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The ongoing process of professionalization of accountants

Analysis of past and future trends to provide
some recommendations to the Italian
accountants in the process of professional
rebuilding

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1 INTRODUCTION

Italian accountants are witnessing a period defined critical by many. It started with the economic breakdown, that negatively impacted accounting as well as other professions, and has later been fueled by regulatory stagnation or, in other cases, an overregulation, coming from national and super national regulatory bodies, and the competition with other professions or big accounting firms. Now they are trying to restart the profession and some suggestions could be found in global strategies already implemented.

The analysis of the evolution of Italian accountants cannot disregard a study of the accounting through a wider perspective and within other countries.

One of the main issues that dominate modern international accounting debates concerns the evolution that is going to be witnessed in few years within the profession of accountant. Accurate estimates on the future status of the profession cannot be made, nonetheless several future trends have been identified as more likely to impact the global accounting field. It is correct to refer to the global context as a base for the entire research, but the most interesting aspect of such an analysis is observing to what extent and in which way these worldwide trends could actually impact different national frameworks.

Indeed, as it is going to be explained, although the Italian tradition of accounting has notable rich roots, many important aspects are related to the profession developed in Anglo-Saxon countries.

This is why this paper is representing both international and Italian evolution of the accounting. Therefore, it is not in the intention of this paper to base the analysis on the Anglo-centric vision of the world. Analyzing the Anglo-American accounting context was rather a direct consequence of the central purpose of this paper.

In order to understand where Italian accountants could move in next few years, a look at the professionalization process of accountants is hence necessary to understand the different stages of the evolution and the change drivers that occurred. As Parker (2001) said, this trend to refer to the past lies

in a desire to secure some contextualized understanding of the present to see how differently or similarly societies are behaving to the predecessors, to identify what elements are taken for granted, and to understand better why people think and behave the way they presently do.

Also, as Nobes and Parker (2008) pointed out, it is possible for a country to improve its own accounting by observing how other countries in past reacted to problems that, especially in industrialized nations, may not be so different from those of the observer's home country.

This paper is then structured as follows: firstly, the definition of accounting and what it is intended with the term 'professionalization' are going to be provided; then the notion of accounting as a social practice is going to be explained, aiming at providing the underlying interpretative lens to the entire paper. The extremely shifting nature of accounting will emerge. The external environmental forces had and still have a deep influence on accounting, and they are changing according to both periods of history and countries. Also how accounting shapes social contexts will be here acknowledged.

The following sections will present an analysis of the past, present and future situation of accounting, each time comparing the international context with the Italian one, thus providing a description of the evolution of accounting profession through a comparative and historical approach.

Through this analysis an overview of the profession how it is today is going to be provided, and new global change drivers will be identified. The globalization process has indeed led to a real revolution in many fields connected to the accountancy profession, thus affecting it both in direct and indirect ways. Alongside the globalization, the regulation is going to be represented as the main change driver.

Through this analysis an array of recommendations for accountants in Italy is intended to be provided finally.

Methodologically, the paper is based on a thorough review of the literature on the role of accounting and on its origins. In particular, attention is given to the perspective that conceives accounting as a social practice, which appears as a transversal theme to the historical reconstruction of the path that

accounting experienced. This theory has been originally sustained by Hopwood, for this reason his paper and researches constitute the starting point for the study of this argument. As for the international context, the analysis is initially focused on the Industrial Revolution and the first change in the social role that accounting has been reported to have in that context. Here some important contributions within the economic literature have been provided by Kaplan and Miller. Then the evolution of accounting related to some specific events is investigated, including the analysis of the origin of the audit activity as an extension of accounting activity, and the consequent birth of the Big Accounting Firms and the importance they had in the process of professionalization of the accounting as a whole. For the identification of future trends that are likely to affect the profession, worldwide reports of some professional associations have been analyzed, for example IFAC or IFRS or ACCA associations.

For the Italian context a comprehensive longitudinal analysis of the legislation regulating the profession has been carried out in order to provide a detailed scenario of the historical evolution and to explain how accountants gradually obtained or lost some legal privileges. The regulatory path has been resumed in a table that can be found in the appendix one.

The systematic analysis of some specific sources of information on Italian accounting profession has been consulted. In particular, 'Press' the journal that is edited by the national Association of Italian accountants and regroups all news related to innovations for the professional life of the category. Articles belonging to the post-unification of the rolls of bookkeepers and accountants have been considered, thus starting from 2005 and on. Some important contributions to the research have been provided by articles on economic newspaper as 'Il Sole 24 Ore'.

As for the statistical data, it has been used the information contained within the yearly reports on the accounting profession, edited by the national Associations, and some other reports based on the research activity of Tommaso Di Nardo, who is profoundly interested in the evolution of the accounting profession. A table resuming the sources that have been consulted can be found in the appendix two.

Finally, this desk activity was complemented by a field activity that provided further material both to analyze the current situation of Italian accountants and to carry out some recommendations for the profession; it consisted in a set of interviews involving accounting firms in the Bologna Area. They represent the preliminary findings of a wider research on accountants in this territory, demanded by accountants themselves who desire to understand how the profession is moving in the future and what kind of threats and opportunities accountants have. The purpose of these interviews is to collect information from different actors trying to reconstruct the evolution of accountants and identify the most widely perceived future threats and to understand if there is any emerging best practice that could be largely adopted by other accountants. For the moment the interviews involved only large professional firms, they represent a kind of example to emulate for small or single firms of accountants. Among them also a member of a CAAF and a member of the tax and legal office of the Big Four have been interviewed. They represent the main competitors of accountants within professional firms and an example of the different path accountants can have experienced within different organizational structures.

At the end, after that a thorough scenario of the profession will have been provided, reflecting on how it evolved through time and space, and what was influenced by, and completing it with the findings that emerged from the analysis of reports on the profession, academic literature and the interviews, a final reflection on the future of the profession will be carried out.

Within all these changes that affected the profession, it will be interesting to notice the constant attitude of accounting in shaping and being shaped by its social context.

2 DEFINING ACCOUNTING

“Accounting is a craft without an essence. It has changed significantly across time, adopting new forms, devices, and roles”

(Chapman, Cooper & Miller, *Accounting, Organizations & Institutions. Essays in honour of Anthony Hopwood*)

Debates on what accounting is and what the scope of such activity is are continuously emerging and keeping track of all of them is a laborious work.

The following chapter provides an overview of different definitions of accounting and the different roles it hold during the time, sometimes mirroring the peculiarities of that specific historical period. Some brief reference to the historical steps of accounting is mentioned as well. The evolution of the many definitions that appeared during centuries and whether they are still valid into the modern international accounting context are some of the topics that are going to be investigated in this paper. However, accounting has not always been perceived the same way.

If asking to define accounting centuries ago people would have probably answered that accounting is ‘mere’ bookkeeping, a set of records that neutrally reports the facts of economic life (Chapman, Cooper & Miller, 2009). According to Macintosh and Hoper (2005) accounting today has become an influential component of modern organizational and social management, “increasingly associated not only with the management of financial resources but also with the creation of particular patterns of organizational visibility” or “indeed the creation of particular patterns of power and influence”. In 1966 the AAA (American Accounting Association) defined the accounting in their Statement of Basic Accounting Theory as “the process of identifying, measuring and communicating economic information to permit informed judgments and decisions by the users of information”. And again, a similar definition is provided by IFAC (IFAC, 2014) stating that accounting enables

“transparent communication via effective reporting of the organization’s delivery of sustainable value to stakeholders”.

One of the central concepts of this work is that accounting both shapes and is shaped by its social context, hence new social orders appear in response to accounting practices and vice versa: the society continuously changes and new economic and financial needs are connected to its evolution. The role of accountants changed as well through time. It is naïve to keep on thinking of accounting as oriented toward a stewardship role (Parker, 2001), because so many interdisciplinary practices emerged besides the traditional ones that the scope of activity of accountants has been completely upset since its origin.

According to Nobes and Parker (2008), “accounting is a technology which is practiced within varying political, economic and social contexts”. Therefore, through time, accounting has been required to satisfy changing needs. The most remarkable change that accounting experienced, maybe because in response to an event that marked the modern and capitalized society, occurred with the Industrial Revolution.

Before that, a different acceptance was accorded to accounting. Hopwood and Miller (1994) report that earlier in time, it was a conventional way of approaching accounting that one consisting in locating it within a wider framework signaled by the term ‘calculation’, and before that moment it was considered as a mere rhetorical and aesthetic tool used to integrate profit-seeking purposes with Catholic ones. Indeed, they explain how some historical theorists retained the double-entry bookkeeping method balancing debits and credits a representation of the balancing between advantages and sacrifices for Catholic people thereby avoiding charges of the sin of avarice. Such a view of accounting was strictly connected to the institutional matrix in which accounting emerged. More specifically, in the 16th century when the double-entry bookkeeping system appeared, one of the most important institutions constituting the matrix was the Church.

As anticipated, the history of accounting necessarily travels a parallel orbit of the modern industrialism one (Grady, 1948). As England represented the pioneer of the Industrial Revolution, the evolution of accounting practices originated from there and then began to permeate other European countries

and, of course, America, the country which has carried industrialization to its greatest effectiveness in production of goods and services (Grady, 1948). It is widely documented that the first public accountants in the newly created USA were immigrants from the UK, more specifically from Scotland and England, and who dominated public accounting in the USA until the first decades of 20th century (Huber, 2013).

In the USA the accounting profession found a particularly fertile environment to its evolution, so favorable that the world most important accounting firms were created there, becoming so powerful to deeply influence the global accounting profession. In fact countries, in particular those with large economies and the power to opt out of international agreements as US proved to have, became significant and important agents of regulation as the country's international influence has been extended by the emergence of international non-governmental organizations (NGOs) as well as by the growth of international governmental organizations, IGOs economy grows (Cooper & Robson, 2006). Also, as it will be later explained, some ratios have been adopted for the first time in American firms as the DuPont relation (Kaplan, 1984). In addition, the USA, almost globally recognized as the dominant economic power, played a crucial role in the process of internationalization of capital markets, seeking to become the dominant world player both for companies seeking to raise capital, and those governments seeking to privatize State enterprises. As a consequence of that, earlier international regimes of regulation of accounting experienced the domination of US interests and values (Cooper & Robson, 2006). It will be illustrated how other national and super-national organizations and forces have joint the accounting field and eventually affirmed their 'competitive' position as well. For the just explained reasons, the attention of the historical analysis of accounting evolution after the appearance of the industrial revolution is going to be focused on the path experienced by the accounting practices and accountants in the US.

Besides several definitions of accounting, a brief summary of the historical steps of accounting and the different national contexts that are going to be treated within this paper have just been illustrated. Having the core

argument of this work been framed, an additional key concept is going to be defined.

Alongside with transformations in accounting, intended as a set of activities, a progressive evolution has been witnessed in the profession of accountant as well. Hence, the development path of accounting is strictly interconnected to that of the profession carrying on such activity. The unstable and changing attitude of accounting had a considerable impact on the process of professionalization, complicating and delaying its fulfillment.

Indeed, as accounting was acknowledged with increasing importance connected to its ability in crafting social relationships (as it is later explained in the text), more interests both political and economic came into consideration. The profession has of course been affected by all of this, because, as it is going to be illustrated, the process of professionalization also implies political forces to intervene.

3 THE PROFESSIONALIZATION PROCESS

The development of a profession can take “as long as centuries or as short as decades” (Huber, 2013). The accounting profession is an example of the first case. It may be due to the sensitivity of the activity of accounting to external molding forces, activity that accountants are completely depending on. What it is intended with process of professionalization and which elements are involved into this process are going to be explained through several theories.

It has been told that industrial revolution led to important transformations in accounting practices and activities aiming at recording new economic entities. Yet, affirming that it was only experienced a change in the practices of accounting could be misleading. Indeed, such changes implied that, together with activities performed by accountants, it was the perception of the accounting profession to have changed, alongside the profession itself.

Therefore, similarly to accounting practices, the accountants as professionals did not have a linear path before their rights were assured by law and the profession was regulated.

Focusing the attention on the two countries relevant to the present paper, it has to be said that the fact that US were detached by European context, thus not influenced by their social mechanisms, hence being a relatively new country, has of course facilitated the process of professionalization of accountants there. In general, the rise of “accountancy as a self-regulating profession has not been an uninterrupted one” (Willmott, 1986), but US accountants had a different professionalization process than Europeans had, in some case facilitated because of their distance from the “old continent”, in some other more complex because of other aspects entering the process of professionalization, aspects of course connected with US being a worldwide economic power, thus with a natural inclination and heritage in trying to set global standards for every sociological sphere.

Professionalization is the term used to identify the process through which a profession, called ‘occupation’ until then, succeeds in obtaining regulatory acknowledgment and restriction on claimed activities and rights. Professions are indeed a project in which an occupation attempts to translate

its special knowledge and skills into social and economic rewards (Gillis, 2014).

The process also implies the exclusion of other professions to perform some specific activities. Hence, the professionalization implies in turn the concept of social closure, “a means by which groups attempt to gain socio-economic advantage by restricting access to rewards to those defined as eligible insiders (their members), thus closing off those rewards to ineligible outsiders” (Coronella, Sargiacomo & Walker, 2015).

The interactionist approach defines professions as interest groups that strive to convince others of the legitimacy of their claim to professional recognition, indeed organizing a profession means defining and securing a respectable and valued social identity (Willmott, 1986).

If deepening the analysis, it can be affirmed the relevance of the presence of competing interests within professional associations: they are not intended as homogeneous and integrated bodies, but, instead, are seen to comprise segments formed into coalitions, each seeking to broaden its sectional interests when opportunities are perceived. Integrating this view with Marx and Weber’s conflict theory (Huber, 2013), which, as suggested by the name itself, is a bit more extreme, professions are in conflict with other professions and with society and the State. The elements ensuring a profession to prevail over others in obtaining legitimacy by the State are solidarity and closure through the self-regulation achieved with the control of entry, training and qualification. In fact the professionalization process is also dependent upon recognition and acceptance of the claims of aspiring professionals (Willmott, 1986). Solidarity and closure importance will be further explained below, when the Italian accounting profession will be analyzed.

It has just been explained how the regulatory approval and the achievement of exclusive rights conferred by the law are crucial elements within the process of professionalization. Because of the shifting nature of accounting, new aspects related to the profession originate continuously, hence accountants have to try steadily to secure the right to exclusively perform new activities. The process of professionalization of accountants has not stopped yet. Here the rationale of the title of this paper.

Until now it has been referred several times to the accounting as to a changing entity, which in turn led accountants to experience a more complex professionalization process. Nonetheless, what it is clearly intended with that expression has not been explained yet. The next chapter is going to provide a thorough analysis of the accounting allowing to better understand its dual nature, both shaping and shaped by the environment.

4 THE PERSPECTIVE: ACCOUNTING AS A SOCIAL PRACTICE

This chapter is going to provide an underlying lens to better understand the entire paper. Here a particular theory perceiving accounting as a social practice is illustrated. Indeed, accounting deeply permeates social relationships and has the power to affect them as well. It is explained what it is meant with this expression, why accounting can be considered a social science and to what extent, what this implies, what is its role in the society or whether it is different according to different cultural and social peculiarities. All these concepts are going to be illustrated through several theories and examples of different researchers.

It is correct to say that accounting is shaped by social forces, but it is also correct to pose the attention on the other side of the coin, where accounting, once it has been influenced by the environment, shapes it as well. Accounting calculations in themselves promote particular kinds of social order and inhibit others, the roles of accounting in establishing relationships of control and in empowering some while disempowering others, the central role of the State as well (Napier, 2009). The set of accounting rules and accepted practices have an impact both on the extent to which resources are produced and distributed in an economy and on what is deemed organizationally and socially rational and valuable, hence on what is deemed to be irrelevant to an organizational account (Cooper & Robson, 2006), producing also some consideration on the value that each employee adds to the company.

In the past two decades, a body of literature depicting accounting as a social and institutional practice has developed. Researchers adopting this perspective typically demonstrate an appreciation for the pervasive and enabling characteristics of accounting and an awareness of the importance of local, time-specific factors which shape accounting change within particular instances (Potter, 2005).

However, before that moment, the most widely accepted theory of accounting was the organizational one, according to which accounting could not be isolated “from the processes which give rise either to its presence or to its present significance, be those within or without the particular setting or

even organization in which it plays a role” (Hopwood, 1983). It could seem the same definition as for the social practice theory, even though actually it is exactly the opposite. Indeed, according to organizational theorists particular accountings practices emerge from organizational and social settings. The theory perceiving accounting as a social and institutional practice is therefore the opposite of the organizational theory, even though it could seem to originate from it: both maintain that, when considering and analyzing accounting, it should not be isolated from its social and institutional context (Hopwood & Miller, 1994). Therefore, it could be said that the two theories are in some cases complementary. However, in the first case it is emphasized the way in which accounting systems reflect other aspects of the environments in which they are embedded, major consideration is given to the impact that technologies and markets have on accounting, which is in turn shown to be a contingent phenomenon, designed and used in the context of other important features of the organizational environment (Hopwood, 1983). While in the other case, the environments that are mapped into the organization can become defined in accounting terms.

Accounting has been used to cast important aspects of the functioning of the modern organization into economic terms (Hopwood, 1983). For instance, immediately after the WWII the single enterprise was no longer the personal concern of one owner or a small group of owners. Its ownership was indeed likely to be spread among vast numbers of security holders, aggregating into a welter of conflicting legal and economic interests in the single business unit. In any given situation the exercise of an accountant's judgment could vitally affect the ownership interests of one competing group of security holders as against another (Grady, 1948).

In such a new perspective, accounting has the power of reshaping the organizational framework through the use of some terms as cost, profit and investment centers, which define new modes of organizational decentralization; organizational units have thus accounting as well as managerial boundaries; and accounting mechanisms for the monitoring of subunit performance help to make real the powerful potential that is reflected within the organization chart (Hopwood, 1983).

Accounting is hence perceived simultaneously social and technical, as the roles of accounting co-emerge with the social relations that it helps make possible (Chapman, Cooper & Miller, 2009). The same concept can be found in the Marxist theory asserting that changing modes of production as can be the transition from feudalism through mercantilism to capitalism, this latter being the central phenomenon of Industrial Revolution, can be associated with changes in modes of accounting (Napier, 2009).

Accounting researchers have revealed that accounting practices have pervasive and enabling characteristics which create particular financial forms of visibility for abstract social and organizational phenomena that would otherwise never be seen (Potter, 2005). By offering particular economic representations of organizational activities and outcomes to both internal participants and interested external parties, it has come to be involved in the creation of a quite specific organizational order and mission (Hopwood, 1983).

Therefore, only quite recently accounting has come to be regarded as a social and institutional practice, one that is intrinsic to, and constitutive of social relations, rather than derivative or secondary (Hopwood and Miller, 1994), as it is considered under the organizational theory instead.

The theory perceiving accounting as a social practice indirectly implies that accounting is above all an attempt to intervene and act upon individuals, entities and processes to transform them and achieve specific ends. Accounting is hence no longer a neutral device that merely reports and documents the facts of economic activity. From the simple scrivener tabulating receipts and disbursements, with limited functions and limited responsibilities, the accountant “has become the processing plant through which the raw data of finance must pass before it can be compiled in the vast financial encyclopedia of our time” (Grady 1948). Accounting is thus perceived as “a set of practices that affect the world we live in, the type of social reality we inhabit, the way in which we understand the choices open to business undertakings and individuals, the way in which we manage and organize activities and processes of diverse types, and the way in which we administer the lives of others and ourselves” (Hopwood and Miller, 1994).

Before progressing in the explication of this theory, a further clarification should be provided on a concept that is at the core of this theory, which is the social space.

According to Bourdieu (1985) the social world can be represented as a space (with several dimensions) which is constructed on the basis of principles of differentiation and distribution constituted by the set of properties active within the social universe in question, i.e., capable of conferring strength, power within that universe, on their holder. Agents and groups of agents are thus defined by their relative positions within that space. Each of them is assigned to a position or a precise class of neighboring positions (i.e., a particular region in this space) and one cannot really - even if one can in thought - occupy two opposite regions of the space. Each individual agent is distributed, or more precisely assigned, a position or a region in social space according to the distribution of the powers that are active in each of the fields that an individual can occupy (Carmona & Ezzamel, 2009).

Before Hopwood, the most prominent theorist of the social aspect of the accounting, Mautz (1963) began interrogating himself whether the accounting could be considered a social science or not. Accounting deals with enterprises, which certainly are social groups, it is concerned with transactions and other economic events which have social consequences and influence social relationships; it produces knowledge that is useful and meaningful to human beings engaged in activities having social implications, it primarily mental in nature.

An art or science cannot become a social force “until the economic and governmental conditions permit an independent professional development which may then use its talents in making a contribution to the public welfare” (Grady, 1948). These favorable conditions for the field of accounting did not arise until after the establishment of responsible representative government and an industrialized economy.

As a body of expertise, accounting competes with and intrudes onto the terrains occupied by other bodies of expertise, whether these terrains be those of the engineer, the lawyer, the economist, or the business strategist. In all these different ways, the calculative devices of accountancy have shaped

and formed the possibilities for action in many organizations (Hopwood & Miller, 1994). It is an indispensable service function directed toward a dependable records control over the assets and operations of an enterprise and supplying essential information required by officers and directors for purposes of management of the business, which includes the fulfillment of relationships and responsibilities to governmental bodies and other organizations having legitimate interests (Grady 1948).

The emergence, distribution, location and intensity of accounting practices are thus research issues aiming at revealing something about the type of social relations that obtain in different national settings, and at different points in time (Hopwood & Miller, 1994).

Strictly related to the concept of accounting as a social and institutional practice are three concepts which have been identified by Hopwood and Miller (1994). First, there is an emphasis on accounting as a technology, a way of intervening, a device for acting upon activities, individuals and objects in such a way that the world may be transformed. It is also referred to as the constructivist attitude of accounting, meaning that accounting, in conjunction with other practices, serves to construct a particular field of visibility, hence it is not a neutral tool of observation but rather it assists in rendering visible certain crucial aspects of the functioning of the enterprise (Miller & O'Leary, 1987). Such a transformative capacity manifested in the ability of accounting to provide particular visibility to events and processes, it helps to change them. Indeed, the calculation and recording activity of costs alters the way in which they are perceived, and the same is for the reconfiguration an organization of costs and revenues respectively into cost and profit centers, thus helping managers to define new business units and change the scope of responsibilities and activities of people within the organization. What accounting does is to reduce activities to a single figure, thus making comparables different entities and allowing a better managerial control.

The calculative technologies of accounting need particular discursive representations and vocabularies in order to be spread out. This represents the second of the three aspects. That is, accounting plays a role not only in shaping the visible map of what is known of organizational functioning but

also in expressing and thereby influencing the objectives that are stated for organized action. For instance, an operational definition of profit has been a particularly powerful notion (Hopwood, 1983). These means allow abstract notions of economic discourse, such as efficiency or cost and profit centers, to be calculable and knowable, and those notions represent the essential basis for accounting to act as a tool governing the economic life. Therefore, it is a main concern of this perspective to highlight the mobilizing potential of concepts such as cash, working capital, assets and, not least, cost. All provide illustrations of where accounting has made operational, and therefore powerful, more abstract notions of economic discourse.

The third aspect that Hopwood and Miller (1994) highlighted is the way the economic domain is constituted and reconstituted because of the changing calculative practices that describe it. This changing attitude of the accounting tends to constitute economic entities as streams, hence transforming physical flows of organizations into financial flows. As it clearly appears, these three dimensions of accounting, according to the social and institutional theory, are complementary.

In part reflecting many other parameters of organizational life, accounting also has played a more active role in constructing the organizational world in which it is now embedded. It clearly appears how a complex interplay between the reflective and the constitutive roles of accounting exist, the former serving to create accounting's dependency on the organizations in which it is embedded and the latter often constraining organizations in the name of the possibilities and potentialities of the accounting craft (Hopwood, 1983).

Understanding the role of accounting as creator and crafter of the social space is much deeper than just simply understanding its implications at a company level. An instance is provided by a case analyzed by Miller and O'Leary (1994) who focused their efforts studying the creation of the "Assembly Highway" at the Caterpillar Inc. plant in Decatur, Illinois. Through such case the two researchers pointed out some connections between the spatial reordering of production processes at Caterpillar's Decatur plant, and the claim that the design of advanced manufacturing facilities offers a key

opportunity to give shape and form to a "new economic citizenship", made of hierarchies, subunits and other organizational entities. The frequency of accounting reports on performance designate the location of a group within social space; the more frequent they are the lower the group is located within the hierarchy (Carmona & Ezzamel, 2009). Miller and O'Leary's study was just an example with the purpose to explain how within these units, empowered individuals and groups are called upon to bring a creative focus to bear on the quality and enhancement of the product and the desires of the customer, and thereby to optimize their own personal and economic well being the profitability of the firm, and the competitiveness of the whole nation. That is, the social space shaping attitude of accounting has actually a wider impact that is at the nation level. The role of accounting here consists in facilitating rewarding, penalize, monitor and interlink individual units so as to maximize the innovative capacity of the system as a whole. It happens through all those practices responsible of balancing cooperation and competition among the individual production units, as for example transfer prices, incentive schemes and labor contracts (Miller & O'Leary, 1994).

