2015
	44	Policy officer, German federal government, responsible for the auditing profession	08/2017
Regulator	45	<i>To ensure anonymity, not stated</i>	03/2014
	46	<i>To ensure anonymity, not stated</i>	07/2016
	47	<i>To ensure anonymity, not stated</i>	09/2015
	48	Managing director of the APAK (since 2005)	02/2015
	49	Head of APAS, former head of APAK inspection unit (2012–2015)	02/2015
	50	Chairman of the Austrian Auditor Supervisory Authority (ASA)	09/2013
	51	Director, audit directive implementation at Financial Reporting Council, UK	05/2016
Parliamentarians	52	Member of the European Court of Auditors, responsible for the auditing profession	02/2015
	53	German federal parliament, initiator of parliamentary enquiry on German audit regulation	02/2015
	54	Member of the German federal parliament, expert on audit regulation	10/2016
Other	55	Journalist, various articles on German audit profession	02/2015
	56	Professor of Auditing, with research focus on the German audit profession	06/2015
	57	Professor of Financial Accounting and Auditing, invited expert to parliament debates	08/2016

Appendix B. Overview of Documents

Data source	Data type	Time	Number
APAK (later AOB)	Annual reports	2005–2018	14
Federal Ministry of Economics	Law proposals, official replies, speeches	2000–2016	17
German Federal Parliament	Debates and law proposals	2000–2016	16
IDW	Official reports, minutes, newsletters	1998–2018	59
‘Together for all’ initiative	Newsletter	2014	5
Not publicly available data	WPK letters to members of the profession	2010–2013	11
Media	Newspaper articles	2003–2015	19
Primus	Blog entries	2006–2018	61
WPK	Official chamber reports	1998–2018	19
wp.net	Official reports, minutes, newsletters	2005–2018	114