An important aspect of the social constructivist feature of the accounting is the implication it has on the individuals within the company. Indeed, they are surrounded by a series of norms and standards at work that render clearly visible the inefficiencies of each person; such an interposition between individuals and the boss of a complex range of intermediary mechanisms produces a shift of the discipline eventually residing not in the will of the boss, but in the economic machine itself, in the norms and standards (Miller & O'Leary, 1983).

Within the organizational space, individuals and groups are placed onto specific locations both horizontally and vertically in a sort of grid of social space constituted by accounting, which, as it has already been told, plays a key role in the visualization and valuation of such empowering human capital – being the capital the element defining the positioning of individuals in the social space – individually as well as in terms of their overall interactions (Carmona & Ezzamel, 2009). A new identity is hence given to work in such a modular setting, as workers are regrouped in cells, and given titles such as

'cell proprietor', moreover the 'governable person' is supplanted by the 'governable process', as accounting makes possible a calculable knowledge of these new manufacturing spaces (Miller & O'Leary, 1994). Individuals and groups do not occupy the same social position for their entire life, in fact they move both across time and space as their reported performance may travel from a local unit to international headquarters whilst one groups' performance in one period is contrasted against that of another period (Carmona & Ezzamel, 2009).

In pointing out the temporary nature of the ensembles formed out of all these organizational groups, it is important to highlight the fragility and multiplicity of the alignments and alliances that constitute such ensembles, "new elements are indeed introduced, possibly disrupting the overall ensemble, novel meanings are given to existing ways of working or current meanings are extended, thereby disrupting previous alignments" (Miller & O'Leary, 1994). It means that the successful feature of a particular business model is always provisional and mobile.

In their research Miller and O'Leary (1994) explained other features of the enterprise they studied and discovered that accounting deployed new forms of calculation (e.g. investment bundles), which segmented the shop floor into physical zones along four axes: cluster of machines, the physical inputs of materials to a zone, velocity of materials, and the costs and benefits of work done in the zones as well as the return on investment on the assets bundled with it. Such a division enabled the clear identification of calculable spaces, and the accounting practices adopted within that organization not only allowed a cost reduction but also a revolution in the plant's ways of doing things.

This is an example of a further attitude of accounting, that is the ability of accounting calculations to provide a basis for the eventual inclusion, or exclusion, of particular individuals into specific social groups placed at clearly identifiable locations in organizational social space (Carmona & Ezzamel, 2009).

Moreover, according to the non-economic approach (Waweru, 2010) emphasizing that accounting was developed in governmental institutions such

as the military one, production control and accountability introduced at the Springfield Armory by Roswell during the period of 1815-33 are an evidence of the role of accounting practices acting more as disciplinary systems rather than for supporting the production effort through cost reduction.

4.1 Dynamic interaction between Market and State

Professions are widely recognized as organized interest groups, seen primarily as political bodies, established as a means of advancing their interests and hence enhancing the symbolic and material value of their member's skills (Willmott, 1986; Greenwood & Suddaby, 2006).

The emergence of such organized interest groups has been analyzed by Willmott in 1986 who has theorized that the raise of organizations is strictly connected to the interaction of the dynamic organization of two entities, the market and the state, in a particular historical period, the capitalism. According to his study, the market influences the emerging of a profession through the same logic that permeates material exchanges between buyers and sellers: the demand and supply rule, which in this case turns into demand and supply of labor as it is a relation between the entrepreneur and the employee (the accountant). Hence, the labor, in this case accounting services, is converted into a commodity that has an exchange value, whose price is perceived to be an indicator of personal or moral worth; as a consequence, the institution of the market promotes high prices for accounting services. Nevertheless within a market, in order to justify high cost, mystique and monopoly are necessary. Mystique is intended in the sense of social distance between the buyer and the seller of the labor; accountants have to shape the buyer's perception of the commodity in a way that increases its exchange value. Therefore, the social community represents a further element intervening in this dynamic interaction. But in a market inflated prices tend to be defeated, unless a monopoly is created. Professional associations emerge to counteract this tendency, creating monopolies of labor by restricting the entry, determining type and duration of education and regulating standards of practice. Of course monopolies cannot exist without the support of the State's legitimization.

Professional associations and State's relationship is best interpreted as one of interdependence and tension, each party enabling as well as constraining the other. The professions cannot exist unless the authorization of the State, therefore they are the weak part. But then it will be the State to become dependent upon the professions, since they will be supplying skilled labor necessary to social and economic life.

The rise of a profession, as it is explained in Willmott's analysis, is the result of the interaction between the profession and, essentially, three sources of legitimation: the market, the community and the State.

Such analysis, although it may seem exhaustive, can be implemented with other theories introducing new social forces, hence better explaining the process which finally leads to the domination of a group of interests over others.

4.2 Accounting as a public interest

The emergence of the accounting in the renaissance period as a reaction to the needs of merchants or even the evolution of accounting in fitting to new necessities of the industrial sector, and again recent change engendered by investor's need to know the fair evaluation of the company they are willing to invest in, these all are evidence of how the profession is a response to social needs and imperatives triggered by public interest concerns (Huber, 2013).

Better acknowledged as functionalist perspective (Willmott, 1986), professionals are perceived as highly skilled performers whose tasks are crucial for the existence of the society (Greenwood and Suddaby, 2006).

This interpretation can be approached to the trait theory (Huber, 2013) according to which professions are identified with the possession of peculiar attributes as the possession of esoteric knowledge, independence, and self-discipline altruism, this one being linked to the concept of public interest, albeit questioned by several theorists.

The interpretation of accounting as a concern for the public interest has been recently criticized by theorists: first it was suggested that the public interest in accounting is protected in a self-interested way (Huber, 2013) then it was explicitly assumed that no longer are the actions of professionals and

regulators rationalized by reference to public interest explanations (Cooper & Robson, 2006).

4.3 Society shapes accounting

Changes in accounting practices were not always programmed or pre-established by accountants, how they are intended in the modern acceptance. In the initial years of the industrial revolution new practices were mainly, if not exclusively, created by internal managers and employees of industrial firms at an extent as it would have never been done in following years. It is consistent with the independent discipline approach, affirming that “accounting derives from business practices and develops on an ad hoc, piecemeal basis from judgment and trial-and-error; [...] Businesses cope with real-world complexities and ever-present uncertainties through experience, practice, and intuition. Accounting develops the same way” (Choi & Meek, 2011). The reason is that a profession of accountant was not established nor even defined yet, neither professional bodies responsible to fix some guidelines for the profession or accounting practices to be adopted. In the 19th century accounting evolved in the most spontaneous manner. They were external environmental events shaping the accounting, which in turn shaped the social context as well (Chapman, Cooper & Miller, 2009).

Therefore, it is globally accepted that accounting is in part influenced by the social context: it emerges in response to social needs, suiting for instance “demands in World War I for corporate financial advice and government cost accounting, and accounting for government contracts in World War II” (Parker, 2001). In addition to that, the way accounting was perceived by societies and individuals has changed over time, as well as its role.

4.4 Mueller’s theory

Many authors and theorists refer to the study of Mueller published in 1968 (Nobes and Parker, 2008; Huber, 2013; Choi and Meek, 2011; Napier, 2009; Zambon, 2002). His work has already been cited previously in this work, but it has not been provided a complete framework of his theory that will be now reported. It was in his opinion that accounting practice was strictly connected to the national environment. Going deeper in his analysis he

sustained that the combination of cultural, institutional and socio-economic factors determines the accounting system in a functional way. Hence, he further identified four elements generating the socio-economic differentiation among countries; these elements are the stage of the economic development, business complexity, social climate and the prevailing legal system. Eventually Mueller, in what it is widely quoted as the environmental determinism theory (Zambon, 2002) got to the identification of four approaches to defining different accounting systems. The macroeconomic approach sees accounting as a result of national macroeconomic goals. In such a context a coordination between business activities and national policies is witnessed, but it is achieved with firms goals submitted to national economic policies rather than the opposite (Choi and Meek, 2011). Financial accounting in such contexts is supposed to stress value added statements, to be equivalent to tax accounting and to include social responsibility accounting (Nobes and Parker, 2008). In the opposite corner of the macroeconomic approach is the microeconomic approach, observed in market-oriented economies where the individual private business are at the core of its economic affairs. According to this approach accounting practices develop from the firms, whose main goal is to survive and maintain their physical capital. Typical accounting practices observed in these contexts are the clear separation between capital and income through the adoption of replacement cost in order to achieve a better control and evaluation of the business activities. Under the independent discipline, the third classification of Mueller, accounting systems have developed independently from governments and economic theories, here accounting is the result of ad hoc practices, emerged and constantly adapting in response to external complexities impacting the internal business (Choi and Meek, 2011). Finally, under the uniform approach accounting is a tool of the central government for the administrative control; accounting is thus limited through standardized definitions, measurements and presentation models (Nobes and Parker, 2008) and is used to measure performance, allocate funds, assess the size of industries and resources, control prices, collect taxation. The fact that it is uniform in all business it makes easier for government planners,

tax authorities, and even managers to use accounting information to control all types of businesses (Choi and Meek, 2011).

Mueller's theory has been used as starting point for many other later studies and many of them reported as a recurring influencing element the national legal system within which the accounting had developed (Zambon, 2002). Studies on the influence of the prevailing national legal system on the accounting flourished. Empirical evidences of this theory can be found in modern societies. Today the accounting profession in the US acts in a framework which is coordinated by semi-autonomous agencies and alliances with state and non-state organizations. It is a characteristic of the capitalist liberal state. Hence, the same framework cannot be witnessed in all other countries.

It is also consistent with another theory, similar to Mueller's, the regulation approach (Cooper & Robson, 2006), according to which any system of regulation, including audit rules, qualification of auditors, accounting standards, or practice rights, operates within the context of a system of accumulation. Therefore, there could be as many accounting systems and interpretation of the accounting as many systems of accumulation, which in turn correspond to the national States. This may justify the reason why it is witnessed a change in the role of accounting in the regulation of different capitalist economies. Different contexts are thus associated with different conceptions of what it means to be regulated, and varying accounting practices are important in the regulation of different varieties of capitalism.

4.5 Common Law vs Code Law

A first element leading to a different shaping of the US and the Italian framework within which accounting has developed is the legal system. Indeed, it has a direct effect on how accounting is regulated.

In common law countries the dominant sources of finance are the stock markets, therefore the financial reporting activity is aimed at providing all the information required by outside investors. As a consequence of that, accounting in common law countries is oriented toward a fair presentation, or at least it should be done, transparency and full disclosure and a separation

between financial and tax accounting. In such a context setting accounting standards tends to be a private sector activity and professionals tend to play an important role. Common law accounting is often called Anglo-Saxon or British-American as it originated there. Sometimes it is referred to as micro-based model having private firms contributed consistently to its initial stages (as already mentioned, the first accounting practices emerged spontaneously as a response to the needs of young capitalist firms). In general, in common law countries the legal framework emphasizes shareholders' rights (Choi & Meek, 2011). Furthermore the interference of the public authorities is limited.

A polar position is occupied by code law countries, for example almost all Central Europe countries show to have this law system (Italy, France, Germany, Spain, Portugal, Greece), accounting being characterized by a legalistic orientation with government establishing and enforcing national accounting standards, typically representing major political groups such as labor unions, banks and business associations. It leads to an opaque and low disclosure. In addition to that, an alignment is witnessed between financial and tax accounting. Here the accounting profession has little influence on the process of setting accounting standards that is dominated by the public sector activity. As a consequence of the public predominant presence, accounting in code law countries is often referred to as macro-uniform. In code law countries banks and government represent the main sources of finance, hence the financial reporting is aimed at the creditor's protection. Nevertheless, it is reported that common law legal systems provide a stronger investor protection, which led overtime to the development of strong capital markets compared to the weak ones developed in code law countries (Choi & Meek, 2011).

Besides the implication for the procedures leading to the creation of accounting, different legal systems lead to different application and adoption of the international financial reporting standards (Alia & Branson, 2011). In fact, it is directly linked to the level of disclosure firms are used to provide: common law countries' firms, as it has just been mentioned, have higher level of disclosure than code law countries' firms, which in turn have more difficult to align their financial reporting to the requirements of international

regulators. More efforts for the firms are automatically translated into more efforts for accountants as they try to keep pace with a regulation that tends to differ quite a lot to the laws they are used to.

According to Zambon (2002) this approach is now encountering some difficulties in explaining the international accounting diversity as global economics are experiencing an increasing trend towards convergence in national accounting regulations and regulatory environments, born out of international pressures.

It may be told that this distinction is too much simplistic, but the approach that identified different behaviors in accounting related to the legal system is largely supported by facts. And even though it cannot be used to understand future developments of the accounting within its national contexts because of its obsolescence, it can at least be used to understand the historical path experienced by accounting and the reasons lying under its evolution.

In a wider approach, it can be stated that accounting is influenced by the culture it is surrounded by and that values at the societal level are translated into values at accounting level (Zambon, 2002).

Several instances have been adopted here to testify the ability of accounting to influence the social context. Each of the abovementioned theories has in fact adopted as theoretical basis the perspective of accounting as a social practice. In some case it has been illustrated how the attitude of accounting in ordering and managing relationships and productive processes has been exploited, in another case the different responses of accounting to external forces within different context has been pointed out.

The twofold nature both affecting and affected by the social framework has been highlighted. The social theory is in fact the common theme that is crossing the entire paper. This analysis is useful as it allows a deeper view of the historical evolution of accounting that is going to be represented in the next three chapters.

5 THE PROFESSION IN THE PAST

From now on, the chapters are going to provide first a representation of the historical evolution of accounting in the international context, focusing in some case, as already explained, on the Anglo-Saxon context, then an overview of the evolution that accounting, and consequently accountants, experienced in Italy is carried on. In the first part here, concerning the international framework, the analysis of the evolution starts from the Industrial Revolution, the historical period that witnessed some of the most important transformations of accounting. Then it is going to be shown the way accounting shifted from its original stewardship role, to the modern strategic one. As for the Italian section, a short description of the origin of the double-entry bookkeeping system is provided, then the analysis is moving toward the historical reconstruction of the process of professionalization of Italian accountants, which has been affirmed by many researchers to have started after the unification of Italy.

5.1 US/International context

5.1.1 Industrial Revolution and imperialism

As the double-entry bookkeeping became popular because of the need of merchants to better control their capital as their business started expanding internationally, process that will be after explained, so brand new needs appeared when Europe entered the Industrial Revolution: exponent growth of factories and towns, the diffusion of machinery, the emergence of large-scale industrial and commercial activities and the consequent separation of ownership and control, the capitalism's peculiar characteristic (Unegbu, 2014). As a consequence of the changes produced by industrialization new recording, measuring and disclosure systems were required. Kaplan (1984) affirms that in new context such as factories and railways, where aggregation of labor and capital equipment arose, it emerged the demand for information for internal planning and control and internal administrative procedures to coordinate the multiple processes required to perform the activity as the conversion of raw materials into finished goods by textile mills and the transportation of passengers and freight by the railroads.

That is, the emergence and rapid growth of railways was one major driving force in the development of management accounting systems. The management accounting is a 'modern' definition that was adopted to describe the attitude of accounting to influence behaviors at all levels by collecting, transforming and reporting data (Cokins, 2013). New measures, such as cost per ton per mile, cost per passenger per mile and ratio of operating expenses to revenue, were created and reported on a segmented and regional basis (Waweru, 2010).

The industrial revolution created the need for more sophisticated records of cost for manufacturers. Cost accounting thus emerged in this period. Indeed, before that moment the small-sized, functionally unspecialized firms typical of American business around 1840 were served adequately by the double-entry mercantile bookkeeping procedures, introduced almost 550 years earlier, and they did not require the statistical data and the cost accounting methods that were rather necessary to new railroads, steel, chemical, and metal working industries with complex production processes and a higher degree of risk and uncertainty (Johnson, 1972). In addition to that, the logics of accumulation, competitiveness, efficiency and accountability stimulated a demand for ever more standardized, specialized and complex techniques and systems of accounting (Willmott, 1986). Among those procedures required by the increased and unexpected activity of railroads to record and summarize an enormous number of cash transactions, financial reports first appear. They, as Kaplan (1984) reported, were adopted to report statistics for evaluating and controlling the operations of the many subunits that constituted the large, geographically dispersed railroad companies.

Thus, it can be asserted that together with the evolution of the society, the accounting practices experience a parallel and simultaneous evolution. Actually, it is typical of a profession, which in the traditional sense is totally dedicated and at the service of the humanity (Macintosh & Shearer, 2000). As a consequence, if the society changes, the accounting profession follows the same change.

Those internal accounting reporting systems were subsequently gradually adopted and extended in other business sectors (Waweru, 2010),

but they still did not take into consideration the allocation of fixed costs. In the late 19th century the nationwide wholesale and retail distributors produced highly detailed data on sales turnover by department and by geographic area, hence the generation of performance reports, very similar to those that would be used 100 years later to monitor the performance of revenue centers in the firm, was a natural consequence (Kaplan, 1984).

An important step in the accounting evolution, highlighting its 'social space shaping' attitude, was constituted by the scientific management movement. It provided a major impetus to the further development of cost accounting practices and its characteristic is that it originated by engineers who, analyzing job and time-and-motion studies, determined scientific standards for the amount of labor and material required to produce a given unit of output; these standards were used to provide a basis for paying workers and to assign bonuses for those who were highly productive (Kaplan, 1984).

According to the Foucault's theory, the scientific management led to two different behaviors: the generation of greater productivity and hence more surplus value from workers, and more awareness for workers on their repetitive actions and thus potentially reducing effort; accounting, according to his theory, is the result between power and knowledge (Napier, 2009). In that sense, manufacturers are able to define what counts as knowledge, and the knowledge generated empowers employees and creates in them awareness of new ways of performing activities that previously would not have been conceivable. Kaplan and Johnson (1987) conclude that management accounting systems evolved to motivate and evaluate the efficiency of internal processes and not to measure the overall profits of the organization.

Thanks to scientific management inventions, manufacturers were thus in possess of a more useful cost information, which could be used to assess operative efficiencies or inefficiencies, to aid in pricing decisions, and to control and motivate worker performance.

A consequence of the scientific management was the emergence of standard costing systems exploited for timely planning and control purposes, hence partially solving the problem of the lack of systematic method for

forecasting and monitoring capital investments despite the enormous capital invested in these new manufacturing enterprises (Kaplan, 1984). The role of accounting as main tool for providing information began to delineate.

Accounting practices, exploited as a tool for motivation, reached their peak with the raise of vertical integrated and multi-activity firms – which in turn marked the start of modern managerial control practices – and, more specifically, with the return on investments (ROI) ratio of the DuPont Corporation (Johnson, 1975). As it can be easily deduced, the origin of the DuPont ratios relation is directly connected to that firm. It marked an important stage of the evolution of the accounting practices: in new decentralized business contexts, something going beyond practices with simple motivational purpose was needed, it was in that moment that accounting became the object exploited to orient globally disperse workers of a single firm through a single strategy (Kaplan, 1984).

As Kaplan (1984) further reports the decomposition of the ROI measure into sales turnover ratio and operating ratio of earnings to sales, and their further decomposition, served to the firm to know the performance of each department and vice versa: each department could know how its activity had affected the company's performance. In that context budgets appeared, instruments viewed in a Marxist theory as mechanisms for controlling labor (Napier, 2009).

In that period companies were designing their accounting systems for running their business. These internal accounting reports supplied information for both decision-making and controlling the behavior of the company's employees. The managerial accounting practices, thus defined because provided information for managers, prevailed on financial accounting until the first decades of 20th century, when were replaced with the need to provide valuations of the inventory and cost of sales for external reports (Kaplan & Johnson, 1987).

A further element that confirms the revolutionary perception that people had for the scientific management is the unusual interest of the accounting literature toward such a phenomenon, a literary interest that cost accounting did not generated (Johnson, 1972). Indeed between 1900 and 1930 in the

accounting literature an initial delineation of theories of standard costing and budgeting appeared as that was a novel event within accounting, even though at a purely technical level that innovation was nothing less than an entire re-casting of the definition of cost accounting: its primary concern would henceforth no longer be the ascertainment of only the actual costs of production or of activities, there would be an expansion of domain to permit a concern for the future as well as for the past (Miller & O'Leary, 1994).

Other aspects related to the scientific management approach that are worthwhile to note are the appearance of the breakeven charts to express the variation of cost with output testified by some writings found in England and the United States in 1903 and 1904 and the fact that the scientific management advocates also started the practice of measuring and allocating overhead costs to products (Kaplan, 1984).

5.1.2 Wars

Even though it can be hard to imagine, also wars, particularly the world ones, played their part in the evolution of accounting.

First evidence is provided by Kaplan (1984) who explained that the recession following the end of World War I revealed the important limits of the planning and control systems of most industrial enterprises and how, starting from these difficulties, General Motors and DuPont developed a new form of organizational structure: the multi-divisional firm.

A description of that innovative managerial accounting system established by the two enterprises in the early 1920s is provided by Johnson (1978). He reports that GM's management accounting system devised a form of centralized control with decentralized responsibility. Such a goal was accomplished through three actions mainly: an annual operating forecast that compared each division's ex ante operating goals with top management's financial goals (thus allowing the top management to coordinate each division's expected performance with company's financial policy); sales reports and flexible budgets that promptly indicated if actual results were deviating from planned results; and the chance for top management to allocate both resources and managerial compensation among divisions on the basis of uniform performance criteria, hence the institution of incentive plans.

By 1925 DuPont and General Motors developed many of today's managerial control practices, which are: decentralization via a functional or multi-divisional organization, cost and profit centers, the ROI performance measure, formal capital appropriation procedures, budgeting and planning cycles, flexible budgets, target ROI pricing based on standard volume, incentive and profit-sharing plans, and a market-based transfer price policy (Kaplan, 1984).

Most 'Big eight' firms (big accounting firms whose characteristics will be later analyzed) offered management advisory services prior to World War II, but it was after this that they generally moved to establish separate departments or divisions devoted to these broad array of services (Parker 2001). A further impetus to the growth of management advisory services (MAS) occurred after World War II, particularly from the importance of efficiency studies and operations research developments during the war years and with the economic growth of the 1950s. Firms needed to restart their businesses, and, in order to achieve their purpose, they were inspired by the same techniques that were exploited during the war: one of these was the maximization of efficiency that could be achieved thanks to advisory services provided by accountants.

MAS began thus to occupy an increasing proportion of public accounting services in response to growing demand from clients (Parker 2001).

5.1.3 Knowledge-based firms

Zimmerman (2015) helps providing a first economic evolution observed after the Industrial Revolution. The firms and factories that emerged during the Industrial Revolution were high physical asset based. That reason, together with the fact that they were broadly dissaminated on the territory, led to the hire of professional managers with the skills to control large enterprise. In turn, their big size and physical asset intensity required more investments than the entrepreneur typically could afford. Public capital markets with dispersed investors seemed to fulfil those needs.

The single-person information economics approach was supplanted by principal/agent, or agency theory, research. In this model, accounting information is viewed as the basis of contracting between economic agents

who have different ownership rights, different information, perhaps different prior beliefs, and different preferences for outcomes (Kaplan, 1984). Indeed, dispersed investors and dispersed managers controlling several business unit led to the rise of conflicts of interests among the different companies' stakeholders and the only way to overcome those conflicts, was producing more information thus allowing different stakeholders to control each others (Zimmerman, 2015).

The agency theory represented the previous step before the knowledge based economy approach was adopted, as the agency theory still omitted the role of knowledge and innovation to create value in the firm (Kaplan, 1984). By the turn of the century the knowledge based economy was being recognized by the accounting profession: the source of income of the organizations was perceived to reside in their intellectual assets rather than simply in physical or financial assets as it was considered until that moment (zimmerman, 2015). That can be considered the starting point of a new area of activity of accountants, the knowledge management which "identifies and capitalises on employees' distinctive competencies with a view to adding value to clients and customers via new services" (Parker 2001).

It was in that context of transformation, characterised by changes in companies' strategy which were rebuilding themselves for a competition that was based on information, where their ability to exploit intangible assets had become far more crucial than their ability to invest in and manage their physical assets, that balanced scorecard appeared, a term that was crafted by Kaplan and Norton for the first time in 1996 and that they spread worldwide through several publications of both books and academic articles. Therefore, balanced scorecards have their roots in the information age as they were firstly used to compete in it. The balanced scorecards, as Kaplan and Norton explain (1996), translate the mission and the strategy of an organization into a comprehensive set of performance measures also including the performance drivers of financial objectives, thus supplementing traditional financial measures. They are a measure of organizational performance across four balanced perspective: financial, customers, internal business processes, and learning and growth. Their revolutionary feature lied in their ability of

enabling companies “to track financial results while simultaneously monitoring progress in building the capabilities and acquiring the intangible assets they need for future growth” (Kaplan & Norton, 1996).

5.1.4 Regulatory bodies - External to the profession

Bodies regulating the accounting profession can be the State and all the set of regulatory agencies. According to Mueller, who identified four approaches to accounting development in Western nations, under the macroeconomic approach accounting practices are derived from and designed to enhance national macroeconomic goals (Choi & Meek, 2011). This theory can be applied both to internal firms’ accounting systems and to public accountant profession. Thus, firm goals normally follow rather than lead national economic policies as business firms coordinate their activities with national policies.

The outcome of the regulatory process concerning each professions, as well as the legitimacy of the rules and practices produced – representing a crucial element for the development of a profession, as they can broaden or restrict its activity – are affected also by the agencies where the regulation takes place (Cooper & Robson, 2006). As a consequence, when changes in regulatory organizations happen, the field of activity of a profession, as it is was shaped until that moment, could change as well.

The merger movement and the consolidation of capital in the US and UK highlighted the flexibility of accounting statements, and was one reason for the state’s interest in the regulation of accounting rules (Choi & Meek, 2011). The state in Anglo-American countries has had a longstanding involvement with the development of accounting rules, practices and what constitutes a profession. State agencies helped to create a demand for general financial management services, particularly within regulated firms (Cooper & Robson, 2006).

The proliferation of both non-Governmental Organizations (such as the IASB) and Government networks (such as IOSCO), have had profound effects upon the co-ordination of accounting (and other) policies and regulations. (Cooper & Robson, 2006)

In the USA, key points of impetus to the expanding accounting role and level of activity occurred through the legislation of income tax law in 1913 and of excess profits tax law in 1917 (Parker, 2001). In 1913, following approval of the Sixteenth Amendment to the Constitution, Congress passed the first Revenue Act, which, coupled with rising tax rates, during and after the war, and the increasing complexities of the tax laws and regulations added enormously to the demand for accountants. Moreover, previously many companies had never kept adequate accounting records, and, as a result of the Revenue Acts of 1913 and 1918, many company executives came to appreciate the importance of recording depreciation, because it was deductible for tax purposes. Accountants responded eagerly to meet the burgeoning demand for their services. In 1924, the newly instituted Board of Tax Appeals authorized both lawyers and accountants to practice (Zeff, 2003).

Again, another milestone of the professionalization of American accountants is represented by the Securities Act of 1933 and the Securities Exchange Act of 1934. These Acts, as implemented by the SEC, required all new and continuing registrants to have their financial statements audited by independent certified public accountants (CPAs), thus highlighting the importance of the accounting profession and generating an increased demand for its services (Zeff, 2003). As a consequence of that event, the American accounting profession was a solid profession. The enclosure was complete as it moved from state-only jurisdiction, to a more encompassing Federal jurisdiction (Huber, 2013). Actually this event really simplified the profession and represented a notable support to the profession. Indeed, before that moment in America each State licensed public accountants. But as a consequence of the Securities Laws now it was the federal government to regulate the power, position, and prestige of the public accounting profession. Moreover, through those Acts the importance of the accounting profession in America within the capitalism was eventually affirmed by law as it was explicitly confirmed that those Securities laws were specifically enacted to facilitate raising capital (Huber, 2013). Hence, here is an example of a State really trying to enhance and support the growth of the professions within the society.

5.1.5 Internal to the profession

It is undoubtedly asserted that the State plays a crucial role as the first regulatory authorization to a profession comes from it, but in further stages most of the importance relies on the regulatory bodies internal to the profession. It is the case of the AICPA in the US. Nowhere else in the world the organized accounting profession possessed such a large degree of influence in setting the norms (Zeff, 2003).

In 1917 the AICPA issued the first authoritative guidance on auditing procedures published in the U.S, a bulletin called “Uniform Accounting” but containing only recommended auditing procedures. It is to say that the SEC itself provided the AICPA with such a regulatory power, indeed it was the SEC to rely on committees of the Institute for generally accepted accounting principles (GAAP) and all the auditing procedures that accounting firms were asked to adopt in their engagements.

Moreover, in 1957 the American Institute of Certified Public Accountants (AICPA) promulgated a pamphlet on the management services that could be offered by a CPA. It was issued by its Committee on Management Services and listed an array of services under the categories general management, finance, production, sales, office management, purchasing, traffic and transportation, and personnel (Parker, 2001).

Connected to the regulatory bodies’ influence on accounting is the concept of institutional alignment. Expression which may be considered a summary of the above influencing elements analyzed, it concerns the way practitioners come to see themselves, their identity as individual, their presence in the public sector, or as corporate accountants and auditors. The institutional alignment inter-relates with regulatory processes and impacts the way and the intensity rules are conceived and implemented. For instance different perceptions or sense of responsibilities arise in accountants working either in industries or in large firms. Therefore, new practices raise spontaneously from accountants and consistently with the role they perceive to have within a society or a community.

5.1.6 The rise of accountants in US

As it has been previously anticipated, Scottish and English Chartered Accountants, who settled in the United States during the last quarter of the 19th century to report on British interests, performed much of the early auditing work. These pioneers from Britain included Edwin Guthrie, Arthur Young, James T. Anyon, John B. Niven, Ernest Reckitt, George Wilkinson, Arthur Lowes Dickinson, and George O. May. (Zeff, 2003).

Usually the professionalization process is a hard work, consuming for actively involved actors. It involves political, economic and legal forces both supporting and constraining its development (Willmott, 1986). It is made of battles and struggles between different professions, maybe claiming the same right to exclusively perform some specific activities, or between the 'professionals to be' and the State, or even between professional organizations belonging to the same profession. The development of a profession is both political and social (Huber, 2013).

However, the US accountants seem not to have experienced such troubles. In fact, if it is considered for instance the 1789 as the birth of the United States of America, it did not take long time to the profession before it could realize its first achievement: in 1896 the New York State was the first State to pass the law to recognize the qualification of Certified Public Accountants (Zeff, 2003).

As reported by several historical works and papers, the US accountants have always showed a particular cohesion in the very first stage of their professionalization process, leading to a strong and powerful presence on the debate with the State and other regulatory bodies. Conversely, as US accounting defined itself a self-regulating profession, struggles have been witnessed in later stages between different regulatory bodies emerged in response to the increasingly complex structure characterizing the American accounting profession, struggles mostly due to the international intrinsic characteristic of American bodies.

From the birth of the USA as a nation, the American accounting profession growth experienced a slow pace (Huber, 2013); it received then an acceleration as the national economy began to evolve from highly agrarian to

more industrial. It has been reported above how the Industrial Revolution, implying changes in the social, political, and technological environment in the USA (the appearance of complex corporations, oil, steel and railroads) impacted the internally managed accounting practices of the newly created companies.

From the mid to late 19th century it was the investigation work the main activity that accountants performed (Parker, 2001), it included: the examination of a company's financial condition, investigations into corporate fraud, reports on private company earnings for public share issue prospectuses and promoting company flotation, government and business organization efficiency studies, government organization remuneration and working conditions investigations, and performance audits on usage of government funds relative to intended purposes and outcomes achieved. Previts and Merino in a 1998 study divided the history of US accountants evolution in seven periods; such repartition has been taken as the most valid one by several theorists who considered it as the starting point for their analysis (Huber, 2013). The two authors refer to the period 1866–1896 as the Gilded Age. During those years, the expanding accounting profession lacked the organization and resources to deal with the newly emerged needs of financial reporting. Further penalizing element was the strong disagreement among the organizations on who was qualified to practice public accounting. In fact, consistent with Willmott's mystique and monopoly (Willmott, 1986), everybody wanted to affirm the leadership on the accounting services market.

In that period fifteen accounting organizations were formed, each one establishing different requirements for the admission. But the battle for the settlement of the accounting professional organization followed an unconventional path in the US, in fact as well as those organizations proliferated they ceased to exist in a relatively short period of time. It can be asserted that a real battle between self-proclaiming professional organizations was not witnessed (Zeff, 2003). Only few of them endured, among them the American Association of Public Accountants, the lineal predecessor of the American Institute of Certified Public Accountants, and officially established in 1887 (AICPA site).

Simultaneously, as commercial markets became more stable, corporations achieved their formation, and banking and capital markets began to expand, the demand for public accountants grew (Huber, 2013). After several years of unsuccessful lobbying for laws to licensing public accountants, the efforts finally succeeded. In 1896 the State of New York issued the first law to license CPAs. That was an event that signed the beginning of the accounting profession in the US as an accredited one (Zeff, 2003).

5.1.7 Professional firms: a key role

Professional firms as key change drivers are a peculiar aspect of the accounting profession. Accounting firms are central to processes of professionalization: they are shifting elements of regulation, acting as site of production of professional identity and regulation (Cooper & Robson, 2006). Their role in the diffusion of concepts such as the efficient organization is crucial as well as their role as promoters of audit technologies, accounting fads and fashions. For these reasons they are often referred to as 'Big accounting firms'. Their influence is pervasive, touching the lives of every human being, and impacting the decisions of governments and corporations (Gillis, 2014). Also, the emergence of a new organizational form has resounding institutional implications (Greenwood & Suddaby, 2006).

5.1.8 Audit's increasing importance as a key driver

The Industrial Revolution and the fact that USA were one of its main actors led to an extreme fast evolution of accounting practices in the US. Accounting was provided a continuously growing importance as a necessity of companies. Therefore, people performing accounting steeply increased, leading to the rise of a multitude of organizations claiming rights to be regulated by the State. Moreover, as people performing accounting practices were crucial to the economy, which was witnessing a growth of capital markets, the demand for public accountants grew. All those elements together made pressure on the State and finally the profession received the support by the law.

These all are social, economic and political elements. But for the evolution of professional accounting firms an element is still missing. Indeed, to keep pace with the expanded functions and duties, accounting firms merged and reorganized into few firms.

Each of the Big Accounting Firms has roots in the UK and the US in the 19th century. Today they are referred to as the Big Four that emerged out of the Big Five after that Arthur Andersen at the beginning of the 21st century collapsed because of the Enron's scandal. Before that moment they were Six, following the 1996 merger of Price Waterhouse and Coopers & Lybrand. The Big Six evolved from the Big Eight, when, in 1989, Peat Marwick Thorne merged with Main Hurd man to form KPMG, and Arthur Young and Thorne, Ernst Whinney merged to form Ernst & Young (Greenwood & Suddaby, 2006). Today the Big Four are KPMG, Ernst&Young, Pricewaterhouse Coopers (or PWC) and Deloitte. An example typifying the development of the Big Four is that of Samuel Lowell Price (practitioner of Price Waterhouse) who first opened an office in London, but then moved in the US as capital flowed from Britain to America and to Britain's colonies and accountants periodically traveled to these locations on behalf of their clients. With the development of US capital markets in the early 20th century, British firms found a ready market for their skills (Gillis, 2014).

From the earliest days of the profession, accounting firms rendered consulting services. By the 1910s, they included the installation of factory cost systems, studies of organizational efficiency, investigations in connection with possible investments in other businesses, and an array of other services to management, which were often rendered in conjunction with audits (Zeff, 2003).

The reason why the needs for audit emerged is that firms in 19th and 20th century progressively began relying on large amounts of physical asset, therefore organized capital markets with liquid shares developed to supply this capital and accounting and auditing in response evolved to facilitate the financing of the needed physical capital: accounting was asked to provide information for a fair company valuation in order to help individuals make the right investments (Zimmerman, 2015); accountants had to mitigate conflicts

of interest between debt and equity providers, and between the owner and managers. Thus, when the need for audit services blasted, professional accounting firms were big companies' first choice. For instance US Steel, when issuing securities in 1903, hired Price Waterhouse to certify their statements in order to make the investment more attractive for investors (Gillis, 2014).

Their popularity increased with the size and importance of the clients they began to serve. Conscious of their own influence on the stage of the global accounting profession, they also began publishing revenues and journals expressing and spreading worldwide their opinion on which best accounting and audit principles to be used were (Zeff, 2013).

5.1.9 Paradox of embedded agencies

The importance of the Big Accounting Firms on the global accounting stage can be witnessed also by the fact that members of such Firms composed some of the first committees and associations in charge of proposing some accounting and audit principles to be generally adopted (Zeff, 2013). Their importance and influence was immediately acknowledged. Their central involvement in the regulation is still an actual aspect of the profession. It extends from their involvement in the standard setting process, where even if partners have to give up their partnerships (as required by the FASB), their attitudes and business connections assure that these firms have considerable influence, both nationally and internationally, to participation in professional committees and groups, to their involvement in how particular versions of global accepted accounting principles are spread around the world. (Cooper & Robson, 2006). It can be referred to as the paradox of embedded agencies (Greenwood and Suddaby, 2006), more specifically it is the paradox of how actors enact changes to the context by which they, as actors, are shaped.

Several are the historical evidences of their influence on the regulatory process. Every time there was a new committee to establish, one or more partners of the Big Accounting Firms were appointed to it, thus able to drive towards their interests some important issues on accounting. For instance, as a result of the Securities Act in 1933-1934, a government takeover of the auditing of publicly traded companies was averted thanks to Col. Arthur H. Carter, senior partner of Haskins & Sells (one of the Big Accounting Firms in

that period) who succeeded in persuading the Senate Committee on Banking and Currency, during the hearings on the proposed Securities Act, not to assign the external audit function to a government agency, but instead to allow it to be done by firms in the private sector (Zeff, 2003).

The boundaries between regulator and regulated have changed and the location of these changes have major effects (Cooper & Robson, 2006).

The paradox of embedded agencies, explained through the case of the Big Accounting Firms, represents the example of how endogenous forces of deliberate change, reflecting an institutional entrepreneurship attitude (Greenwood & Suddaby, 2006), further influenced the process of professionalization of accounting. In particular, those endogenous forces have been identified in four main components. First, it was the economic interests of Big Accounting Firms, continuously trying to outperform each other and increase their profitability; second identified factor consists in new opportunities that they gained because of their structural position within the organizational field, requiring structural holes or social spaces between organizational cluster to be bridged; the reference here is on new services that emerged in response to the needs of their multinational clients. Third, which can be viewed as a consequence of what has just been explained, is the incompatibility between the new expanded firms structure and the increased geographical complexity of their business, it rendered unfeasible the limited focus upon local jurisdictions; therefore, their business activities expansion beyond the jurisdiction of field-level regulations and consequent misalignment of regulatory and market boundaries, made the Big accounting Firms immune to coercive and normative processes. Finally, the asymmetries in the resources between regulators and the Big Firms, the latter having higher technical, political and financial resources, led to the inability of professional association to regulate the Big Firms (Greenwood & Suddaby, 2006).

The rebel nature of accounting firms and their increasing influence on the agencies that were supposed to be controlling them strongly appeared in the late decades of 20th century, when the Big accounting Firms started

broaden their scope of activity to law services. Their position within the global accounting scenario will be examined ahead in the work.

5.1.10 How they changed the society and accounting practices

The Big Accounting Firms had such an influence on the professionalization process of accountants that their actions also affected societies beyond the American territory. Cooper and Robson (2006) report how in Russia, before the global expansion of Big American accounting firms, accountants were almost women. With the diffusion of the American model and professional firms with senior men manager, women as accountants lost their prestige in Russia.

Big accounting firms are also accountable for having acted as first movers when adopting particular business strategies. It is the case of the trend toward the specialization, sometimes referred to as one of the charms of the profession (Gillis, 2014). In this regard, the larger accounting firms in the USA such as Arthur Andersen, particularly embraced industry specialization in the 1930s, concentrating accountants on developing management and financial services expertise in particular industries. This concept subsequently grew to become common practice amongst larger accounting firms (Parker, 2001).

In general, it is a widely accepted opinion that the Big Accounting Firms are important sites where “accounting practices emerge, become standardized and regulated, where accounting rules and standards are translated into practice, and where professional identities are mediated, formed and transformed” (Cooper & Robson, 2006).

According to some theorist, the Big Accounting Firms also contributed to the transformation of the profession from its initial setting toward a commercial one, typical of the large corporation. Such a witnessed attitude leads to the assumption that these firms and, unfortunately, almost the accounting profession as a whole, motivated by profit and capital accumulation, do not reflect public interest anymore (Macintosh and Shearer, 2000).

Large accounting firms were leaders in the expansion of MAS (management advisory services) through the 20th century. Ernst and Ernst created a separate management service area almost immediately after its

foundation. It commenced with mostly accounting and financial advisory work, but by the 1920s broadened its scope to what it called 'constructive accounting' providing corporate management with analyses of entire business operations including organization structure, delegation of duties, physical layout, and departmental relationships (Parker, 2001).

5.2 Italian context

5.2.1 The rise with merchants and the double-entry bookkeeping

When considering the origin of accounting practices, it is widely spread to ascribe it to an Italian monk named Luca Pacioli, who first reported in a manuscript called *Summa de Arithmetica* in 1494 the methodology of the double-entry bookkeeping system. It is one of the most important accounting evolutions, representing a milestone for the "modern" accounting profession.

Nonetheless, before the double-entry other methods had been invented to keep record of business transactions (Unegbu, 2014). More precisely, a particular type of accounting called "stewardship accounting" dates back 4500 BC, when wealthy men, desiring to manage their property, employed stewards who were in charge of rendering periodical accounting of their stewardship. Thus, the accounting was intended as the act of recording of business transactions, satisfying the need of those in business to control how their wealth was invested and the debts owed to them and by them (Glautier & Underdown, 2001).

Evidence of revenues recording practices has also been found in the Greek and Roman societies, when a charge and discharge principle was adopted for the bookkeeping activity, comparable to modern receipt and payment account. A similar method was adopted in England in the Middle Ages and until the 19th century (Unegbu, 2014).

However, the reason for considering Pacioli's masterpiece as the cradle of the accounting is because the introduction of double-entry bookkeeping is generally thought of as the genesis of accounting as we know it today (Choi & Meek, 2001). It was a practice that had already started diffusing, but he was the first to transcribe it in a book in order to diffuse it. For merchants the

single entry system appeared to be “inadequate to ensure effective internal control system, income determination, security of assets, employees’ contribution to profit, and separation of private property from business” (Unegbu, 2014). The concept constituting the fundamental of the double-entry was very simple: for every debit entry there had to be a credit entry (Cooke, 2006).

The double-entry bookkeeping system introduced a revolutionary concept, forging the modern economy. Some believe that the idea of capital itself was engendered by double-entry bookkeeping. Indeed, it created new categories for classifying and evaluating business transactions, in so doing it altered such transactions by changing the way businessmen interpreted and understood them (Carruthers & Espeland, 1991). The new recording system began sensitize merchants minds and created a new consciousness about which elements increased or decreased assets and liabilities, therefore allowing a rational evaluation of the consequences of past decisions. According to Weber double-entry bookkeeping was ‘the most highly developed’ form of bookkeeping, in so far as it permits “a check in the technically most perfect manner on the profitability of each individual step or measure” (Chapman, Cooper & Miller, 2009).

Furthermore, through this kind of system it was possible to calculate exactly the resources currently available and those that would be forthcoming in the future: thus capitalists could use the information provided by an account to assess and compare various alternatives for investments (Carruthers & Espeland, 1991).

The development of the double-entry bookkeeping both at Italian and international level was then primarily supported by the invention of printing helping the diffusion of that bookkeeping system outside Italy (De Roover), and by the growth of business of North Italy merchants, who are accountable for exporting the method in West Europe countries as Germany, where it was adopted by the merchants of the Hanseatic League, Netherlands where it was used in the periodic income calculation, France where government officials found it advantageous to apply the whole system to governmental planning and accountability, and eventually the British Empire where a system to

manage and control enterprises in the colonies and for the records of their colonial enterprises to be reviewed and verified was needed (Choi & Meek, 2011).

Considering such a glorious beginning, it seemed that Italy would have been playing a central role in the expansion of the accounting systems, a main contributor in terms of theories and brand new practices. When reporting in scholar textbooks the history of accounting, a reference to Pacioli's work can always be found. But after that, nothing (Zan, 1994). The Italian presence on the global accounting scene somehow receded (Zambon, 2002). Italy's contribution to the development of accounting seems to have disappeared. This lack of interest has been widely acknowledged and identified by academics and economists, who are now persuaded that accounting does not seem to be as central a part of economic management in countries such as Italy, Germany and Spain (Cooper & Robson, 2006). However, it does not mean that accounting was not practiced in Italy, there are several evidence of manufacturing firms in the early 14th and 15th centuries keeping track of their income and cost (Antonelli, Boyns & Cerbioni, 2006), though it does mean that Italy did not develop new practices or invented new rules for the bookkeeping.

Reasons lying under the Italian non-development of and the subsequent non-proactive role in new accounting practices can be located in social contexts, involving both historical social and political frameworks. Indeed, as previously analyzed, accounting is deeply embedded hence influenced by social forces. In the 15th century, when the double-entry bookkeeping practice began to appear, Italy was not a unified country, it was divided into several small Realms each one with its law and its regulatory bodies, and, of course, each one acknowledged how much importance and power regulating and controlling accounting practices would have provided. For this reason, a proliferation of institutes, associations and profession qualifying bodies claiming rights to be recognized and regulated by the law was witnessed in Italy. They were many as many realms existed. The first one to appear was the Venice Association of accountants in the 16th century. It was due to the importance of the accountants' craft to the mercantile activity. Later in the

early 17th century it was the turn of the Sworn Liquidators in the Duchy of Savoy and then in the 18th century the College of Accountants in Milan was established with the purpose of local practitioners to safeguard their interests by closing public appointments to its members, formulating tables of fees and establishing conditions of admission based on education and training in the craft (Coronella, Sargiacomo & Walker, 2015). Fragmented interests are inadvisable when trying to build a strong professional presence within the institutional field. For that reason Italy lost its first line position in the accounting practices building process.

However, after the 16th century everywhere a long period of stagnation was experienced. The lack of national unity and the dissemination of the regulatory power reflected in a proliferation of feeble regulations, doomed to disappear in the short time within the Napoleonic Republic and even deteriorate after its defeat. Indeed, as Coronella, Sargiacomo and Walker (2015) report, as a consequence of the fall of Napoleon, the Kingdom of Lombardy-Venetia became part of the Austrian State retaining the regulations issued under the Napoleonic period and eventually in 1828 auditing accountants were also recognized. The States under the Papal regulation obtained the recognition of the profession in 1836 and first requirements to access the profession were identified. A better treatment was reserved to accountants in the Kingdom of the Two Sicilies as the profession could be pursued by anyone deemed competent in the subject, regardless of educational qualifications and training. According to the three authors' research "this complicated state of affairs was to be radically altered following the unification of Italy in 1861".

First of all, right after the unification, Italy entered the industrialization period, later respectfully to other European countries. The stagnation period finally stopped. Consequently, as it has been previously explained, the Industrial Revolution led to profound change in the accounting systems of the industrial firms. The growth of corporations caused a new spurt in the development of accounting, again under pressure of practical problems waiting for solutions (De Roover). Several academic works report that it was experienced the same phenomenon of US firms: the internal accounting

systems evolved in response to the evolution of the society to serve new capitalist needs (Antonelli, Boyns & Cerbioni, 2006). Furthermore, schools of accounting emerged during that period and it was in those contexts that new theories of accounting were developed. Among these there were personalistic theory and value-based accounting theory (Coronella, Sargiacomo & Walker, 2015).

5.2.2 The Italian accounting struggles

It was easy for the accountants in the US to find the support from the State: America was a brand new nation, willing to affirm its presence globally; they had to cover up centuries of social, cultural, economic and professional development that European countries had already experienced. Every opportunity proving to bring high potential of growth to the Nation was well accepted, thus, as it has previously been explained, accounting profession did not encounter critical obstacles to its development. The historical struggles and achievements of the US accountants professionalization process can be resumed in few and most salient events: the initial organizational confusion which saw the AICPA triumphing, the proliferation of as much admission requirements as the States composing the America are then overcome by a Federal regulation, and a feeble struggle with lawyers over the provision of tax services eventually solved with a law authorizing both lawyers and accountants to the practice. Nothing to compare to the troubled and tormented process experienced by Italian accountants.

Italian accountants' work is third in Europe for its contribution to the GDP (4,4%), after France where accountants' activity generates the 4,9% of GDP, and UK (5,5%). Nonetheless the evolution of the accounting profession in Italy has always been somehow limited by external forces. Indeed Italy has always been accurately depicted as the country of uncertainty, regulatory confusion and excessive bureaucratic power (Roma, 2014).

5.2.3 Competition among similar professions

Might the political fragmented framework not being enough complicating the situation, the inner struggles between professions claiming similar rights worsened the already tortuous context.

Indeed, before Italy's Unification, as the accountant profession was not regulated, a host of other occupations, such as notaries, lawyers, surveyors, measurers and clerks, were often appointed to perform accounting tasks (Coronella, Sargiacomo & Walker, 2014). After the unification it was a task of accountants to take back what was in their scope of action and establish a monopoly on specific activities. Particular attention now has to be focused on the figures of the lawyer and the bookkeeper (the "ragioniere").

According to the recent research of Coronella, Sargiacomo and Walker (2014), who found their analysis on the theory of Perkin, Italian accountants achieved their professional status through a dual closure: exclusionary and usurpatory, the former being achievable when a superior group seeks advantages by defining a subordinate group as ineligible, and the latter defined as an attempt by subordinated outsiders, the 'negatively privileged', to gain a share of the resources captured by a superior group. As Coronella, Sargiacomo and Walker (2014) pointed out, lawyers were a superior category with respect to the accountants one. Historical evidences supporting this idea are several, first of all being the fact that when deciding who assign the appointments to, between lawyers and accountants, the State in most of the cases opted for the lawyers. It has to be reminded in fact that there was not yet a clear law defining the boundaries of each profession, and the fact that lawyers were preferred was an evidence of their superior political power and influence, thus being a superior group than accountants were. Therefore in trying to legally secure the profession, accountants applied with lawyers the usurpatory attitude. Their strategies consisted in persuading the legislator that allocating exclusive practice rights to them was in line with a national concern of protection of the public interest, would lead to the advancement of commerce and industry and an increase in the national wealth. Furthermore, an essential element for the usurpatory strategy to be efficient is the solidarism. Thus, several national congresses of Italian accountants started to appear, in order to gain more notoriety in front of the State and to appear as a solid profession deserving to obtain some legal power. Despite several attempts to gain more supremacy at the expense of the lawyers, the majority of appointments in the law courts still continued to be awarded to lawyers. Accountants thus decided to undertake a different strategy.

An additional main competitor of the Italian accountant as they apparently had similar tasks that historically tended to overlap each other (Di Salvo, 2005) is the bookkeeper. Their dispute reached its final chapter only recently, in 2005 with the unification of the roll of the two professions into one (L. 139/2005). With reference to the diatribe between accountants and bookkeepers it has to be said that, as for the dispute with lawyers, it

originated after the unification, but in that case the accountants represented the superior group, thus in the fight against bookkeepers an exclusionary approach was adopted. After having subtracted some privilege to lawyers, Italian accountants had to defend themselves against those who were self-proclaiming accountants or declared to have the same right to practice the same activities, even though they were unqualified practitioners missing a title attesting they had the competence to practice the profession but they were practicing the profession or had a “less noble academic title” (Di Salvo, 2005). As Coronella, Sargiacomo and Walker (2014) report in their work, Parkin affirmed that while pursuing the exclusionary strategy the necessary elements for that strategy to be efficient are the possession of property and academic or professional credentials. Indeed, the core of the problem there was that accountants and bookkeepers had a title of the same level, the “diploma”, hence accountants were unable to claim superior rights to practice the profession against bookkeepers, because they lacked superior academic education. What they could do in order to close the profession was to elevate the prestige of the profession through a superior enabling title. That was not achieved until the 1913 when it was established by law that higher commercial institutes were elevated to the grade of Universities, thus providing students graduated in those institutes the title of ‘laurea’ (Di Salvo, 2005). However, the influence that regulation had on the professionalization process of Italian accountants will be further explained ahead. Now the analysis is still focused on the actions that accountants directly undertook. In fact, even though it has not been explicitly stated, accountants in Italy had to face every day with sometimes too lazy regulatory bodies, driven by political interests, which, despite accountants’ several requests on issues concerning the legal closure of the profession, seemed not to be reactive to such stimulus. Therefore in most of the occasions it was upon the accountants to play a proactive role should they want to achieve some rewards for the profession. For instance, a National Delegation of Accountants was created to issue a bill with specific requirements to be respected in order to exercise the profession (the possession of a title, having passed an examination before a commission and so on), that bill was progressively revised to reflect the suggestions from

colleges all over the State, it was a slow process. Its aim was the exclusion of non-qualified from the institutions of the profession. Moreover as the law upgrading the Institutes of Commerce continued to be postponed, accountants went for the restriction of the access to the national congresses to those who either possessed a diploma in accounting issued by a technical institute or other credential authorized pre-1865; were teachers of accounting in technical schools, or had graduated as teachers of accounting or commerce or were active members of one of the colleges of accountants (Coronella, Sargiacomo & Walker, 2014). After the legal upgrade of the profession, accountants wanted further closure of the profession, thus required that the admission to colleges of accountants would be restricted to those who possessed an accounting diploma (Di Salvo, 2005). Such an attitude did not produce any regulatory response, but an aggressive reaction of the bookkeepers, who tried in turn to adopt the usurpatory approach to countervail the accountants (Coronella, Sargiacomo & Walker, 2014).

As previously stated, no action trying to pursue the closure of the profession is successful without the legal support of the State. As optimistic accountants could be in thinking that they could self regulate the profession, it was Italy the country they were, a code law country where it's the national law that regulates every aspect of the life.

5.2.4 The regulatory evolution

Analyzing the professionalization process of accountants in Italy through centuries it clearly appears how the State intervention has not always been well-timed, or in some other case it completely lacked to intervene in response to several calls of accountants claiming more rights to secure the profession and safeguard the interests of their and next generations. Here it will be reported the complex process accountants in Italy went through.

5.2.4.1 Regulating the professional life

After the unification of Italy, solidarity and a shared sense of national belonging still were missing, for this reason one of the strategies adopted by the State in pursuing the cultural and social unification consisted in establishing a reform of the education, indeed, the pre-unification Casati Law

adopted by the Kingdom of Piedmont and Sardinia was extended in 1861 to the entire Italy (Coronella, Sargiacomo & Walker, 2014). Its original aim was defeating high levels of illiteracy, thus primary education was declared compulsory. According to that law secondary education and Universities were under State control. The secondary education offered also included technical education, consisting in industrial and economic subjects. In particular, for those ones aspiring to become bookkeepers or accountants three years of attendance at a Technical School followed by three years at a Technical Institute were prescript (L. 3725/1859). Furthermore with the Decree no.1742 of 1865 it was established the title of expert accountant for those graduating with a diploma from the accountancy section (where the accountancy class was mandatory) of Technical Institutes (Coronella, Sargiacomo & Walker, 2014).

Next year, in 1866, with the Decree no.3133 it was introduced the requirement of the possession of a diploma of a Technical Institute necessary for professional practice, but abolished practical training. But in 1867 the State showed an excess of magnanimity and liberality. As Coronella and others further report the State abolished by Decree no. 1874 the Napoleonic regulation of 1805 which had stipulated that in order to be licensed to practice as a 'public accountant', passing examinations and three years of practical training were required.

Nevertheless, yet pursuing the cultural solidarity the State supported the creation of the first Higher School of Commerce in Venice (Ca' Foscari) established in 1868, the Higher School of Application of Commercial Studies in Genoa in 1884 and the School of Bari in 1886 (Di Salvo, 2005). These schools also represented a means to emphasize the accountants' pursuit of knowledge enhancing activity.

In their attempt to pursue the usurpatory strategy against lawyers, in particular while trying to create a solid professional power, and also trying to close the profession to those who claimed to be accountants only after few years of practice of the profession, but without possessing any title, accountants asked a professional national Association to be established by law. It would have been also a way for law to benefit only true accountants.

Though, that call did not find a favorable response, thus starting in 1879 in Florence and after that in all main cities, associations of accountants in Italy were established as “voluntary associations” (Coronella, Sargiacomo & Walker, 2014).

An apparent increasingly interested State in the accountants issue was envisaged in the 1885 with the Decree no. 3654 which replaced the existing accounting diploma with two others, both still qualifying for the profession of accountant: the diploma of ‘expert in commerce and private accountancy’, intended as a qualification for business managers in the private sector, and the diploma of ‘expert in administration and public accountancy’. But that distinction implied maybe double activities to be regulated, thus the two different qualifications were replaced by a single general accounting diploma by Royal Decree no. 6484 in October 1889. It seems that the national regulator was hesitant in its activity to secure the profession. Moreover, the Decree of 1885 did define the duties of accountants (i.e. bookkeeping, preparing inventories and balance sheets, liquidations, schemes of division, trusts and giving expert evidence), but such activities were not reserved to them nor to the expert accountants, implying that those self declaring accountants could practice the same activities as well. In addition, as previously stated, no regulation was issued securing court-related accounting work as it could be bankruptcy trustees, administrators and surveyors, such tasks were appointed in turn to lawyers. In response to that, the regulations of the College in Rome provided a professional committee to be responsible for distributing the roll of ordinary members eligible for accounting appointments to political and administrative authorities and ensuring its regular updating (Coronella, Sargiacomo & Walker, 2014).

After almost thirty years from the Decree of the 1865 accountants did not occupy yet, everywhere and fully, the field assigned to them.

In 1899 a bill raised from consultations between the Colleges and the National Delegation of Accountants, whose content, as previously mentioned, consisted in a list of first requirements mandatory for the practice of the profession, that bill was presented to the actual Ministry of Justice, who offered assurances that the measure would be carefully considered.

Unfortunately the Government changed that year and the bill had to be represented to the new appointed Minister.

A turning point seemed to arrive in 1902 when the University of Commerce Luigi Bocconi was established with the purpose of providing commercial studies based both on practice and theory, differing from what had been offered until that day by other Higher Commercial Schools which taught exclusively practice (Di Salvo, 2005). The brand new institution, pursuing its own economic interests trying to attract more students was actually pursuing the interests of the profession as a whole, indeed it first aimed at gaining the acknowledgement of the legal status of 'University' which would have allowed students to be graduated with the title of 'Doctor'.

1903: with the Royal Decree no.476 Schools of Commerce of Venice, Genoa and Bari are conferred the right to release a special degree equivalent to the ordinary higher academic degree, while the University of Bocconi will have to wait until the 1906 a Decree conferring to its graduated students the title of 'Doctor in Economic and Commercial Sciences'. As a consequence, that same year another Decree was approved thus conferring the title of 'Doctor in commercial applied sciences' to those graduating from all the Higher Schools of Commerce.

1906: bookkeepers were declared freelance professionals by the Law no. 327, the practice was subordinated to the enrollment in a College of Bookkeepers.

1913: with the Law of 13th March the above mentioned Higher Schools of Commerce were finally upgraded to the status of University. Therefore, a substantial difference emerged between bookkeepers and accountants, possessing the former a simple diploma compared to the university degree of the latter. Accountants thanks to that law were motivated to pursue their battle for the clear separation between the two professions. For that reason accountants also decided to add tax law and other academic subjects to those already taught in the Universities, thus preparing the field for the role of accountants as tax and legal experts. Moreover, they made often calls to the State in order to close the access to the Universities to those who were in possess of a high school diploma, hence excluding the access of those in

possess of a technical school diploma. In so doing, they would have elevated the prestige of the profession, and once for all bookkeepers would have been deprived of the chance to become accountants. Furthermore, such a degree provided them to fight with equal power against the university-educated lawyers.

As a law aimed at officially establishing the figure of the accountant as a freelance professional was not envisaged, accountants started making some pressure on the State, thus taking some autonomous decision. Indeed some students graduated from the Bocconi created the first roll of 'Doctors in economic and commercial sciences practicing as freelance professionals' (Di Salvo, 2005). Their pressing strategy was somehow successful: that same year the Chamber of Commerce in Milan published the list of the bankruptcy attorneys requiring in addition a two-years professional training to accountants while a four-years professional training was required to bookkeepers. A further step for the profession, but still no official legal support. Again in 1921 a proposal of law was presented to the Chamber of Deputies this time asking for the official and legal recognition of the rolls and boards of accountants spread all over the State; within that proposal tasks and duties of the accountants were listed, and, of course, they were wider than the bookkeepers' (Di Salvo, 2005). Finally in January 1924 with the Decree no. 103 it is stated for all professional categories without a legal prescription to be constituted into Associations if their members were graduated students from Universities or Higher Institutes (L. 103/1924). However accountants were still willing to have their own profession legally recognized, and their tasks and duties clearly defined. Bookkeepers in turn started showing some hesitations and worries as they understood that their profession was compromised. Therefore, in a corner there were accountants who were resolute to take as much distance as possible from bookkeepers, trying to affirm their superior status, on the other side there were bookkeepers who were willing to consolidate the two professions, in so doing they would have taken advance of the progresses (even though minimal ones) that accountants had made until that moment and would have defeated the threat to their profession. Every time bookkeepers tried to move a step toward the

unification of the two professions, accountants made two steps in the opposite direction increasing the measures to create a separation between the two, for example claiming exclusive rights on increasing activities. Finally in 1928 the issue was treated by the Ministry of Grace and Justice and a committee was named to prepare a proposal of law on the delimitation of the two categories, which were thus separated and two different sets of guidelines issued (Di Salvo, 2005). That was the first time that the accounting profession was recognized under a juridical aspect. Nevertheless, the expectations of the accountants were not perfectly met and their requirements were not fully taken under consideration. Indeed, in the Decree no. 588 of 1928 (containing the guidelines of the accountant profession) several activities were conferred to them, but they were not exclusive to them as it is specified in the 3rd article of the Decree and the admission to the roll of bookkeepers with a diploma was stated as well (L. 588/1928). Moreover, one of the requirements to be fulfilled in order to access the accountants roll consisted in passing an examination. Such examination however was not disciplined until the 1932 (Di Salvo, 2005), before that it was sufficient to have graduated from a High School of Commerce or University and two years of training after the graduation were required as well (L. 588/1928).

The question was temporarily ignored during the war, hence reappearing in 1953 with the issue of the Decree no. 1067 finally establishing the Association of the accountants who were called for the first time 'Dottori Commercialisti'. As it can be read in the Decree, technical skills in economic, commercial, tax, financial and bookkeeping field were attributed to the accountants, though not in an exclusive way (L. 1067/1953), indeed they were all activities within the scope of action of accountants unless they were conferred by law to other professions as bookkeepers, lawyers or attorneys. Furthermore, the article no. 52 was dedicated to the enrollment of the bookkeepers under specific requirements. The reason why still exclusive rights were not assigned to accountants lays in the fact that the profession of accountants was not on the entire national territory, there were some geographical areas where accountants were totally missing, thus the attribution to a single profession of the right to practice specific activities

would imply that some geographic areas would have missed the skilled people to provide those activities; moreover it was the intention of the national regulator not to hurt the interests of the bookkeepers (Di Salvo, 2005).

As Di Salvo (2005) explains, accountants and bookkeepers began to show an increasing interest in the unification of the Boards but with separate rolls, indeed that would have led to the elimination of conflicts between the two professions, greater credibility of professionals operating in the organizational and economic fields, greater political presence in fighting against those abusing the right to practice, and finally the convergence into one single authority of the disciplinary and executive power.

Maybe the aforementioned solidarity of Parkin's theory, necessary for the closure of a profession to be efficient, was to be fulfilled since the very first moment after the unification of Italy between accountants and bookkeepers, actually accomplishing the same activities but brandishing different qualifying titles. Accountants' pride and desire to reclaim that different title that demanded more sacrifices to be achieved, induced them to support their own purpose and persisting to claim the monopoly on those "naturally belonging" activities.

In the 2005 a Decree ended the debate. With the Decree no. 139 of 28th June 2005 the Board of accountants and bookkeepers was constituted as a single Board. Also a single roll was constituted but divided into two sections (L. 139/2005, art. 34) one for the accountants and another for the bookkeepers, the latter called from now on with the attribute of "experts" (esperto contabile), and it is allowed to be enrolled only in one of the sections (L. 139/2005, art. 35). It seems that the State finally had recognized a different value to the different professions. With the Decree the State also implicitly affirmed the superior status and competence of accountants, indeed it is provided with the article no. 3 a set of activities which are strictly reserved for those enrolled in the section of accountants (section A), who, in addition to those activities, are also allowed to provide the activities described in the article no. 4 which, in turn, reports the activities those enrolled in the section bookkeepers are allowed to accomplish. Hence, bookkeepers are allowed to accomplish only the activities of article no. 4 while accountants have a wider

scope of activities. Some of the activities that only accountants can accomplish are the audit activity, the valuation of a company, monitoring the correct use by firms of public liabilities, and the valuation of the technical accuracy of business plan aimed at obtaining a State funding (L. 139/2005, art. 3). Some other interesting aspects of the Decree to highlight are the admission to the section A of the Board submitted to the possess of a second level degree, while a first level degree is sufficient for the admission to the section B (L. 139/2005, art. 36), of course passing an examination is also mandatory, of course a bigger set of academic subjects is required for the enrollment in the section A. Also a three-years internship is required for the admission to the examination and thus for the enrollment (L. 139/2005, art. 40).

It can now be more rationally asserted that Italian regulatory bodies never showed to be too much interested in disciplining the accounting profession. Italy was never a first mover, but rather tended to emulate other countries behaviors. A reason for such a laziness in the mid-20th century may be found in the fact that after the Second World War other issues represented a priority in the Government minds.

5.2.4.2 Regulating practices to be performed for a company financial reporting

Besides the lack of laws regulating the accounting profession and delimitating the boundaries, also the practices of accounting were disregarded. Zeff (2012) reports that in 1973 few countries had committees or boards whose recommendations influenced the course of accounting practice. Italy was not of course one of them.

As Zambon and Saccon report (1993), it has been since 1865 that public limited companies are mandatory required to draw up and file the financial statements. Successively, in 1882 through the article no. 176 of the Commercial Code it was for the first time established the general principle that the accounts should show with 'straightforwardness and truth' (evidenza e verità) the financial situation and the economic results of a company. Yet still accounting was ignoring economic consequences because of accounting documents lack in providing sufficient data to enable judgment on how resources were managed. Further disapproval element and criticism to the

state of accounting was identified in the flow of financial resource method that did not measure expenses and could not report the amount of resources consumed in the period, and therefore a measure on whether resource outflows were less than resource inflows was not achievable (Mussari, 1994).

Further specifications and guidelines on how company financial statements should be drafted were provided in 1942 with the Civil Code adding the new general principle of clearness and precision to be adopted in the drawing up of the balance sheet and the profit and loss account, in particular while presenting the financial position and the results of a company (L. 262/1942, art. 2423). The negative aspect was the lack of regulation upon compulsory contents of the income statement. As a consequence of that, companies were allowed to present very condensed and unsatisfactory information regarding their economic results (Zambon & Saccon, 1993). For the format and minimum content of the income statement to be legally defined, it was necessary to wait until the 1974 for the Law no. 216, which, besides that, introduced others important aspect: listed companies were required to present a six-months report, it was created the CONSOB (Commissione Nazionale per le Società e la Borsa, or National Commission for Companies and Stock Exchange), a regulatory body aimed at monitoring listed companies, and it was introduced the duty for listed companies to provide external audit. The auditing activity in Italy started in 1950s, triggered by foreign companies asking for an adequate control on the balance sheet and income statement of their controlled subsidiaries located within the Italian territory (D'Angelo, 2015).

Alongside with the establishment of the external auditors for publicly listed companies the concept of "independent" auditor emerged. Until that moment under former law audit activity was strictly internal. As a consequence, the role of these auditors consisted of verifying the legality of decisions made by the executive board, the correspondence between asset values reported in accounting records, and the data provided in the statement accounts, but it was not given much regard to the performance or results of the business (Mussari, 1994). Moreover, the compulsory external audit would allow public companies to be provided of a solid credibility on international

stock exchanges (D'Angelo, 2015). It was a well welcomed law on the external audit which was further regulated the year after, in 1975, with the Presidential Decree no. 136 which extended such an obligation to major important Italian companies, such as newspaper publishers, insurers, State-owned companies, and a few others (Zambon & Saccon, 1993).

As the audit activity began delineating, auditors increasingly started to reveal a profound need for accounting standards to be settled in order to provide some guidelines for their work, since the introduction of the compulsory audit activity was a revolutionary innovation which had created several issues for the profession to be solved. For this reason the National Council of Italian Accountants, alone before and with the contribution of the National Council of Bookkeepers after, decided to create a specific committee with the purpose of setting some standards on the valuation and presentation criteria to be adopted (D'Angelo, 2015). For its activity the standard setting committee took some inspiration from the already existing best practices adopted by other regulatory bodies around the world, and, of course, coping with accounting principles adopted at the European level. That first attempt to determine accounting standards was a partial failure, indeed the guidelines provided by the committee were perceived as not sufficient since they were partially divergent from the auditors' aims and operating needs, in addition, the fact that they were issued by a non-governmental body (reason why they are called "standards"), hence not compulsory either in legal or professional terms, led their acceptance and adoption arduous (Zambon & Saccon, 1993). Unless the adoption of standards or principles created by professional bodies, informed and in line with the surrounding economic environment, accounting was relegated to the role of measuring financial compliance with standards set by legislators in conformance with outdated concepts of management and accountability (Mussari, 1994). It was only in 1999 that those principles were progressively legally adopted by the CONSOB (D'Angelo, 2015).

Meanwhile, in 1998 with the Decree no. 58, the so called "Single Document on Finance" (Testo Unico sulla Finanza), new requirements for audit firms and listed companies auditors were defined. In particular the audit firms are provided with accounting control and balance sheet rating tasks,

while the board of statutory auditors, beyond administrative and legal control, is in charge of accurately monitoring the suitability of the business structure and internal control system of firms, and the suitability of the administrative and accounting system as well as its fair representation of management activity (D'Angelo, 2015).

The historical reconstruction has been provided. The point has been made on the evolution of accountants, in particular the Italian ones, who had to deal with a particular political situation that had initially worsened rather than facilitated the consolidation of the profession. The shifting attitude of accounting toward a broader portfolio of activities has been illustrated too. Today accounting is no longer the mere bookkeeping activity it was originally, it occupies an important role in the creation and implementation of the strategic objectives. The peculiarities of the profession today can be found in the next chapter.

6 THE PROFESSION TODAY

Before illustrating the modern trends of the accounting profession, a brief summary of the steps of its evolution is going to be carried on. Accountants has experienced several shifts of their role from the traditional control-type observed at the beginning of the Industrial Revolution, to business analysis and organizational consultancy. One of these movements aiming at broadening the scope of accounting activities has involved the audit activity, constituting today an extremely important 'industry'. They are going to be represented the modern key change drivers of the profession, as they are perceived by international accounting bodies. The Italian section provides an interesting overview of the profession of accountants today. Statistical data supplied by the National Association of accountants are showing how the profession changed during the years that followed the economic breakdown. Most recent national and international regulations are explained, and finally a perspective on the situation of the profession today is going to be supplied through the interviews to some of the main actors of the Italian accounting stage.

6.1 US/International context

6.1.1 Today's accounting position

As for the changing roles of management accountants, it has generally been suggested that these are shifting from traditional control-type to business analysis and organizational consultancy (Yazdifar & Tsamenyi, 2005). For instance in the 19th and 20th centuries bookkeeping and auditing work have often emphasized or been associated with an emphasis upon numerical accuracy, systematic recording and calculating methods, and attention to detail (Parker, 2001).

In 1998 IFAC identified a four-stages process for the historical evolution experienced by accountants (Waweru, 2010).

Stage 1. Prior to 1950, companies' main focus was on cost determination and financial control (the latter a direct consequence of the former), through the use of budgeting and cost accounting techniques, as the Last In First Out (LIFO) and First In First Out (FIFO).

Stage 2. By 1965, a shift of focus to the generation of information for management planning and control was witnessed. Technologies such as decision analysis, marginal costing and responsibility accounting were for the first time introduced with the purpose to help managers making the correct choice and eventually creating strategic business units.

Stage 3. By 1985, attention was focused on the reduction of waste in resources used in business processes, increasing efforts were made on process analysis and cost management technologies. Some of the techniques often adopted by companies at this stage include Just in Time (JIT) and Activity-Based Costing (ABC).

Stage 4. By 1995, attention had shifted to the generation or creation of value through the effective use of resources and technologies such as Total Quality Management (TQM), Activity-Based Management (ABM), Benchmarking and Reengineering, thus trying to eliminate non-value added activities. The focus was on the identification of the drivers of customer value, shareholder value and organizational innovation.

The four stages are recognizable, but it has to be told that the process of change from one to another has been evolutionary. Consequently, each stage is a combination of the old and the new, with the old reshaped to fit with the new in addressing a new set of conditions in the economic environment, consistently with who affirms that traditional and advanced management accounting practices tend to complement each other (Prakash).

In the first stage, management accounting is seen as a technical activity necessary for the pursuit of the organizational objectives. With the regulation of markets in USA in the 1930s and the increase of complexity of all economic fields, the role of financial accounting moved from its original stewardship orientation (to control conflicts of interest in organizations) and towards a more information-provider role, required in that moment for the valuation activity by public markets: this shift in financial reporting objectives can be referred to as the shift from “stewardship” to “decision usefulness” and that was primarily produced for the investors’ requirements (Zimmerman, 2015). Accounting became necessary for the provision of information in process of valuation.

In the second stage it is seen as a management activity performing a staff role to support line management through the provision of information for planning and control. It is in that period that management advisory services (MAS) emerged, they included taxation planning, accounting systems design and installation, business investigations, corporate reconstructions, executive search, pre acquisition investigations, and manufacturing plant layout design (Parker, 2001). Furthermore, following the Second World War, the major accounting firms began to develop capabilities in new information-based services, they were gradually expanding beyond their traditional services of accounting, auditing, taxation, and systems design and installation. They chose to define this new line as management services, management advisory services, or administrative services. It began with the introduction in the mid-1950s of electronic computers for business applications, which in turn led to the development of computerized information systems and computer modeling. Operations research and electronic data processing were among the early pillars of this broadened scope of activity (Zeff, 2003). Indeed, management accounting is branch of accounting that “produces information for managers and forms an important integral part of the strategic process within an organization; it involves the process of identifying, measuring, accumulating, analyzing, preparing, interpreting, and communicating information that helps managers fulfill organizational objectives” (Prakash).

Once again the intervention of the AICPA in USA was crucial in providing the profession with suggestions. Indeed, by the close of the 1960s, the AICPA had issued three non-binding statements on management advisory services (MAS) covering the principles of MAS practice management and competence levels required, moreover in the 1970s, a study was commissioned by the AICPA to establish the nature of MAS that CPAs have accomplished until that time, how they acquired the relevant knowledge, and whether that knowledge should be subject to examination for qualifications (Parker, 2001).

In the third and fourth stages management accounting is seen as an integral part of the management process. The modern definition of management accounting as provided by the Institute of Management Accountants, self-declaring Association of Accountants and Financial

Professionals in Business, reports that “management accounting is a profession that involves partnering in management decision making, devising planning and performance management systems, and providing expertise in financial reporting and control to assist management in the formulation and implementation of an organization’s strategy”. Therefore, accounting intervenes in the formulation of a strategy and in the definition of strategy-consistent behaviors of actors within an organization. With improved technology, information is available in real time to all levels of management. The focus, therefore, shifts from the provision of information to the use of the available resources to create value for all the stakeholders (Waweru, 2010). Consumers were progressively seen to be better informed, as it was reported in 1998 in a document of the AICPA, and accessing a vast array of product and service choice without the restriction of national boundaries in a global and internet linked world. Tailored products and services, ethical issues, speed of delivery, quality of outcomes, and personalized service emerged as some of the priority consumer concerns (Parker, 2001).

Accountants have definitely shifted their scope of activity from simple providers of data to providers of strategic information, actively involved in strategic decisions, now able to analyze a firms specific peculiarities and provide customize consultancy services, not only in the accounting field.

Accounting, auditing, and taxation historically constituted the solid core of the firms services (Zeff, 2003). Accountants have gradually invaded the field of management activities, and, according to Gary Cokins (2013), management accounting has increasingly begun providing an important support to the sales and marketing functions: in fact “a company needs to know the best types of customers to retain, grow, win back, and acquire—and those who aren’t. To maximize shareholder wealth, a company also needs to know how much to optimally spend retaining, growing, winning back, and acquiring each type of customer”. Among their managerial tasks, accountants are also playing today an important role in the risk management process: they help identify potential market risks, quantify trade-offs associated with alternative risk response strategies, measure a firm’s exposure to specific risks, account for specific hedge products, and evaluate the effectiveness of hedging programs (Choi &

Meek, 2011). Knowledge creation, articulation, processing and leveraging have become a central value-creation activity for modern enterprises (Tayles, Pike & Sofian, 2006).

Further achievements of the profession have been identified by the Federation of European Accountants in: supporting and fostering the fight against money laundering; developing the quality and global consistency of financial information, largely affected by the intervention of bodies like the IFRS (International Financial Reporting Standards); enhancing corporate governance and spreading best practices; improving accountants' education and the implementation of the Recognition of Professional Qualifications Directive (FEE).

The modern Era of accounting has been defined by someone as the predictive analytics era. Such an opinion is fostered by the evidence that accountants have shown a shift in emphasis of their tasks from a historical to a predictive view of strategy and operations. Thanks to cost projections, companies can translate their plans and actions into monetary terms for decision evaluation and/or validation. It is hence referred to as predictive accounting (Cokins, 2013).

Accountants today as in the past should be able also to adjust their practices to the organizational structure they are addressing. For instance, firms with high levels of intellectual capital have developed their management accounting practices to address the issues that intellectual capital implies. Accountants in such firms should adopt a more strategic management accounting approach and focus on the evaluation, appraisal, and measurement of intellectual capital (Tayles, Pike & Sofian, 2006). The knowledge-based orientation of 21st century firms is increasingly more evident and affirmed, such an evolution has been made possible thanks to the information technologies created, whose impact will be later analyzed.

Stating that modern firms are more knowledge based implies that they have more intangible assets, are more reliant on their human capital, have to face an increased competition and several conflicts of interests, all elements increasing the complexity and challenges to access the capital (Zimmerman, 2015). A fair representation of the financial and economic situation of firms is

thus necessary to drive the activities of investors. It can be affirmed that today audit is one of the most important activity carried out by accountants. By bringing reliability and accuracy of financial and non-financial information, the profession provides trust and integrity to markets and stakeholders, hence bringing the accountancy profession to play an instrumental role as facilitator of the access to financing (FEE).

It clearly appears how audit progressively became a relevant task of the broad portfolio of activities performed by accountants. For this reason particular attention will now be focused on the audit activity.

6.1.2 The audit industry

Napier in one of his work refers to the periodization theory of Littleton, who affirmed that accounting first emerged as a systematic activity with the Italian renaissance and the coming of the double-entry, then the industrial revolution created a need for more sophisticated records of cost for manufacturers, and finally the emergence of the modern corporation stimulated a demand for professional accountants to act as auditors and business consultants (Napier, 2009).

Prior to the 1930s, no laws or regulations obliged corporations to have their financial statements audited (Zeff, 2003). Traditionally 19th and 20th century firms relied on large amounts of physical capital. When organized capital markets with liquid shares developed to supply this capital, accounting and auditing evolved as more conflicts of interests between investors (debt or equity providers) and the firm were likely to emerge and they role then became encouraging the financing of the needed physical capital (Zimmerman, 2015). It was witnessed a broadening of the accounting scope toward the audit services. Many studies testify that the starting activities of accounting firms were consulting services, but later those services included also the installation of factory cost systems, studies of organizational efficiency, investigations in connection with possible investments in other businesses, and an array of other services to management, which were often rendered in conjunction with audit (Zeff, 2003). Hence, audit became increasingly a relevant activity of the accounting profession.

In US the importance of accomplishing audit activity and the crucial role it had in the society was immediately understood, therefore the provision of such service for publicly traded companies was restricted to the CPAs. Of course, alongside the restriction to the provision was the restricted access to an important amount of revenue connected to the audit services (Huber, 2013).

The attitude auditors adopted in the first stage of their activity is referred to as a “traffic cop” mentality (Choi & Meek, 2011). Such a definition is due to the fact that they were mainly focused in determining the firm’s extent of compliance with established policies, plans and procedures, verifying a firm’s assets, and reconciling inventory and cash to accounting records, auditors were always standing at attention, trying to discover managers unexpectedly hiding something or doing something contrary to the law. The company’s management was cautious toward internal auditors, who were considered the evil of the company as they threatened the internal balance of the organizations. This type of situation is damaging and detrimental to the good management of the organization, its stakeholders, and all those subjects the financial statement is addressed to, as it threaten the efficient economic and financial result of the company. Nowadays the relationship between managers and auditor is quiet different, or at least it should be. As it is reported by Choi and Meek (2011) in the modern environment characterized by global competition managers seek in internal auditors expertise that goes beyond the traditional control functions. Choi and Meek in their work also report ten imperatives that according to PWC today internal auditors should have or should develop in order to provide companies with a major value. The PWC suggested actions to be taken are (Choi & Meek, 2011): accentuating the dialog with top management and directors in order to clearly establish the value-added objectives of internal audit (i.e., strategic issues, risk management, and protection of company assets); behaving consistently with key stakeholders’ expectations (stockholders, executive management, external auditors, and market regulators); think and act strategically; expand audit coverage yet keeping high-quality level of audits in a manner consistent with the ethical standards and expectations of the profession, resembling the

conduct of executive management in protecting the company; assess and strengthen expertise for complex business auditing; leverage technology in high-risk areas; focus on enterprise risk management capabilities; make the audit process dynamic; strengthen quality assurance processes; measure the enhanced performance against expectations of shareholders.

The evidence of the increasing importance of the auditing activity can be also revealed by the financial information provided by the US Big Four within their transparency reports. Pricewaterhouse Coopers realized in the 2015 fiscal year \$ 12,899 million, whose 40% was realized by assurance services (it is the name used to indicate auditing services); Deloitte reported revenues in 2015 of \$ 16,147 million, whose 38,5% has been realized by auditing services; as far as concerns KPMG, total fee income has been disclosed (\$ 7,890 million) and the audit relative part has been recorded for 34%; finally Ernst&Young reported revenues related to the 2015 fiscal year of \$ 11,200 million of which approximately 35% was from audit services. In all of the above financial results but one (Deloitte's), the revenues achieved through the auditing services represent the higher part respectfully to the other services provided by Big Four. Only taking into consideration the financial performance of Big Four in US, the audit industry is worth approximately \$ 18 billion. Therefore, investing in the auditing activity represent a huge opportunity for accountants.

The audit activity in this section has been referred to as an "industry". Actually the debate on whether the auditing and, more in general, the accounting is an industry or a profession has recently emerged. Carnage and Napier (2012) try to discover some evidence in favor of one opinion or the other; according to their study, accountants still refer to themselves as a professional body, still preserving integrity and competence, even though for someone the fact that some accounting firms merged and became professional practices is a proof of a major orientation toward the industry attitude, where too much space for integrity and competence has not been left. Really other studies addressed to accounting as moving toward an institutional entrepreneurship (Greenwood & Suddaby, 2006). It is interesting the conclusion of Carnage and Napier (2012), who state that "negative signal of

movement” for the professionalization of accounting as have been the scandal of Enron, the fall of Arthur Andersen (consequent to the former) and other scandals involving the auditing activity, for instance Parmalat in Italy, may be signals of a deprofessionalization of accounting.

6.1.3 Small – Medium Practices (SMPs)

Besides the Big Four accounting firms, the accounting world is mainly constituted by small-medium practices of accountants. Some challenges are similar both for Big Four and SMPs, while some others are peculiar to each context. Here, in this case it is more consistent with the scope of the research to provide an analysis of the current situation SMPs are experiencing because it will supply more important aspects for further reflection and recommendations on the situation of Italian SMPs.

According to a 2015 survey (IFAC 2015), global challenges perceived by small-medium accountants practices in 2015 were the same as in 2014, nonetheless it was reported that the severity of each challenge decreased.

The mainly reported challenges are: attracting new clients (perceived a critical issue by 47% of respondents, while in 2014 it was perceived to be critical by 58% of them), keeping up with new regulations & standards (critical for 44% of respondents in 2015, 57% in 2014), differentiation from competition (43% in 2015, 50% in 2014) and pressure to lower fees (41% in 2015, 51% in 2014).

Clustering the analysis for each geographical area it appears that for European SMPs the threatening challenges are represented by keeping up with new regulations and attracting new clients, even though for the Southern Europe countries (which includes Italy), the second most challenging activity consists in differentiating from the competition.

Shifting the attention to the North America keeping up with new regulations is considered as challenging as for European SMPs, however the other challenges for them consists in attracting and retaining new/existing staff. The issue of the regulation is perceived as a challenge for every geographical area SMPs (Central and South America/Caribbean area, Australasia, Oceania), but for Middle East and Asia, which in turn consider

attracting new clients and rising costs, and serving clients internationally and attracting new clients, as respectively more challenging.

As for the factors that in next five years will influence the most the profession and in particular the SMPs activity, the most important have been identified in the impact that the regulatory environment will have (perceived as future challenge by 52% of respondents), the raising competition (46% of respondents) and the technology developments (43% of respondents).

As it has been stated, accountants really play today the role of strategy consultants to management.

6.1.4 International modern change drivers

Until now the focus has been on factors that have historically molded the profession. They all are still actual as drivers of change, and represent an important element in order to understand where the profession has arrived. Professional historical path influences the way organizations make claims to specific activities, and the nature of the claims they make (Cooper & Robson, 2006).

But in order to understand where it is going, recent events have to be taken into consideration and “modern” change drivers have to be understood. The latter part of the 20th century has witnessed a further evolution of the profession due to relevant global changes, deeply affecting the profession.

6.1.4.1 The internationalization process

The internationalization of business has included not only large, but also small to medium sized enterprises engaged in export and joint international ventures. Competitive barriers dropped off. That has implied for capital and information to move across national boundaries.

Professional studies foresee service providers internationalizing their structures and operations and demanding expertise in strategic and international operations management. Competitive pressures have been seen as intensifying with the wider spread of knowledge, faster information flows and increased consumer demands. (ACCA, 2012).

With demolished national boundaries new emerging and unexploited markets have become more appealing, hence the economic focus has shifted

from West countries to emerging countries (Kirtley, 2014). It is trend to be kept into consideration when deciding how to deploy time and resources.

The globalization of both markets and single national economies is significantly transforming the professional services industry, which, according to Di Nardo (2012), is not used to such structural transformations and could lead to bad consequences as a crowding out effect, or new entry barriers to be created.

6.1.4.2 Technology evolution

Strictly connected to the globalization is the IT evolution, partly triggered by the need people were showing to reduce the distances that the globalization had created between each individual, or, in a business view, between management and those events that influenced their business and that managers had to control.

The high proliferation of data and the high pace of change in technology have to be perceived both as an opportunity and a risk, reason why huge investments on the development of IT skills are required (Kirtley, 2014).

A recent survey (Drew, 2015) pointed out that the delivery of digital business processes to clients will become a key differentiator among accounting firms in the next five years.

In this view, high potential has been identified in using intelligent systems, data mining and predictive analytics to exploit the repositories of 'big data' that firms are amassing and, as a result, transform both the operational and interpretative elements of accountancy (ACCA, 2012).

The data analysis and the artificial intelligence are highly affecting the way accountants perform their tasks, as recently Agnew (2016) reported. These transformations have downgraded a lot of previously adopted techniques to the obsolescence level, some techniques as the samples one used in the audit activity that has constituted for many years a central tool for the profession. Moreover, as Agnew (2016) further explains, the internal accounting firms business model has been threatened, since before lot of the hiring process was based on the needs of the accounting firms to accomplish those tasks that were then performed through technologies. And finally, the

technological revolution also represents a challenge for regulatory bodies of the accountancy profession.

However, even though technology has affirmed its importance, accountants still play a critical role. It has been indeed highlighted the importance of accountants in elaborating the financial and economic data into strategic information for the companies (Kirtley, 2014). Information alone, without any reinterpretation, would be useless otherwise.

6.1.4.3 The international regulators and standard setters

The American accounting profession, as expressed through the AICPA, had been heavily criticized from mid 20th century as it was failing to adopt meaningful accounting principles which was seen in turn as a refusal to stand up to corporate demands (Huber, 2013).

In august 1970, the APB (Accounting Principles Board), a committee established by the AICPA to provide “Opinions” and charged to undertake basic and applied research as well as issuing pronouncements on generally accepted accounting principles (GAAP) to be adopted by accountants, that committee issued two Opinions that were regarded more as the result of intense lobbying by industry than the product of sound thinking and analysis (Zeff, 2003). The AICPA was progressively losing its independence and it was witnessed by all the accounting community. Moreover, as Zeff refers, further pressure came from the Big Accounting Firms in turn pushed by their powerful clients, who retained those opinions not favorable to them; the Institute was also losing Big Accounting Firms’ support. Finally surrendering to the mounting political and social pressure, the AICPA removed the APB from its function and agreed to create this time an independent body, not a committee of the AICPA, appointed to establish accounting principles: the Financial Accounting Standards Board (FASB). The SEC would henceforth recognize the FASB as the entity for developing accounting principles (Huber, 2013).

For the first time the authority for setting accounting standards was conferred to a body outside the organized accounting profession and, major aspect, a repositioning of the big firms from the center to the margin of standard setting, thus no longer active participants, was witnessed, even

though the active participation in the public dialogue on accounting principles should be a sine qua non of professional discourse according to Zeff (2003).

Simultaneously to the FASB, in 1973 the IASC (International Accounting Standards Committee) was created aimed to a harmonization of accounting standards worldwide. In 2001 the IFRS Foundation and the International Accounting Standards Board (IASB) were established, replacing the IASC (IFRS history).

On the global scene today it is possible to observe two types of standards or principles, the GAAP in US adopted for the publicly listed companies, and the IFRS in Europe having the “EU announced on June 7, 2002 that the European Parliament and the Council had approved Regulation (EC) No. 1606/2002, known as the IAS Regulation, implementing the European Commission’s revised strategy and imposing the obligation on most EU listed companies to begin using endorsed IAS/IFRS by January 1, 2005” (Zeff, 2012).

It has to be told that in most of these cases the committees, even though they did not emerge as a direct creation of the national States, sooner or later they came under the influence of Governments, because they represented extremely delicate tool for their activity to be left completely free of limitations and without any guideline or superior direction. In both of the factions situations of National or Federal pressure have been witnessed. Just to cite one of them, in 2008, when the economic and financial crisis started to spread all over the world, and market prices of securities collapsed, banks that had classified their holdings of debt securities as “trading” despaired at the prospect of recording massive unrealized holding losses. Yet European banks pressed the IASB to allow IFRS users the opportunity to reclassify their debt holdings from “trading” to “hold to maturity” (whereas it was already possible for companies adopting the US GAAP), that would provide banks not to record unrealized gains or losses. As the IASB showed a little of skepticism, the European Commission notified it to immediately issue a standard, without due process, to authorize such a reclassification, otherwise the Commission would have taken some unspecified action, which might lead the IASB losing its franchise to set accounting standards in the EU. The IASB of course agreed by approving such a standard (Zeff, 2012).

The IFRS standards (previously called IAS when it was the IASC issuing them), which is the name provided to the standards set by the IASB, are an array of requirements followed by companies when they prepare their financial statements. As it can be read in the IFRS website, the IFRS foundation is aimed to develop IFRS Standards that bring transparency, accountability and efficiency to financial markets around the world. Their work serves the public interest by fostering trust, growth and long-term financial stability in the global economy (IFRS history).

Nowadays regulatory bodies, professional organizations and governmental entities are intertwined on the global accounting stage. The globalization process led to the spread of governance without government as public interest groups and professional organizations gain importance in the international arena.

The vision of a global set of accounting standards is supported by other organizations within the international regulatory framework, including the Basel Committee on Banking Supervision, the Financial Stability Board (FSB), the G20, the International Monetary Fund (IMF), the International Organization of Securities Commissions (IOSCO) and the World Bank (IFRS history). Many professional associations support and implements the IFRS standards. As it has been recently affirmed by the Federation of European Accountants adopting the IFRS Standards accountants serve the public interest by fostering trust, growth and long-term financial stability in the global economy (FEE).

The dark side of several interests having joined the international accounting regulation stage has consisted in regulatory burden leading in some case to drive up the cost of compliance.

6.1.4.4 Education

It is a widespread opinion that those individuals willing to pursue a career in the accounting profession have to accurately choose their academic path. Among the different elements affecting the accounting profession, the education is indeed under a person's direct control, while other elements are completely independent from our own will (Di Nardo, 2012). The education is the dominant element affecting an individual's future choice whether to follow

one particular career or another, and the field of specialization he/she will choose to undertake.

Previously the accounting profession was strictly focused on tax and accounting issues, today the category is experiencing a deep professional requalification, embracing wider activities. Gradual changes in the role of accountants, who shifted from information providers to extended information facilitators, hence becoming strategists, led need for changes to the education of accountants as well (Jones & Abraham, 2007).

The education issue is not just relegated to the pre-career years. Continuing education to consolidate old competencies and acquire new ones has thus become a crucial aspect too, allowing accountants to be constantly updated and to develop new skills exploitable in new performed activities (FNC, 2014).

The continuing education, beyond mandatory regulation (art.13 European Directive 2014/56/EU), has to be driven by the proactive role of accountants in trying to build and develop new skills.

Furthermore, it is a common opinion that in such a global context, where the increasing need for good training educational programs to be provided arose, the sharing of best accounting practices is extremely important, also if it is considered that a drive to globalize accounting standards and practices has been witnessed (Kirtley, 2014).

The globalization process also had an influence on the education filed. The structure, techniques, distribution channels and costs of providing education and training are being transformed, with a growing trend towards online courses and accelerated learning (ACCA, 2012).

Many advantages have been identified as strictly connected to the continuing education. It helps increasing firm and business growth, enables individual professional growth and also attracts quality entrants to the profession; of course continuing education also implies an increase of training cost (CPAs Institute).

Therefore, educational programs within the accountant profession have to be rethought, consistently also with emerging expectations of the society,

asking for accountancy function to play a far greater role in everything from strategic decision making to the design of new revenue models (ACCA, 2012).

6.1.4.5 Geographical location

Evidence of the geographical impact on accounting is provided by the fact that Big Four accounting firms are dominated by the offices located in the metropolitan centers of finance. Such a domination results in a strong commercial ethic within these firms, and those accountants in peripheral offices who wish to “get on” in their firm must adopt the values of commercialization (Cooper & Robson, 2006).

Whether the geographical positioning is an influencing factor or not is actually still debated, having someone affirmed that today location is becoming increasingly irrelevant since accounting work is becoming increasingly multidisciplinary (ACCA, 2012) allowing an expansion of services provided, even beyond national boundaries.

However, the geographical location as a key change driver is absolutely confirmed in regards of the Italian accounting framework, as it will be explained.

6.1.4.6 Organizational structure and strategy

The management of change suggests how management accounting change is intertwined with a changing organizational structure and strategy; these have been the most consistently used organization characteristics and variables in past research. Organizational forms enable diverse approaches to societal and economic problems and reflect configurations of privilege and influence (Greenwood & Suddaby, 2006).

In pursuing competitive advantage, organizations may implement management systems that support their particular strategic priorities. It is long time been observed a merging trend for accountants, hence constituting professional firms. One of the key factors for professional firms to be competitive players is a clear vision to be shared among all members of the firms. It will represent a solid driver for strategic decisions as the complexity of the decision making process within that type of firms will increase (Barbieri, 2014).

In the new global field, where also companies' financial governance infrastructures have been called into question because obsolete to fulfill modern market requirements, pressures have increased on the accountancy profession to strengthen its public image and go beyond current financial reporting practices to provide a more transparent, simplified but holistic picture of a firm's health and prospects (ACCA, 2012).

According to some theories however it was only in "quiet specific organizational contexts that accounting information fulfilled its decision-enabling ideal". In some other instances accounting information acted as an ammunition machine: rather than acting as a decision aid it served as a political resource to mobilize bias in organizational politics. In other organizational contexts, accounting information therefore served as a form of impression management.

6.1.4.7 Big Four

Big Four have always played their own separate match. They saw themselves as a distinct group, met regularly, and acted together in their lobbying efforts before governments. They constantly monitored and mimicked each other. The Big Five, when they still were five, collectively pioneered multidisciplinary practices and, when these practices came under attack, it was the Big Five who leapt to their defense (Greenwood & Suddaby, 2006).

Recent times have witnessed a comeback to consulting companies' acquisition activity. Actually, this trend was already observed in 2013 (The Economist, 2013), when Big Four, pushed from their clients willing to being served by firms that could both devise a strategy and execute it, tried to build one-stop-shop firms acquiring or investing in strategy firms.

It did not arouse few worries for the audit quality to be at risk because of potential conflicts of interest between the Big Four and their clients, as it could threaten the former auditor quality and independence (Agnew, 2015).

In the past, the involvement of the Big Four as both auditors and consultants has been stopped through the Sarbanes Oxley corporate-governance reform that banned firms from doing systems consulting for

companies they audited. In that case the Big Four were forced to sell those consulting services performing business units (The Economist, 2013).

The effectiveness of that reform lasted only few years since the Big Four were soon again in consulting, but this time it was rather called 'advisory' (Agnew, 2015) and in addition to that, in order to bypass the law, they provided the advisory services for firms they did not audit, as well as for those outside the US where Sarbanes-Oxley does not apply. Their trend toward consulting services reached its hedge in 2013, as told before, when the consulting entities acquired by Big Four became sixty-six.

Their acquisition strategy have surely started making some pressure on international competitors that were involved in the consulting services, whose strategies in response to that of the Big Four will be probably witnessed in next year's, but it also rose some warnings for the Big Four themselves as gains from M&A of consulting firms may be outweighed by the cost of another regulatory crackdown to stop their potential loss of quality in audit services (The Economist, 2013).

Despite their irreplaceable role in the professionalization process of accountants, achieving several goals before the State, allowing the profession to advance in the acquisition of important rights, despite all that, today the Big Four represent a concrete threat for professionals in countries less globalized than the US as could be the Italy. One of the reasons why the Big Accounting Firms represent an enemy for accountants in Italy is the multidisciplinary practices model that they have developed approximately in 1980s when the Big Four, in that period still Five, started progressively extending their services, until that moment consisting into accounting, auditing and tax, toward much more law-oriented services. Previously observed only abroad, now that trend is witnessed in Italy as well. Since 2013 a growing appearance of legal unit in the Big Four has been observed, as already mentioned, it was accomplished also through lateral hiring in the legal sector, hence acquisition of small law firms (Giudice, 2015).

Evidences of this trend could be noticed also in 2012 when the Big Four began hiring students from both law and economics universities. Consequently the professionalizing 24/36 months-internship within their

firms was created consistently with the EU Directive even though Italy had not translated it yet into law, in order to provide students with the needed requirements to perform the examination for the accountant or lawyer qualification. Big Four really did invest in the increase of collateral services to their main service: compliance, commercial agreement, due diligence, labor consultancy field of activities were involved (Giudice, 2015).

The next paragraph reports information contained in a research on multidisciplinary practices by Greenwood and Suddaby.

6.1.4.8 Multidisciplinary practices

Multidisciplinary practices are firms that combine several professions, typically accounting and consulting, and, sometimes, law. The new form was pioneered and championed by elite accounting firms (Greenwood & Suddaby, 2006). However, accountants have always perceived their profession as extremely yielding, indeed already in the early 1900s accountants in the USA began employing titles such as ‘consulting economist’ and ‘financial advisor’, to reflect their interests in broader scope work beyond the traditional accounting, audit and tax compliance services (Parker, 2001).

Beyond financial reporting, taxation and auditing services, which all saw major increases in activity for the accounting profession in the 20th century, other areas of broader scope services were emerging in that same period (Parker, 2001). Those years witnessed a progressive extension in the services provided by the largest accounting firms, expanding to forensic accounting and litigation support, and then into expanded management consulting services; such a process implied hiring new personnel with nontraditional skill sets to provide those new services, altering the demographic character of the workforces in the Big professional firms (Greenwood & Suddaby, 2006).

As Greenwood and Suddaby further report, the main characteristics of MDPs are the focus on large, especially global clients, a developed expertise in specific industries and professional specialization by function and industry.

6.1.4.9 Non-accounting competitors

At a global level, the growth of non-accounting competitors and alliances has been observed. In US this process involved large multinational corporation acquiring accounting practices in the purpose of constituting a one-stop-shop enlarged company, hence emulating the Big Four's strategy. Also financial planners and banks moved through accounting (Parker, 2001).

One of the effects of the globalization process has been observed on the boundaries that were defining the professions. Today borders are blurring between management accountants and other advisory groups, therefore allowing some professional categories to perform a broader portfolio of activities. Moreover, as accountants began widening their tasks, for example through consultancy and strategic services, individuals until that moment performing advisory and strategic services felt threatened and increased as well their portfolio of activity, seeking for new services to provide. Hence, either because in response to previous strategies adopted by accountants or to regulations allowing an overlapping of activities performed (as it will be later explained for the case of Italian accountants) the competition between accounting and non-accounting entities has reached its peak. Now the attention has automatically turned on seeking to provide higher value adding services (Fitzgerald & Florez, 2016).

6.2 Italian accountants today

The onward globalization process that markets are experiencing, pushed to the extreme by the digital revolution, is going to deeply modify the traditional economic field where enterprises and professions used to meet (Di Nardo, 2015). Last fifteen years have witnessed the accounting profession changing in response to change of enterprises of both public and private. Allen (2014) identified three main reasons for such changes. The increased trust if the society on accountants led them to occupy a bigger role in the society. Regulatory harmonization fostered by the European Union has also been a crucial change driver for the profession, as it will be further explained in the chapter. And finally the wider portfolio of skills has been the result of the accountants' proactive role in the skill building process and the continuing education process.

Before a clear picture of the accounting framework in Italy is provided, major elements of influence to the profession will be analyzed.

In the following section several elements currently influencing the accountant profession in Italy will be identified and explained. As it will appear, the regulation, one of those elements, actually permeates all other drivers of change. A reason for this phenomenon can be identified in the fact that Italy, as it was above explained, is a Code Law country, where the Public presence predominates over anything else.

6.2.1 Threats and limits to the Italian accountant profession

In addition to the above mentioned international change drivers, which directly impact the Italian accounting profession as well as other countries, there are other elements that are worth to spend some words on, as they are characteristic of the current socio-political Italian framework. It will clearly appear how modern limits are actually a sort of replication of old limits to the profession.

6.2.1.1 Struggles with other professions

It has been previously explained how the relationship between accountants and bookkeepers evolved through time, until it was reached an agreement, forced by the law, and the two professions were unified. Their thorny rapport, however, produced many negative externalities, if they can be referred this way. Their continuous fights, together with the lack of law allocating exclusive competence to the professions, hence leading to mutual interference between accountants and bookkeepers, created the field for other professions to gain the State's recognition and legal support.

With the Decree no. 241 of 9th July 1997, it was conferred to accountants as well as to CAAFs (Centers of tax assistance, in Italian Centri Autorizzati di Assistenza Fiscale), labor consultants and tax related lawyers the right to perform the individual income tax return.

Therefore, a new worry was added to the existing problems of accountants. A further action of the public power still reducing the professional activity of accountants was represented by the Decree no.175 of 21st November 2014. Through the Decree it was introduced the pre-filled

individual income tax return. There is still the possibility for accountants to assist private individual in the fulfillment of the document, but of course it is performed at lower fees being the dedicated amount of time much lower. Lower fees, but still higher than those applied by some of their competitors, i.e. the CAAFs, hence making clients preferring the latter instead of the accountants.

Furthermore, different professional fees are applied whether the service to provide consists in the simple transmission of the document to the 'Agenzia Delle Entrate' (the tax authority in Italy) or one or more corrections are required instead. For instance in the CAAF Industria of Emilia-Romagna €30 is the price of a pre-filled income tax return with only one correction, while €60 is the price of the same document with further corrections, because it requires 'more' work to be fulfilled (Dell'Oste, Finizio & Uva, 2015).

In addition to that, accountants complain about the increasing regulatory duties on taxpayers, whose accomplishment, requiring new competences to be developed in order to provide new services for their clients, is not either reserved to accountants by the law. CAAFs are in fact allowed to perform those activities as well. It represents an example proving how the lack of regulatory intervention contributes to increase the competition between CAAFs and accountants (Gattagrisi & Sarno, 2014).

6.2.1.2 National and super national regulatory framework

Beyond the national regulator, which has been the author of some prejudicing laws to the profession as the Decree establishing the pre-filled module for the individual income tax return, which of course is going to reduce the revenues connected to this type of service previously performed by accountants (Posca, 2015), or again the Law no. 248 of August 2006 abolishing the minimal professional fees, accountants in Italy as in the other countries of the European Union have to deal also with the supernational regulation, issued by the European Commission aimed at creating a level playing regulatory field across the EU countries. As previously illustrated, on the European as well as on the international regulatory framework both governmental and non-governmental organizations are involved, the latter submitted to political pressure from the former. Therefore, Italian accountants

are actions are limited by European regulators, but sometimes they can also influence those non-governmental organizations. An example of such a situation was witnessed in 1990 when delegations of some countries, among which Italy, members of IASC voted against the deletion of the LIFO as a practice to calculate inventories; the rationale of this vote, as far as it concerns Italy, was because of the advantages of LIFO connected to income tax purposes, as the financial reporting in Italy is linked to taxation. Maybe in that case managers lobbied the Italian delegation not to eliminate LIFO from financial reporting (Zeff, 2012).

As part of the European Union, Italy has to submit to a regulation that emerge from the EU regulatory bodies and subsequently to implement it at a national level so as to harmonize the law with that of other EU countries. At the end of the 20th century an ever unseen impetus in the process of regulatory evolution was experienced. It was not of course the result of the Italian regulation, but the EC one. Those laws concerned both the practices to be performed for a company financial reporting and the professional life. The Relevant EU Directives are (Zambon & Saccon, 1993): in 1991 the Fourth and Seventh Directives on the annual and consolidated accounts were implemented, and one year later the Directive on financial reporting of banks and other financial institutions (Directives 635/1986 and 666/1989). That same year, the 1992, the Decree no. 88 and the Decree no. 115 respectively concerning the Implementation of the Eighth Directive on the qualification of 'institutional' auditors ('sindaci') and new 'Register' ('Registro') of the 'revisori contabili', and the implementation of the EC Act no. 1989/48 (mutual recognition of European professional qualifications) were issued.

Basically in 1991 and 1992 accounting, as it was regulated in both its technical and professional aspects, was completely altered and a new regulation, replacing the old one, was implemented.

A further aspect connected to the European regulation Italy is submitted to is represented by the auditing services. The federal Law in US deciding to restrict the access of the provision of auditing services was an example of how the State favored the accounting profession, but also it represented its intent to secure that kind of service so crucial for the society to a class of professional

with specific and solid educational background. The same approach has been adopted at a European level, which is why the right to perform auditing activity has been submitted to the possession of an array of requirements through the Directive 2006/43/EC. According to those requirements “a trainee shall complete a minimum of three years' practical training in, inter alia, the auditing of annual accounts, consolidated accounts or similar financial statements. At least two thirds of such practical training shall be completed with a statutory auditor or audit firm approved in any Member State” (Directive 43/2006). Until that day in Italy accountants were automatically authorized to perform the auditing activity, the examination necessary to become accountant and thirty-months period of internship mandatory for the enrollment in the accountants Board was valid for performing auditing as well (L. 88/1992).

Italy, with its typical alacrity, adopted the European Directive into a national law only in 2010 with the Decree no. 39 of 29th January. According to the Decree the Ministry of Justice, the Ministry of Finance and the CONSOB were responsible to define whether an equivalence exists between the examinations for the admission to other professions, e.g. the accounting one, and the examination to become auditor. Hence, specific integrations could eventually be defined for those professionals desiring to become auditors, for instance an additional technical test for accountants (L. 39/2010). After several years no specification on that issue was provided.

In 2012, with another Decree, it was established a maximum length of eighteen months for the internship required for the admission to the professional Boards, with the exclusion of the medical profession (L. 137/2012). The Government, sure it would have been appreciated, was actually creating the ground for regulatory incompatibility. Indeed, the difference in the length of internships to access the accounting and the audit professions was creating more problems than those it was trying maybe to solve. A law on the simplification of the auditing examination for accountants was not issued yet, and the Decree was not doing a favor to accountants in creating divergence of time. It created a regulatory obstacle for accountants to access the audit profession.

Meanwhile, pressure from the accounting profession was intensifying. Accountants were actually perceiving the auditing activity as a natural extension of their typical activity and an additional examination, which was retained the most probable solution the regulator would have adopted, was perceived as a redundant examination. Italian accountants were claiming the equivalence between the two activities (Mastrogiacomo, 2013).

In 2014, a Decree (also known as Milleproroghe, which means “thousand postponements”) modifying the Decree no. 39 of 2010 was converted into national law: adding the article no. 4 bis it was established that an integration of the remaining eighteen months was sufficient for the accountants to become auditors. It approved the full legal soundness between the accounting examination and that for the access to the profession of statutory auditor. Hence, accountants were not required additional exams to become statutory auditors.

Meanwhile, another European Directive, the 2014/56/EU, still defining the content and the academic subjects that the auditor examination had to include, was emanated.

Of course the above mentioned Italian decision was not totally shared with the European Commission, since the subjects composing the test of theoretical knowledge differed between the two categories, requiring the auditing examination further knowledge. Italy was affirming the equivalence of the two theoretical examinations instead. After those critics, the Italian Government announced that an additional reform of the auditing activities would have been defined, also revealing that accountants might have been required to be submitted to the examination without any simplification for them.

This declaration together with the too many years waiting for the Government to break the regulatory stagnation, led to the accountants’ revolt. It could be asserted that they overreacted. Even though accountants were submitted to an additional examination to perform an activity that they could freely perform before the European Directive, that would have really worsened so much the situation for them? It could be thought that much of the

protests may generate from a honor issue, even more if their steep professionalization process is taken into consideration.

Finally, on January 2016 a final Decree was emanated (L. 63/2016) establishing that to register into the auditors roll accountants are submitted to the accomplishment of one out of the three different tests required for the auditors examination, being that theoretical test composed by subjects not included in the accountants examination tests. Such subjects are (art. 5): risk management, internal control, international and national auditing principles, the branch of the auditing, professional ethics and professional technical auditing.

Other changes that are worth noting are the chance to do the exam to become statutory auditor during the accountant exam session. Moreover, the decree allows students who are interested in pursuing the auditor career to begin the thirty-six-months internship simultaneously to the beginning of the master degree; it is established that a maximum of three interns are admitted for each statutory auditor. Also, it is abrogated the subdivision of the roll, introduced in 2010, into active auditors and inactive auditors sections. Now they are referred to as 'appointed auditors' and 'temporarily without appointment auditors'.

Audit is an industry that is worth many billions. The Decree no. 6 issued in 2003 (the so called "Riforma Vietti"), had increased the relevance and the scope of the auditing activity in Italy. It indeed extended the duty of accounting control, to be performed by an auditing firm or a statutory auditor, to the majority of the limited companies: public companies, limited liability companies responding to specific parameters of revenues and dimension, and to cooperative societies. It represented a huge increase of work, hence revenues, for auditors.

For Italian accountants the deprivation of such right, or, rather, the more complex access to the audit profession, has been a hard event to face. As it has been recently stated by the Federation of European Accountants "the profession invests heavily in training and in continuous professional development, which benefits and spreads across professional practice, industry and regulators". Therefore professional accountants play a strong

societal role by continuously recruiting numerous young graduated students willing to enter the auditing activity, but an overregulation may significantly impact this attractiveness to this field of study. In addition to a loss of time and money invested in the training of young professional accountants, such a regulation could translate into a decrease in the rate of enrollment to the auditing activity.

Furthermore, the audit represents the main field accountants decide to specialize in order to broaden their scope of activities (Di Nardo, 2012). Becoming auditor is considered a high value adding specialization for young students, as it also benefits from the widespread appreciation by companies' management (Micardi, 2016).

According to many accountants, the 4,5% reduction in the enrollments of interns is due to the fluctuating and threatening regulation on the audit internship (Mastrogiacomo, 2015).

The aforementioned case, explaining how the audit changed as a result of the European regulation, is only an example of what it implies to be part of a multinational organization such the European Union. The difficulties encountered by Italy in the adoption of European Directives lay in the fact that sometimes the laws are established on the basis of the existing regulation of a particular member of the EU. Hence, many times the transfer of such a context-specific concept from one jurisdiction to another is likely to be problematic (Zambon & Saccon, 1993).

Regulatory bodies have been defined by some accountants as the worst enemies of the profession, due to their confusing and continually changing legislative directions (FNC, 2014). The stunning increase of duties for the profession made the spending review process of accounting firms impossible.

Someone also perceived a sort of aversion of the Government to the profession of accountant. Sever critics arise from accountants (Pacelli, 2015), who affirm that one of the past Governors' decision to liberalize the profession was actually triggered by hidden interests of other professional categories to access the accounting industry (referring to Confindustria's individuals) CAAFs. The choice to facilitate the access to some accounting activities was

also criticized because the Governor did not realize that the real problem was an excess in the offer of accounting services, hence it was further increased.

A further pressure over the profession, which initially emerged from super-national regulatory bodies, then, after two years, was translated into a national law, is the Decree no. 139 of 2015, introducing new regulations upon the consolidated balance sheet. It is consequent to the adoption of EU Directive 34/2013/EU, representing for Italian accountants a huge reform to be assimilated (Stroppa, 2016).

Worsening the regulatory pressure on accountants, both emerging from national and super-national regulatory bodies, the burst of the economic breakdown.

6.2.1.3 The economic breakdown

It has been reported that Italy was the G8's country afflicted the most by the financial breakdown (Di Nardo, 2014). In 2008 the GDP decreased by 9,1% and the per capita GDP by 11,5%, the family's expenditure deeply decreased, as well as the industrial production (-24,6%) and a huge wave of companies forced to close their business was witnessed. The economic breakdown, together with the globalization process, the European harmonization process, the technology revolution, the exacerbated subdivision of the Italian productive system and the peculiar single-family business model of Italian SMEs (accountants' main clients) have stressed the profession and caused a sharp slowdown of the accounting.

A further evidence is represented by the decrease of income experienced by accountants in the period 2007-2013: during this period the nominal GDP grew by 0,4% and the real one decreased by 8,9%, while the accountants average nominal income decreased by 2,4%, and -12,7% was the loss reported on the real one. The income of accountants during those years has experienced the same trend of the GDP, but with wider swings (FNC, 2015).

Year	Nominal Values			Real Values		
	Average Income	Income Growth	National GDP Growth	Average Income	Income Growth	National GDP Growth
2007	€ 59.847	---	3,90%	€ 59.847	---	1,50%
2008	€ 61.138	2,20%	1,40%	€ 59.045	-1,30%	-1,00%
2009	€ 58.126	-4,90%	-3,60%	€ 55.692	-5,70%	-5,50%
2010	€ 58.537	0,70%	2,00%	€ 55.175	-0,90%	1,70%
2011	€ 59.854	2,20%	2,10%	€ 54.101	-1,90%	0,60%
2012	€ 59.187	-1,10%	-1,40%	€ 53.966	-0,20%	-2,80%
2013	€ 58.437	-1,30%	-0,40%	€ 52.255	-3,20%	-1,70%
Total Growth		-2,36%		-12,69%		

Source: 2015 FNC report

The 2015 has been the sixth consecutive year of decrease in the real income of accountants, who result to be one of the professional categories blessed the most in Italy by financial crisis, partly due to the delays in payment of professional fees by clients (Pacelli, 2015).

Such a decrease in the revenues has not been experienced by accountants all over the world. The 2015 IFAC global survey on small and medium accountants practices reports that the largest portion of respondents (33%-38%) reported revenues stayed the same, 23%-27% reported revenues increased moderately, the 6% or less reported revenues increased substantially, while a moderate decrease in revenues has been reported by 13%-17% and 5%-12% reported revenues decreased substantially.

The 25% reduction of Italian accountants revenue, no longer ensuring economic solidity (Barone, 2015), and their consequent manifest critical situation, have clearly influenced on the appealing of the profession, hence discouraging young students to undertake the accounting profession.

The 2008-2014 period, right after the financial crisis witnessed an overall growth of the enrolled of 8,1%, as always Northern Italian regions gave a main contribution (FNC, 2015).

6.2.2 The macro and micro level structure of the profession

6.2.2.1 Overview of the Italian accountant profession

Today the National Institute of Accountants and Bookkeepers is composed by 144 local Institutes, totally counting for 117.352 enrolled members (updated to the 1st January 2016), 1.107 more units, increased by 1% respectfully to the past year. According to past surveys, this growth is consistent with the growth of past three years (+0,9% in 2013 and + 1% in 2014). In terms of distribution on the national territory, in 2015 there were 3,9 accountants per 10 Sqkm, while in 2008 they were 3,6 (FNC, 2016).

In 2008 the Institutes accounted for 107.449 members, which means that in eight years the Institute total growth has been +9,22%.

This global trend is considered a bit low, but it is reflecting the recovering period Italy is experiencing after the financial crisis.

Year	Enrolled Members	Growth rate
2008	107.499	---
2009	109.474	1,8%
2010	110.787	1,2%
2011	112.164	1,2%
2012	113.235	1,0%
2013	114.041	0,7%
2014	115.067	0,9%
2015	116.245	1,0%
2016	117.352	2,0%
Global growth		9,2%

Source: 2016 FNC report

In 2014, according to the survey of the Italian National Board of Accountants and Bookkeepers (2015), when the population did not grow and the GDP decreased of 0,4%, the enrollment to the Board increased by 1% and the enrollment to the national welfare of the accountants increased by 2,6%.

Today some signals of Italy's economic upturn seem to be witnessed (nominal GDP +1,5%). Nonetheless, the increase of members has not been

followed by an increase in professional income (the same result that it was recorded in the previous survey): on the basis of the 2015 income tax return, accountants nominal income still performed a 1,9% decrease in 2014. The only region witnessing a countertrend attitude has been the Emilia Romagna, where the accountants average income increased by 1,6% than the previous year (FNC, 2016). With respect to the 2007 data, accountants average nominal income globally reduced by 4,2% while the real experienced a decrease of 12,4%.

As it could be forecasted, northern Italy Institutes are growing at a double pace respectfully to the southern Italy Institutes: +1,2% and +0,6% respectively. Women within the National Institute are continuously growing, representing the 32% of the overall enrolled members, against a 31,6% recorded last year (FNC, 2016). In 2014 it was Emilia Romagna the region with the higher presence of women in regional Institutes: they represented the 39,3% of the total members of the region (FNC, 2015).

A discouraging data is represented by the youngsters' membership to the Institute (with "young" the Institute refer to people under 40 years). In 2015 they are in fact accountable of 17,6% of total members, while the previous year their bearing was 21,2% of the total (2016 survey). It is even more discouraging if it is taken into consideration that the 1st January 2016 the number of people enrolled to the register of interns decreased of 568 units.

A focus on local regional contexts will be now provided. Unfortunately, most recent regional data are updated to May 2015.

As previously reported the overall growth in enrollments in 2015 was mainly due to the Northern Italy regions. Such a trend was experienced since the 2012. Before that year an opposed trend was witnessed.

In 2014 three regions performed a negative trend in terms of new enrolled, which are Friuli Venezia Giulia (-0,6%), Basilicata (-0,5%) and Liguria (-0,4%). Conversely, national mean outperforming regions in 2014 were Emilia Romagna, fourth region in terms of new enrolled members contribution (+1,5%), Piemonte (+1,6%), Lombardia, which is also the most contributing region in terms of new enrolled members (+1,7%), Molise

(+1,7%), Sardegna (+1,9%), Abruzzo (+2%), Veneto (+2,1%) and Marche (+2,1%).

As for the overall members enrolled to the National Institute, Lombardia in 2014 was still the main contributor (17,1% of the totality of the members), then Campania (12%), Lazio (11,7%), Puglia (8,8%), Sicilia (7,4%), Veneto (6,8%), Toscana (6,1%), Emilia Romagna (5,9%), Piemonte (5,6%), and all other regions contributing for less than 3%. The following table reports the overall distribution on the national territory of members, including the percentage of women and young accountants in Italy.

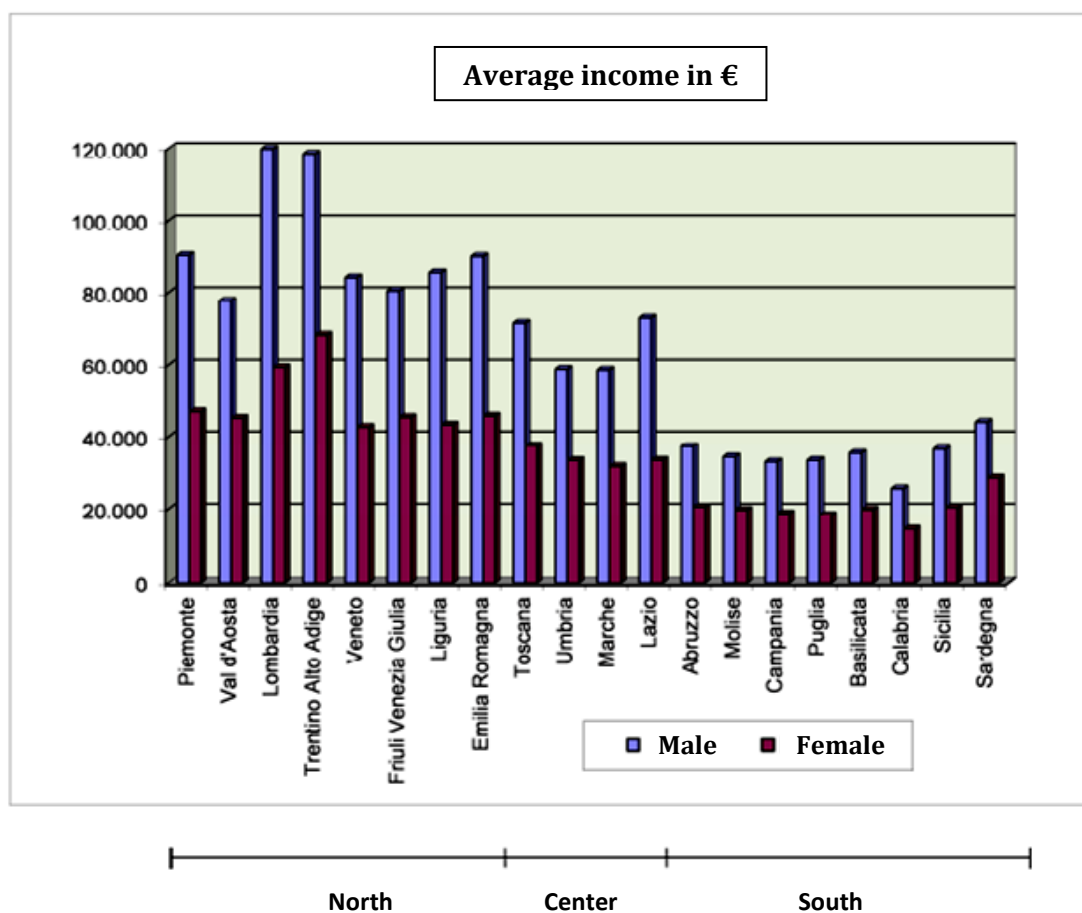
Region	To 01/01/2016	Variation to previous year%	Women %	% < 40	Citizens/enrolled
Abruzzo	3.204	0,3	35,0	18,0	414
Basilicata	1.016	1,5	36,4	17,0	565
Calabria	4.403	0,7	32,4	19,7	448
Campania	14.051	1,1	26,1	18,7	416
Emilia Romagna	8.159	0,5	39,8	19,3	542
Friuli Venezia Giulia	1.722	0,5	33,8	15,0	709
Lazio	13.691	1,0	31,0	16,2	431
Liguria	3.067	-1,0	35,9	11,3	513
Lombardia	19.066	-1,8	32,1	20,0	524
Marche	2.891	2,1	33,4	19,6	540
Molise	496	2,1	35,8	24,3	629
Piemonte	6.506	0,4	38,7	17,7	678
Puglia	10.188	-0,3	29,4	16,1	400
Sardegna	2.028	2,5	37,3	17,5	818
Sicilia	8.583	0,2	29,6	12,9	591
Toscana	7.182	0,6	30,9	13,6	521
Trentino Alto Adige	1.344	1,9	25,4	23,8	811
Umbria	1.544	2,7	38,8	16,6	577
Valle d'Aosta	181	1,1	26,7	15,9	876
Veneto	8.030	1,5	30,8	20,8	606
	117.352				
North	48.075	1,2	34,1	19,1	577
North-East	19.255	1,0	34,5	19,8	602
North-West	28.820	1,3	33,8	18,7	560
Center	25.308	1,1	31,7	15,9	478
South	43.969	0,6	29,7	17,0	474
Islands	10.611	0,6	31,1	13,8	635

Source: 2016 FNC report

The geographical location also plays a discriminating role in the income statistics. Northern Italy regions witness an average income that is approximately twice and a half that of Southern Italy regions, the ratio raises

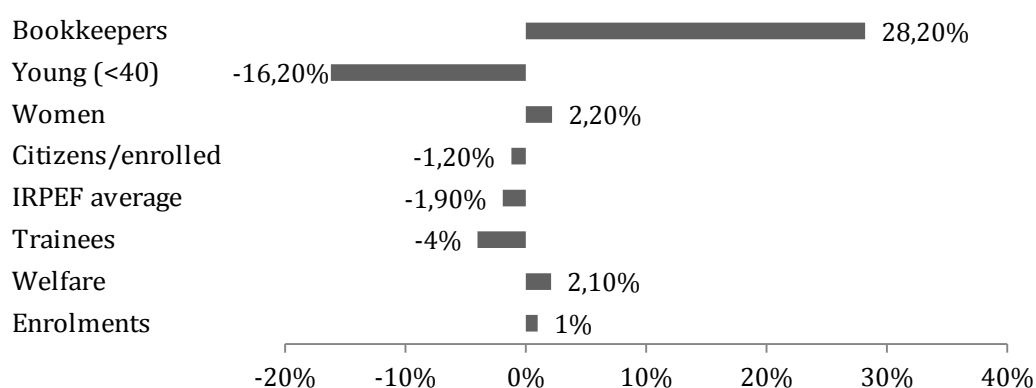
at almost three times the Southern regions if the most profitable region is compared to the less profitable region. Past years it was even worse if considering that Southern accountants income witnessed the less damaging decrease of the average income compared to the national result. Worst regions for the decrease of the income in 2014 were Basilicata (-5,1%), Valle d'Aosta (-4,4%) and Trentino Alto Adige (-4,3%) (FNC, 2016). It has also been witnessed a positive correlation between professional experience and income: the oldest accountants earn the most (Di Nardo, 2012).

A further aspect testifying the difference between the North and the South that can be easily deduced from the several surveys of the National Institute is the excessive offer of service in the South of Italy, measured as the ratio between the population and the accountants of the region, simultaneously to the lack of demand, accessed as ratio between accountants and the number of enterprises (FNC, 2016).



Source: 2015 CNPADC statistical report

The previous overview provides a lot of food for thought. One of the most important and worrying concepts to retain is that despite the growth of the members, the average nominal income keeps on decreasing each year. More information is summarized in the following chart that has been developed by the association of Italian accountants and represent the annual growth rate of 2015 of enrolled members and the average income for 2014.



Source: 2016 FNC report

6.2.2.2 Business structures and activities

Because of economic and efficiency reasons, the State has progressively empowered qualified and legally recognized professions to perform some central to the public interest duties. Such a trend led in turn to the spontaneous creation of subsidiary functions (Di Nardo, 2012). The traditional duality of the accountant profession has, hence, experienced a deep change: alongside to the activities in the public interest and the consulting services activities, those subsidiaries functions appeared. The latter consist in activities performed as insolvency administrator and court commissioner, or as civil and commercial arbitrator, while the audit activity represents a public interest activity.

It is worth considering that subsidiary functions are increasingly performed as the professional experience increases, and that the main

subsidiary function performed is the transmission of the individual income tax return to the Agenzia Delle Entrate.

As far as the business models implemented by accountants are concerned, in Italy four are the type of practices to be mainly observed: individual practice, professional firms (studi associati), non-organized practice, and, recently, the shared practice (studio condiviso in Italian). As Di Nardo reports (2012), the shared practice is not regulated by any ad hoc law. It may have been originated from the economic breakdown, since the peculiarity of this type of business model consists in sharing the cost and assets related to the everyday performance of the profession. The accountants constituting the shared practice are performing their activities independently, they are individual professional sharing maybe rent or writing materials cost.

6.2.3 The profession through the eyes of accountants

Even though the process of professionalization experienced by Italian accountants has been a bit more complex than in other countries, finally culminated with the unification of bookkeepers and accountants established by Italian regulatory bodies, the professional National Council plays an extremely delicate role in trying to control and harmonize the requirements of both 'sub-categories' belonging to the roll. It also plays, and did play in past, an important role as a facilitator in the process of adoption of laws and decrees, as in the early years of the Council's activity. It showed indeed such a professional influence while trying to set both accounting and auditing standards, through its ad hoc committee created in 1975, which moved the accounting practices of large Italian companies some way toward European Directives on annual reporting, even before their formal implementation into a national law (Zambon & Saccon, 1993).

FEE calls for simple, proportionate and fit-for-purpose regulation. Policymakers should develop fair, efficient and practical European solutions which best serve all players and benefit European citizens. The cumulative impact of all reforms also needs to be regularly reviewed and assessed (Federation Of European Accountants, 2013). The profession is fostering growth throughout Europe by supporting entrepreneurs, in particular SMEs, by: providing sound financial management and useful decision-making

information; helping understanding regulation, navigating complexity and fostering compliance; accompanying engagement in cross-border activities, hence making the single market a reality for all, including SMEs (Federation Of European Accountants, 2013).

As in other societies, accountants are perceived and perceive themselves as a profession arisen to serve the State and the public interest, more in general. Today, accountants in Italy strictly collaborate with the institution in charge of controlling on the fair compliance of tax duties by citizens (the Agenzia Delle Entrate), hence they participate a crucial public role. Nonetheless such an activity seems not to be appreciated by clients, since it does not constitute any adding value activity for them (Losi, 2014). Moreover, according to the anti-laundering law, accountants now are personally responsible to control their clients and eventually signal those who are not respectful of the law. If an accountant is considered not to have monitored some guilty client, penalties could be attributed to that accountant, even though he/she acted in good faith.

Such a risk they are submitted to, it is not perceived by the society. It seems a sense of dissatisfaction has emerged from the profession, reflecting the exhaustion of accountants to be attributed a bad reputation.

It is a widespread opinion that the accounting profession in Italy, but maybe all over the world, which is accused of cultural lack, needs to be revamped. Greater investments on cultural education for the profession, as it has been suggested by Caramella (2014), would lead to greater respect and higher social acknowledge.

Recommendations on how accountants should act to rebuild the profession come from accountants themselves. According to Salusest (2014) accountants are the information managers of modern society, and for this reason they role is crucial. However, they only exploit a minimal part of the information they process every day. If they were able to take more advantage from information, they could increase their activities. He also identifies three future challenges for accountants: the evolution of the profession in information management activity, intensifying the velocity the information are

shared among accountants and other stakeholders, and investing into professional specialization.

6.2.3.1 Interviews – Case 1: the Big 4s perspective

The following information emerged from an interview to a partner of the Tax and Legal business unit of one of the Big Four located in Bologna. As it can be accessed from the description on the website of the company, the Tax and Legal unit offers a complete set of activities within the tax, society, civil, accountancy, R&D and government incentives areas. In particular the services provided consist of business tax, GES (global employer services), international tax, tax controversy, tax services, transfer pricing, VAT and indirect tax, custom and global trade, R&D and global incentives and M&A.

The interview confirmed what was already well-known: the big accounting firms exploited their popularity within the audit industry to expand their portfolio of services toward other activities in the business consulting. What kind of service areas to expand toward is consistent with the needs that the market shows. The investment driver in this sense is external to the company rather than internal to it. Indeed, it seems reasonable, it would have no sense to provide a type of consulting service that is not required by the market.

The number of employees within the tax and legal service line in Italy is approximately of 500 units, 10% of global employees of the company. They are more developed in the tax field rather than the legal one. All these employees are introduced in the company in a specific field, hence it is a characteristic of the big four that of pushing new employees toward the a specialization path. It was not always like that, the constitution of several units and subunits, implying the instant specialization of people working within them, has been a gradual phenomenon. All the services, that are observable today within the big four, previously were part of some “generic service”, hence treated with less expertise and specialization. However, other services emerged because of the external needs, which were most of the time generated by new regulations implying new regulatory requirements to be fulfilled by companies.

In particular, all the current services generated from the wider area of services referred to as “Corporate tax services”.

From the interview it emerged that the specialization is actually the driver for the growth of the firm, as they are growing because the specialization fields of activities are growing and becoming far more important than the classic activities of accountants that nowadays can no longer be considered the element accountants can build their competitive position on. Actually, a kind of hyper-specialization can be witnessed within this firm, which, according to the interviewee, will stop when the market will send some signals, always consistent with the opinion that is the market that drives the behavior of accounting and consulting services.

A case of new activity that did not generate from a regulatory action but rather from a necessity of companies is represented by the services connected to the custom duties of companies that began to increase their abroad businesses, out of Italy, with other European or worldwide countries because of the economic breakdown.

A further element emerging from the custom duty topic is the importance of professionalism. Indeed, previously the custom duty services were performed by experienced accountants, they were services that were provided by the customs broker, who did not have any professional nor academic title, but decided to provide all custom duty’s collateral services to the companies. The critical element for a company whether to choose between an accountant or a customs broker is, according to the interviewed, the professionalism, and today companies seem to prefer the professionalism of accountants rather than the experience on the field of customs brokers, who do not have any professional title.

Connected to professionalism, another advantage for companies that decided to receive the services of a big four, is the opportunity to benefit from the network, the set of disseminated offices and branches, both at local (national) level and international one. The information collected during the interview highlighted some fields of activities that are growing in terms of demands from the clients and that could represent a field of specialization for Italian accountants to focus on. These are: custom duty, transfer pricing,

services connected to the patent box regulation. It is opinion of the interviewed, however, that the specialization can only be achieved in big structure as the big fours' one.

A further topic that emerged from the interview is the increasing automation and simplification of accounting procedures through pre-filled in forms that are provided by the public administration. Such a phenomenon has in turn fed the increasing presence of other actors, such as the Italian CAAFs or even bigger organizations that introduced technologies to better execute those activities and started perform them also for third companies. They exploited the simplification and built their global offer of services on it, hence discouraging the traditional accountant to provide those services deemed of "low class". Indeed, one of the consequences of the automation in the provision of accounting services is the decrease of the value that is perceived and conferred to those services, therefore the demand of customers for those services is going to become very elastic as the only decisive element is the price, since the final result is the same, whether it is an accountant to perform it (at higher price) or a CAAF (at a lower price). For the low class services the "organization is going to triumph on the professionalism".

The conclusion is that for the traditional accountant this situation really represent a threat for its professional activity since he/she is not able to specialize on the high category of services because of a lack of a suitable organizational structure allowing some people to focus only on a specific activities. On the other side he/she cannot even perform the lower category of services for the above reasons. The single practice can no longer exist. And, according to the interviewed, it could only be worse, as these trends are very likely going to reach a polarized and extreme-level condition.

Moreover, a single professional practice also lacks the economic resources to recruit the best graduated students, who are rather attracted and recruited by other professional firms, e.g. the big four.

In the interview it was also analyzed the behavior of Italy in relation to EU issues, and highlighted its low permissive attitude for instance in the case of non audit services. Indeed, Italy decided not to allow any derogation to the

EU regulation, thus restricting, in the interviewee's opinion, the scope of action of accountants.

As for the clients of the company, they consist at the 80% in companies with revenues bigger than € 40 million and 20% in companies with lower revenues. The main competitors are constituted mainly by the other big accounting firms, being other big consulting firms deemed not to be comparable to the type of services that the big accounting firms provide. The interviewee, when asked if according to him the SMEs could then be left to traditional single practices of accountants, answered that without specialization small practices do not have future, and it cannot be accomplished unless a minimum of aggregation between several professional practices. That is, according to him specialization and professionalism are the key success drivers of the accountant profession. The latter intended not only in terms of technical skills but also as the ability to "sell something to clients".

Furthermore, it is correct to specialize, but the interviewee then specifies that accountants need to be able to do a little of everything.

A final issue that has been treated during the interview is whether the education of university students is correct or it has somehow to be changed. According to the interviewee students have a lot of notional knowledge but lack in the ability to put all such a knowledge into practice.

6.2.3.2 Interviews - Case 2: a professional network

The second of the interviews has involved a large professional firm of Bologna belonging to an Italian professional network. The network counts more than 180 people between lawyers and accountants, the former a bit more numerous than the latter. The globally provided services of the network really cover every legal and accounting field.

The interviewee is a partner of the firm, a bookkeeper, not an accountant. According to his personal experience, when he first started the professional activity (in 1980s), he joined a small professional firm composed by only two partners, thus becoming the third one. Therefore, he directly experienced the growth of the activity and its expansion toward the bigger structure that today can be observed. The driver of the growth in that period (1980s) was the fiscal regulatory innovations that led to an increase in the

demand by companies for tax compliance and bookkeeping professional services. Such a change was also in part positively influenced by the automation of some processes, allowing a faster execution of services.

In 1992, with the aggregation of three other individual or two-people firms, the firm was constituted as a professional firm, and for those years it represented a “chimaera”, as it was not a diffused practice nor considered to be a successful strategy. Furthermore, it was composed located in two different sites: one in Bologna and the other one in Vignola, near Modena, thus allowing a wider coverage of the territory.

Indeed, the aggregation of several professional firms as a mean for constituting a bigger professional firm was a ‘modern’ concept, as other much more diffused business models were that of the family firm, constituted by a founder who usually conferred his name to the name of the firm, and then it was composed by sons, daughters, husbands or wife, and all other kind of people related to the family, and the professional firms emerged from the aggregation of more single or smaller professional firms but with a pyramidal model, with the “Dominus” on the top, conferring its own name to the firm as well.

The interviewee’s firm was hence created around a set of shared and solid principles, with the will of creating something different, looking to the future rather than to the past. Together with this, it was the desire to create an interdisciplinary professional firm that further fueled the decision of a bigger firm. Connected to it, indeed, there was the opportunity to cover more field of professional activities, move into the consulting services for companies and hence satisfy more diversified and sophisticated requirements of certain clients (the bigger ones). Therefore, operating through a sort of initial specialization, even though the term ‘specialization’ was not pronounced by the interviewee.

A first change can thus be identified in the type of performed activities: the traditional ones initially (tax, fiscal and bookkeeping services) and more consulting ones, even more diversified, later, after the aggregation. They have abandoned the traditional role of accountant to become companies’ advisors upon a wider area of subjects. Furthermore, in the past the profit obtained by

performing traditional activities was the 80-90% of the total profit, today it is only 30% while the major part of the profit is attributed to the consulting activities, less traditional ones, that have become the core business of the firm. After the first aggregation, but before the network was joint, a lawyer joined the firm. Today the professional firm, considering both Bologna and Vignola sites, is composed by 26 partners more other associates, counting globally for more than 40 people, almost perfectly divided into accounting and law areas, maybe one or two units more in the latter one.

Together with the personal intention of the former founders of the professional firm, the aggregation was in a little part also exacerbated by a sort of imitative attitude of Anglo-American countries' organizational model, even though it is opinion of the interviewee that it is not so accurate to say that they imitated Anglo-Saxon countries as the figure of accountant, as it is intended here in Italy, does not exist abroad.

Such an aspect, according to the interviewee, appears to be directly connected to the peculiar regulatory framework, "the operative field", of Italy, characterized by a proliferation of laws, on specific subjects, rather than few laws with wider scope of action.

As for the concept of network, it has to be specified that it does not mean sharing the clients with other professional firms within the network. The accountant is a 'lone worker', jealous of its clients. The advantages of the belonging to a network are rather connected to the sharing and comparing different opinions upon a subject or a case.

Some peculiar characteristics of this firm, that have been pointed out during the interview, are a dynamic structure that can be witnessed in terms of distribution of profits among the partners as the distribution is not static but it is revised each year, and in terms of composition of the partners who are both accountants and lawyers. This specific professional firm seems willing to really exhibit a sort of attitude oriented toward the future and new opportunities.

Changes have been witnessed in the composition of clients, "small, medium-small and very small clients" at the beginning, while today some of them are the same of the past, maybe in some case they grew in terms of size,

and other big clients are new, even though it is hard to enlarge its own portfolio of clients as they are strictly 'attached' to their own accountants.

In this case, as in the previous interview, the aggregation seems to represent a key success driver, but it also seems that for those accountants working in a single firm who might decide to merge and create an enlarged professional firm, it is not achievable either, because according to the interviewee the new structure are perceived with suspicion. A further key success driver is the passion for the job, without that it is not possible to identify new field of activities to focus the attention on. Accountants need to be more active and less passive.

The profession of accountants today is retained to be more demanding in terms of efforts than in the past. It is due to the liberalization that have been made by law, hence allowing for example the professional associations as the CAAFs to perform the same activity of the accountants, even though they are not accountants at all, and it is also due to the growing competition of audit firms, which have enlarged their target companies to absorb also the range of smaller companies, hence stealing them from accountants. Moreover, all those fiscal and tax activities that fueled the proliferation of accountants are gradually disappearing, implying a major work for accountants to reconvert their strategy through other fields of activities, where the professional expertise of the accountant can clearly emerge. Accountants, according to the interviewee, should exploit the fiduciary aspect linked to its position, in order to enhance its reliability. They could leverage on it as their competitors, on the opposite, have recently shown a depersonalization of the services, hence producing a sense of lack of interest to the specific problems of their clients. A customized service for each client's need is mandatory for accountants today, is what makes the difference between them and CAAFs or big audit firms.

The fiduciary aspect is connected to an element, representing a key success driver, that did not emerge in the previous interview, that of training courses. In the past they were provided by very few associations of the category, as a need to keep pace with regulatory innovations. Today accountants have to be always updated with regulatory innovations and to

compete with new challenges they have to invest on their own cultural growth.

The crisis has been also named as a further change driver for the profession. Indeed, it caused the failure of companies representing the most important clients of the single or with a less complex structure firms. The reflected crisis on the accounting firms further increased the presence of CAAFs.

Single professional firms do not seem to have future. Their critical condition is also exacerbated by the fact that for newly graduated students the most appealing structure to go work in is the big professional firm, not the single one, that is not able to attract new human resources anymore, because it lacks in opportunities of professional growth.

Importance seems to have been gained by the commercial aspect of the profession, that is, more attention to attracting new clients or retaining old ones. Indeed, also due to economic breakdown, clients are different, they demand for an estimate of the cost of service before going for it. Moreover, they are more informed and educated people, they want to know how the firm works, their practices, and it is also connected to the importance the continuing training has for the professional activity, because clients want advisors well prepared and informed.

Differently from the previous interview, the specialization in this case is not perceived as a key element for the success, because specialization could represent a sort of limit.

As for future challenges, the interviewee identified it into the generation turnover. The real challenge for their professional firm will consist in the ability of replacing those retiring partners, both their skills and their presence before the clients. As already stated, one of the key elements for next generation consists in actively performing the profession, reacting to changes in the regulation and perceiving new opportunities to be exploited, being forward looking professionals. After many years of experience, accountants learnt it, whether new accountants will be able to do the same or not is unknown.

In order to improve the academic preparation of economics students, the interviewee suggests more collaboration between the university and the companies or professional firms, in order to let students have a more practical and continuative approach to the job.

It also emerged how accountants, in particular Bologna's ones, could enlarge their scope of action by performing consulting activity for abroad purposes of the companies, even though the interviewee believes that companies located near Bologna, hence their clients, lack in the attitude oriented toward abroad business.

6.2.3.3 Interviews - Case 3: a "Dominus" professional firm

The third structure that was interviewed consists in a professional firm, bore, as it was described in the previous interview, from the intention of a "dominus" who also gave his name to the firm. It was initially a single firm, then in 1990s it was created a professional firm with two other accountants and finally in 2000 the composition of the partners was enlarged to five as it can be observed today.

Their main activities, as it can be found on their website, are consulting services in tax, corporate and contracts areas, financial advisory services, firm valuation and international tax law. Therefore, in this case too, pure accounting activity is not the core business. The firm is composed by five partners and seventeen associates, in addition to them other external associates belong to the firm, for a global structure of almost 40 people. Recently, which means 10 years ago and 5 years ago, two lawyers also joined the firm. Such an addition was also fueled by internal forces connected to contractual relationships between the partners that this type of professional structure determined.

In this case the founder and the most experienced partner were simultaneously interviewed. The peculiar characteristic of this type of professional firm, which is a slightly perceived predomination of the dominus upon other people of the firm, quite appeared also during the interview: to each question the founder (the dominus) was the first to answer, the most technical aspects were rather treated by the other partner. It is also representative of their organizational model: originally crafted by the founder,

then gradually left under the control of the younger generation. It has been also interesting to notice their different approach to the firm, considered as 'the family' by the dominus and 'the team' by the partner, perceiving in the latter view a more strategic approach.

Concerning the perception of the accounting profession, they believe that accountants today have necessary to belong to a complex structure, composed by more than 6 people, in order to face modern more complex challenges, because the accountant today does not perform only the traditional activity of the bookkeeping, they do consulting activities.

The change of strategy that led to the penetration of other fields of activities, more related to the consulting area, was driven by external needs or external forces, for example the market itself, and by a personal intuition which allowed to catch the opportunity that was emerging. What is clear is that such a strategy was engendered by a forward-looking attitude. This aspect consisting in the ability of forecasting the needs of their clients is also their vision, they operate through a client-oriented strategy, with a sort of entrepreneurial approach. They really have a proactive attitude, conclusion that emerged by the fact that the activities they perform are the result of several meetings between the partners, and are not random activities. They try always to have a look at the market trends.

One of the emerging trends identified by the firm is the switching attitude of the companies, no longer trying to obtain the best fiscal conditions, but rather more careful to the reputational aspect and to be compliant.

It is an example of a well structured and organized professional firm, with a long-term strategy that has already been defined. The internal organization of the firm is divided into teams whose members meet each week to make the point. It clearly appears a strong cohesion within the firm. They also showed to be prepared to the internationalization challenge, as all the partners speak another language in addition to the Italian.

The recurring themes of the professionalization and deeper knowledge of the clients appeared during this interview too, when the interviewees were asked to specify which were the differing elements among them, intended as accountants, and the consulting firms. Accountants firms are much more

prepared on accounting issues and other consulting areas related to the corporate than simple consultants. This professional firm in particular declares to really invest a lot in human resources and in their education, paying for their associates several training courses, hiring all capable collaborators, differently from the big four, where there is competition among the potential new partners to be hired. The possess of the technical knowledge today is much more important than in the past, when the competitive positioning was build upon relationships. A well understanding of the situation of different clients then leads to better services for them. Therefore, being accountant today implies being more entrepreneur than pure accountant. Especially within bigger professional firms as this one. In this case the size represents one of the future challenges for next generations who have to be able to act also as managers.

As for their clients, they do not have the biggest clients of the Emilia-Romagna territory, because they are already taken by bigger professional firms, nonetheless their clients belong to a segment with revenues between €5 million and €100-200 million.

Concerning the educational background, according to the interviewees a fiscal experience, for instance within one of the big four, is very appreciated and fruitful, because fiscal knowledge represents the ground of the profession, even though pure fiscal services are no longer the core business for accountants. Furthermore, in this case as well, it was suggested that for young newly-graduated students entering a big professional firm is the best choice, but the choice of the firm where to make the internship is important as well. It was also suggested that abroad experiences should be made, a strong professionalism should be built and be prepared to all type of challenges. They agree with the opinion that university is too based on theory rather than on practice. The interviewees also perceived that sometimes newly graduated students lack a bit of consciousness on what to be an accountant means, as they would expect to have different job hours or doing different activities. Hence, more practice could in part solve such an issue.

The critical issue of clients is encountered in this reality as well as in the previous one. Clients today ask for a previous estimate of the cost of the

professional services. The lack of a fee system regulated by law has worsened the problem.

The specialization is also adopted in this firm but with moderation, there is not a person specialized only in one field and most of all not only one person is specialized in that field, because the risk is the lack of exchange of the ideas. There is not someone who can do everything, speaking of which, it was different in the past. Indeed, the very first partners of the firm were actually obliged to be able to do everything, because they were not so numerous as today. Therefore, the specialization is an aspect that emerges with the growth of the organizational size. Today the accountant able to do anything does not stand anymore.

Another interesting aspect that emerged in this interview is the fact that accountants are perceived to exist in Italy as well as abroad, with the same problem of organizational size.

Once again, the big professional firm is regarded as the successful organizational model for accountants today. It is based on three pillars, which are the social control, the collaboration and the sense of belonging. It is also considered as a sort of social contract between each members, as in case of difficulty of one of them, the other members intervene, as an internal social welfare. Notwithstanding the tangible advantages provided through the constitution of a professional firms, limits in the achievement of this type of strategy are several and of different types. Besides the cost connected to the constitution of a bigger structure, some are concerned with self-esteem issue, the accountant is naturally a single practitioner, not willing to share its clients with someone else. Furthermore, belong to a large organization means that people are under continuous observation by other members, there is no privacy, everything has to be shared.

6.2.3.4 Interviews - Case 4: a CAAF

The following interview has involved a member of one of the CAAF belonging to an Italian labor union in Emilia Romagna. The acronym CAAF stands for 'Centri autorizzati di assistenza fiscale' which means authorized centers for fiscal support, as they belong in this case to a labor union they pursue moral value such as legality, equity, equality and solidarity. In this

particular case the interviewed CAAF belongs to a national network of 14 other CAAs, all founded in the legal form of limited companies. They perform particular activities: mandatory bylaw, for example the Italian 730 form, and other non-mandatory activities for the support to citizens in the completion of fiscal duties they are submitted to (IMU, TASI..).

CAAs are particular organizations, they can support the citizens when fulfilling tax duties exactly as accountants, but they do not have to be mandatory accountants, as in the case of this CAA. The only thing mandatory for such structures to be qualified to perform accounting activities is the presence of the RA, responsible of the fiscal support, that has to be an accountant and put his/her signature on all individual income tax return.

In addition to that, this CAA is a limited company but it is in turn composed by 11 subsidiaries, limited companies as well.

As the interviewee explained, before the CAAs were created, in 1980s labor unions already performed some tax activities for their members. The structure was the same as that of today's, but less complex, indeed they were volunteers performing activities with a bookkeeper controlling on it. The physical CAAs were firstly created in 1993-94 with the purpose of responding to the needs of the members of the labor union they belong to. It was necessary to have a structure that could help people to fulfill some regulatory duties connected to the tax compliance, but at lower fees than those applied by accountants. Indeed, today as in the past, people addressing the CAAs for the fulfillment of such duties generally belonged to a low income bracket, for instance today their average client has an annual income of €22.000-23.000. Their presence was immediately contested by accountants, initially their whole activity and more recently only with respect to the fulfillment of '730 model' duties because they were doing the same activity that accountants did but with a larger amount of business and at lower fees.

Last year this particular CAA realized 475.000 individual income tax return in the form of 730, this representing the core business of this type of structures. In terms of market share, this CAA has the highest share of Italy with a 30% quote of their reference market. Until the economic crisis accountants considered the 730 model to strictly belong to their core

business, even though when it firstly was created by the law, the right to perform it was provided only to CAAFs, and only at a later time, when accountants revolted, that right was extended to them too.

Indeed, the 730 model was conceived for those people who did not represent accountant's clientele, as accountants services can be expensive for some people, hence it was addresses to retired persons and employees. Initially perceived as an offence to the accountant profession, today the fulfillment of 730 model is no longer of particular interest for accountants, at least for those belonging to a medium-large size professional firm, as it is considered a collateral activity and they realized that for such an activity to be profitable a huge amount of individual income tax return has to be made to counterbalance all expenses connected to the launching of the activity, and it is only achievable by CAAFs.

This particular CAAF for example, as declared by the interviewee, has almost 400 fixed employees and last year they reached a peak of 1555 employees, divided into 11 companies, but it still remains a very high number of employees. With such a labor force it is simpler for CAAFs to perform the 730 model activities.

As for the fees they apply to their services, they are not only due to high volume they achieve, but it is also due to the less qualified nature of people performing it, and they are conscious of their situation and positioning with respect to accountants.

Besides the income generated by such activities the interviewee declares that they do not do it for money as first reason, but they do it primarily for ethics, as part of a labor union their first purpose is supporting their members. Today the CAAF's activity has evolved as well as that of accountants, partly fueled by regulatory innovations broadening their rights. They perform also some consulting activities collateral to the 730 model activity, for instance in the inheritance area. All these activities are mainly performed for the members of the labor union they belong to.

Actually, as affirmed by the interviewee, one of the success key driver of CAAF is represented by the depersonalization of the CAAF itself, as it is not perceived as a service, it is rather seen a natural activity for citizens, members

of the labor unions, going in these centers. They do not say “I go to the CAAF for my 730”, they say “I go to the labor union”. CAAFs to succeed really focused their efforts on the social aspect of the activity.

A further element of success is the large use of technology to fulfill the accounting activity: they scanner every receipt their clients bring them, they have all clients information contained within their database, they recently adopted a system to enhance the quality control of the activity. Also they exploit the technology to provide a customized service to specific categories of clients, for example those with particular personal situation that are more likely to need tax assistance: rather than sending a standard invitation to these people to invite them again to go to CAAF for the individual income tax return, a customized invitation is sent.

In addition to that, they also are engaged in marketing activities, they leverage on the fact that, even though through the 730 model everybody could do its own individual income tax return, with CAAF any chance of making some mistake in fulfilling it is reduced to zero. Again, what appears to move their intention when performing the accounting activity is the willing to help people against the regulatory confusion rather than making profit.

It leads to another success factor, the tutelary purpose of the CAAF's services, they are more interested in the members of the labor union rather than to the profit. Even though, this vision is peculiar to Emilia Romagna, Toscana and Marche areas, as in other parts of Italy it is opinion of the interviewee that CAAFs follow more profit oriented purposes.

Finally, CAAFs developed a great consciousness on their competitive positioning within the accounting activities market. They know they have different type of clients than accountants have, hence make a specific marketing activity focused on that category. They know that have less professionalism than accountants have, hence they focus on the performance of a limited range of activities but they do it at their best. They apply fees that are consistent with the quality of service they provide and with the clientele they address.

As for the threats that CAAF perceive for their activity, one consists in the administrative simplification, connected to the pre-filled in 730 model,

allowing citizens to manage independently their individual income tax return. Therefore the marketing activity.

In this interview also emerged a recurring theme, that of the crisis that small or single professional firms are going through today. These firms are those ones still perceiving CAAFs as competitors, and they represent the same category of accountants that also other accountants, belonging to medium-large accounting firms, see differently. These are accountants who were unable to exploit the opportunities that emerged during all these years, hence remaining stick to the same old accounting activities, not perceiving the innovations.

As for the other interviewed professional entities, in this case a strategy for the future has been conceived. It is in the opinion of the interviewee that in the long term the quality of the services provided will need to be increased and CAAF's services perceived as quality services as well. And it seems to be a reasonable strategy, indeed one day or later accountants are going to stop performing individual income tax return services and all their clientele is going to be absorbed by CAAFs.

6.2.3.5 Interviews – Case 5: a reinvented professional firm

It represents a particular case of professional firm. It was first founded in 1960 as a single professional firm by an accountant who gave his name to the firm. In 1992 it became a professional firm with four partners. In 2009 the founder fell ill, which caused a fall in revenues and the default of the strategy and the organizational model. One of the partner of the professional firm, the interviewee, decided then to dissolve the firm, hire all old partners but and employees, but the ill founder who retired, and turned the old name of the original professional firm into a brand, hence allowing the newly constituted professional firm to maintain the same name and hold the clients.

Today the firm, in addition to the headquarter in Bologna, has also an office in Miami, born through the collaboration with another important professional firm of Bologna, and another in London.

Professionals, both partners and employees of the firm, are 18. Several are the area of interests of the firm also reflecting the international approach of the firm: business and corporate tax consultancy, generational change, real

estate, corporate crisis, patrimony protection, internationalization, tax litigation, investments abroad and foreign income.

A countertrend evolution has characterized this firm, indeed during the crisis, while other professional firms registered negative results, they increased the income, increased the employees, opened an office in Miami. Nonetheless, it is opinion of the interviewee that the economic crisis had important effects on the accountant profession and that they are going to be observed still for a long time. For instance, it emerged that today a 33 years old accountant's average monthly income is €1.600, that consists in €10 per hour, considering the huge amount of hours an accountant works per day.

This particular firm represents the example of the more managerial attitude that accountants firms should adopt, with an increased attention to the strategy. The interviewee has defined himself as a 'big artisan', conscious of the size of his firm, they are a medium-large professional firm, not one of the biggest firms, and the scope and range of activities of the firm are proportionate to that.

Such an interest toward more strategic purposes can be witnessed in different element of this firm. First of all the decision to maintain the same name, more appealing to old clients. Then, the press archive within the website with the purpose to increase the visibility of the firm, thus used as a self promoting tool. The decision to go abroad was the result of a reasoning based also on researches on the interest of Italians to invest in the real estate abroad and vice versa.

A significant amount of time has clearly been spent on the planning of a strategy. It clearly appeared during the interview that the strategy is not a random one, it is based on visible trends, both national and international ones. Indeed, the interviewee showed himself with a briefcase containing an array of articles and documents that he has collected in time and concerning the profession.

For the first time, during an interview to a professional firm, the technology has been mentioned as an essential element to succeed in modern times. The interviewee admitted that he is completely ignorant on technological issues, but he has understood the importance of the adoption of

the technology within professional firms. The accountant tasks can no longer be performed without technology, reason why he hired a computer technician to enhance the performance of the firm through an array of specific measures.

Furthermore, modern accounting software have reached such a degree of precision and evolution that simple computer technician could perform the same activities of accountants. In the interviewee's opinion this category of computer technician performing accountants activities is going to represent the middle and largest bracket of future accountants, the lowest being represented by the 33 years old accountants above mentioned and the top category occupied by specialized accountants, referees of people requiring a fiduciary relationship to their accountant.

In addition to that, he has identified some field of activities that are going to represent the most important activities for accountants in future years, and he is already adopting specific measures in order to perform those activities.

A strategic innovation involving this time the organizational model within the firm is going to be observed. It is intention of the interviewee to reorganize the firm according to the canvas business model, hence constituting the firm as an array of subunits each of them constituted by a partner specialized in a specific field of activity, a collaborator supporting the activity of the partner and an assistant in charge of administrative activities. This strategy emerged from the past experience of the firm, when the founder felt ill: through a division of the organization in many subunits organized in this manner it would be easier to substitute someone within the firm.

Therefore, the strategy to organize the activity within a firm is crucial as well. The canvas business model is strictly connected to the importance of physical elements in defining activities, concepts. The interviewee seems to have adopted such a method, it has also been perceived during the interview, every time he has provided the brochures that explained the history of the firm to physically show how the firm evolved through time. He also adopted a canvas approach during a business meeting with other partners: he used different colored markers to write on the white-board in order to differentiate through colors different concepts.

During the interview it has been marked once again the importance of the professionalism for the accounting profession, of the fiduciary aspect. Routine and basic accounting activities are by now performed by a wide array of subjects, they lost their importance to clients. What can make the difference and what accountants should focus on is the quality of the job they perform, clients want an outperforming accountant, and this level of quality can be gained through the specialization on specific fields. Specialization too does not have to be made randomly. These fields can be identified only observing the economic world, catching emerging trends, exploiting on existing skills or making investments to build new ones.

Finally, also in this case the importance for newly graduated to have made experiences abroad emerged as a success factor.

6.2.3.6 Cross analysis

The interviews involved different subjects: two direct competitors of accountants, one is a member of the Big Four and the other is a member of a CAAF, and other representatives of three large professional firms, each one with particular characteristics. Several aspects emerged from them, differing also because of different frameworks, but some cross themes in common to all realities appeared as well.

First is the aspect of the professionalization. With the proliferation of different subjects fulfilling those activities that were originally exclusively performed by accountants, a leverage on elements that differentiate the accounting profession from other under-skilled professions has to be made. Accountants, differently than consulting firms, can exploit the fiduciary elements that historically characterized their profession. In order to stand out from the mass of services of standard quality accountants have to invest on their cultural growth.

“Even toddlers have understood that it is going to trouble for those accountants who simply deliver a service. The tangible services..people don’t come to you because they want a consulting service, people want you to overcome a specific standard quality”

(Interviewee, case 5 the reinvented professional firm)

"I don't think to say something new to you about what are the key success factors. Of course as for the supply they are professionalization and specialization that really make the difference. Clients have to know, have to understand that you are really going to solve its particular problem"

(Interviewee, case 1 the Big Four's member)

Second, the specialization:

"[...]with 'specialization' I mean exactly those services that were once part of a more generic array and that necessarily were not examined in depth, hence treated with a more generic approach, or those services that for several reasons, whether they market or companies' needs, or some emerging regulation, they became valued or extremely valued services [...]"

(Interviewee, case 1 the Big Four's member)

In some case it is intended in more extreme terms, in some other more moderate.

"..[so, is this specialization approach also reflected in your organizational structure?] Yes, totally. Nowadays we have what we call the 'service lines', which are specialization lines in several areas [...] we like to educate through a training on the job approach, hence taking people when they are young and making them grow within the organization [...] following the specialization is very important. Indeed, not randomly, professional structures as could be ours are growing, but they are growing because the specialization activities are growing. Traditional activities, yes, they are growing too, but at lower pace "

(Interviewee, case 1 the Big Four's member)

In the latter case the worry is that an excessive specialization could damage rather than benefit the firm:

I1: each of us has some area of expertise, but not only one, and he is not alone, never alone.

I2: no, it would be a trouble!

I1: otherwise he would have no one to confront himself with. First it is dangerous, and then also who studies needs a comparative base. [...] no one was wise-born [...]"

(Interviewees, case 3 a Dominus professional firm)

The economic breakdown had extremely deep and negative effects on the profession of accountants, revealing the weaknesses of the profession.

“ [...] I believe that accountants today have a challenging perspective scenario: those activities that in past, as I was saying, fostered the growth of the profession in terms of number of enrolled people [...] ”

(Interviewee, case 2 a professional network)

Clients have become more price sensitive, in some cases also asking for a previous estimate of costs for the services. Only accountants determined, resolute, more organized have been able to survive. Therefore, the drivers of the drop in the revenues for accountants have been mainly two: the impact that the crisis had on their main clients, the SMEs, and the consequent decrease in the demand for services or the demand for the same services at a lower price.

“Bigger clients ask you to fulfill, very kindly, but they ask you to fulfill more things always at the same price”

(Interviewee, case 5 the reinvented professional firm)

Clients have become more informed, shifting toward specific categories of professionals according to the specific service they need.

“There won't be anymore the perception on the market of the qualitative value of the profession for those services, because I don't doubt that accountants can perform activities better than CAAFs do, I don't have any doubt, the problem is that clients lose the perception, they care the price of the service, they look at the result, at the overall activity. In my opinion, this is going to be the professional revolution that isn't happened yet, but there is the real risk that it's going to happen”

(Interviewee, case 1 the Big Four's member)

The trend toward a sort of qualitative and quantitative polarization of services, that could already been witnessed before the economic breakdown, after that was even more evident. The higher range of demand of services is going to be supplied by multinational accounting firms, while the lower is going to become within the scope of activities of CAAFs. Accountants belonging to large and medium professional firms are going to attract the

medium range of services. It is a trend that many interviewees have already witnessed.

“there is and there will be a demand for top range services, in order to supply this demand extremely high skills and organizational dimensions are required, then there will be the large low range of compliance services. This is something that is going to overwhelm several profession, not only the accounting [...] almost in every industry there is a sort of exhausting run after the compliance of specific forms [...] this trend is involving and will involve at a wider extent the entire profession, hence reasonably within the lower range of professional services the mechanized compliance of activities is going to grow. [...] for the fulfillment of this kind of services the accountant is going to become gradually a replaceable person, for a simple reason, because CAAs are going to emerge”

(Interviewee, case 1 the Big Four’s member)

Consequently, the polarization of services is going to cause a polarization of within the profession, hence different classes of accountants are going to appear. The lowest consists in the marginalized category of young accountants who have unfortunately entered the career in such a difficult economic moment.

“They are the new proletarians of this century as Marx described them, greasy, with a wrench in their hands, they have ties and not a wrench and they are called ‘Doctors’ but it’s the same”

(Interviewee, case 5 the reinvented professional firm)

The superior class consists in ‘craftsmen accountants’, those accountants addressed by those clients asking for a specific consulting service, they build a trust relationship with their clients. Then

“A much larger range of computer technicians is going to widen. This is how I see this. Of course I would like to be the biggest craftsman, the poorest one of that range”

(Interviewee, case 5 the reinvented professional firm)

The threat of a new category of professionals performing those activities that today are ‘industrialized’ and do not require a deep knowledge of the accounting, which can be rather performed thanks to mechanized activities or

through IT, is already representing an important variable to take into consideration, and it is going to grow during next years.

One of the best strategy adopted because of the crisis consisted in shifting the attention to international consulting services, still representing one of the most remunerative activity for accountants. Some companies showed spontaneously this interest:

“The only Italian companies that not only survived, but were also able to grow and recorded even more revenues that they could have had without the crisis, are those who have a consistent part of their business abroad, most of all in terms of export”

(Interviewee, case 1 the Big Four’s member)

Some others were advised by accountants to undertake this strategy, because often there are companies dimensionally small but with excellent qualitative characteristics incapable to exploit their qualities.

“But if no one knows them, they will always stay in their small corral [...] Often companies have a structure that tends to create an involution of the company itself, hence they keep on gravitating towards that spiral and cannot leave that vortex”

(Interviewee, case 5 the reinvented professional firm)

The small single firm is no longer a feasible model. Accountants have to merge into bigger organizations if they want to survive.

“ [...] on the lower range of services the small accountant will have these mechanisms that will attack him in the production front, hence they are forcing him to perform a service to such a low price that he freaks out, will make a job that he doesn’t like at all, will struggle to do it in a profitable way [...]”

(Interviewee, case 1 the Big Four’s member)

Be responsive, forward-looking and innovation oriented. Accountants have to be responsive to the external world, to the needs that emerge from the market:

“ [...] We are, in a certain sense, followers of the market too, it is the market the driver of the needs. I mean, we try to interpret them if possible, maybe to anticipate them [...]”

(Interviewee, case 1 the Big Four’s member)

In some case it has been this same ability in catching external needs, the underpinning force leading to the professional aggregation:

"[...] Basically, the impulse has been of one of these professionals, who catching some recommendations, some contacts that he had at national level, he started to feel this type of auspice to start creating a sort of interdisciplinary approach with the firm [...] let's say, broadening the scope of action which in that moment could mean treating through a more organized approach some specific activities, or starting to have a deeper knowledge also in the corporate area, that could somehow widen the horizon of the firm and gradually evolve toward a type of clientele with more diversified needs than the pure bookkeeping and tax activities. That was the philosophy [...]"

(Interviewee, case 2 the professional network)

No longer the traditional accountant set of activities is sufficient, it has been overcome, today accountants provide a broader portfolio of services, more consulting oriented. Furthermore, accountants have to focus on new fields that can be identified keeping pace with new emerging trends, actively researching new fields for the profession.

"There are some holes in the supply of services that people don't know yet, they don't know because they pretend not to understand that there is a real need"

(Interviewee, case 3 the Dominus professional firm)

Accountants should also take a moment to reflect on them, thinking where they are, where they want to go, if they have all necessary resources to accomplish their objectives, and eventually solve their lacks, invest on the profession.

"This is a hard choice that we made on January this year, we made expressively a meeting and I explained this concept, but I haven't applied it yet, because I want to do it with a logic that in Italy is still missing. [...] I realized it some years ago. I'm going to show you the journal article that confirmed that to me [...]"

(Interviewee, case 5 the reinvented professional firm)

A more managerial approach should be adopted. Professional firms have the same need of strategy that a commercial firm has. Within each firm some

time should be dedicated to the strategy thinking, whether it is a more hierarchical professional firm or a firm composed by partner with equal treatment and rights, someone should set a strategy for the firm; whether it is gradual or completely innovative.

“ [...] The craftsman work comes when the practical performed job prevails on people of the organization [...] Then I thought that at this age I have to do an effort, I have to become a big ‘craftsman’, not one who emulates multinational firms, because I don’t have a managerial mindset [...] You become entrepreneur and of course there are accountants that are going to become entrepreneurs, when you reach a specific dimension, processes become important, not what you do”

(Interviewee, case 5 the reinvented professional firm)

For newly graduated students desiring to enter the accountant profession some shared recommendations emerged as well. An abroad educational background is recommended. As for the choice of the professional organization to enter in, the medium-large professional firm has been recommended by all the interviewees, small or single firms are not instructive.

The results that originated from these interviews were very interesting, much more if compared with the statistics and the journal based material reporting the generalist opinion on the current situation of crisis that accountants are going through. It has been interesting to notice the practical approach to the problems that has been adopted in response to the crisis, the way several firms reacted or the type of professional firms that was more able than other categories to react. Some of the strategic actions they implemented represent best practices that small or single accounting firms should adopt.

These findings integrate the analysis related to future foreseeable trends of the accounting profession explained in the following chapter.

7 THE PROFESSION IN THE FUTURE

The following two sections contain trends that according to experts, accountancy Associations and Institutes all over the world, accountancy and non-accountancy bodies, are more likely to be witnessed during next years and the strategy that accountants are translating or are advised to translate into action in response to previously analyzed change drivers. In particular, in the second the section, related to the analysis of Italian accountants in future years, an array of actions to undertake and opportunities to exploit thus to restart the profession in Italy is provided.

7.1 US/International context

7.1.1 Enlarged role in enlarged organizational structures

As businesses adapt to a turbulent environment, opportunities are emerging for accountants to assume a far greater organizational remit. The potential exists to leverage the capabilities of the accountant across all aspects of corporate decision making, from strategy formulation through to defining new business models (ACCA, 2012).

A further pressure pushing accountants towards such a direction comes from existing consulting companies, willing to broaden their activities. Next years will witness these companies, included Big Four, continuing to acquire consulting and accounting companies completing traditional services to provide integrated solutions services to clients (Prince, 2015). It is mainly in those contexts that accountants will be witnessed to perform tasks that go beyond their traditional activities, in order to embrace an enlarged strategic and commercial role. It is an aspect that emerged during interviews as well. Alongside accountants performing their consulting role, some senior partners are committed to designing the strategy of the entire firm.

7.1.2 Establish trust and serve the public interest

The profession needs to be seen to be addressing clear public concerns. According to the research conducted for this report, there is a perception that the profession could do more to highlight and prevent everything from small-scale financial irregularities through to the major systemic failures that helped cause the global financial crisis and the ensuing economic uncertainty.

Besides the relationship with public powers, accountants should focus on and leverage the trustworthy relationships they have with their clients. It consists in supplying accurate consulting services, foreseeing their needs or advising them to undertake some actions they would not undertake otherwise because of lack in knowing particular opportunities for their business. Clients have to feel they can trust accountants and that they really are experts and meticulous advisors.

7.1.3 Rethinking on performed activities

The pace of global expansion of firms from developed and developing markets led to a shift of the attention on the ability of accountants to master the technical, language and cultural challenges of cross-border operations (ACCA, 2012). Consistently with what has been previously said about non-accounting competitors entering the accounting stage, here it is presented a way to turn a threat into an opportunity. In fact law firms are experiencing a change in their strategy. Rather than trying to be a full-service law firm that is all things to all people, they are focusing on key areas of practice where there are natural adjacencies with consulting, deals, tax and assurance (Tomlinson, 2015).

Accountants can exploit this attitude and adopt a diversifying strategy entering into legal services, since benefits have become increasingly attractive as a growing interest for legal services to be established in the emerging areas of Asia Pacific territory has been observed. Clients, in fact, as Tomlinson reports (2015) expect coverage in countries in which they would like to do business, not only those in which everyone else does business.

Furthermore, having some areas of accounting experienced a progressive professional settlement by people who exploited technological skills rather than technical skills, accountants should stop losing time to perform those activities and shift their attention on more profitable areas. Accounting firms, as well as law firms, are no longer trying to be all things to all people. The craftsman approach that was witnessed in one of the interviewed firms is going to be observed in the worldwide context, hence focusing on an array of activities that meet the most the competencies of the firm or the emerging needs of the market.

7.1.4 Reinvent the talent pool

The diverse range of demands and impacts on the profession is forcing a rethink of everything from training and development through to the type of people being recruited. Newly graduated students are expected to have advisory roles. Characteristics such as entrepreneurial spirit, curiosity, creativity and strategic thinking skills could assume far more significance in the selection of tomorrow's accountants (ACCA, 2012). Accounting firms today prefer people with an international background, with experiences abroad and one or more spoken languages. In case they do not have any, it is the firm itself to promote with several activities the international cultural growth of accountants, as emerged during the interviews.

Such a change in the portfolio of skills to be deployed by accountants will imply new soft skills to be developed as well as hard skills and techniques according to legislative changes (Jones & Abraham, 2007).

7.1.5 Customized services

Nowadays firms are more knowledge based. Much more importance have been gained by intellectual capital. It is argued by many that management accounting systems of those firms need to be re-planned and adapted to the new business model observed.

Accountants in such firms should adopt a more strategic management accounting approach and focus on the evaluation, appraisal, and measurement of this new form of capital to avoid neglecting the organization's most valuable resources (Tayles, Pike & Sofian, 2006).

The contingency theory explains how an appropriate accounting information system can be designed to match the organization structure, technology, strategy and environment of the firm. It suggests that universal applications are inappropriate and a framework for analysis is developed to suggest alternative performance measures, incentives and evaluation used in organizations (Waweru, 2010).

7.2 Italian context

It has already been told many times that accounting is shaped by social and, more widely, by external context. The challenges faced by the

accountancy profession are numerous and rapidly changing. However, it is a task of accountants to catch the change that environment is going to experience, in order to adjust their behavior, their practices to it. In the current economic meltdown managers and accountants failed in adjusting their quantitative risk models for changes in the environment, that made their data inputs questionable (Choi & Meek, 2011).

Italian accountants have to concentrate their efforts on the creation of services tailored on the requirements of the SMEs, their main clients. The multinational companies consultancy market has been already occupied by the major accounting firms as the Big Four. They have total control on it, and trying to steal some big clients to them would result in a loss of time and resource for the accountant.

Furthermore, a new conception of the accountants has been delineating. Today accountants are required to have simultaneously business management knowledge, greater interpersonal skills, knowledge of info technology (Jones & Abraham, 2007).

On the basis of what have been previously told and observed, a list of suggestions concerning which kind of actions to undertake has been made. As it will be noticed, all the recommendations are strictly interconnected. In fact, the advice for accountants to go international could not be implemented without previous mergers leading to the creation of a bigger practice than the single practice business model, overrated in Italy. The professional firms in turn are the perfect site for professional specialization to be fulfilled, as it allows accountants to focus and specialize in a particular field of activity. The internationalization process of accountant practices also implies the use of technologies facilitating the role of accountants in such a wider economic framework.

Moreover, it will be highlighted the extent to which the regulation influences and limits the activity of accountants in the implementation of these strategies.

7.2.1 Professional mergers and networks

An emerging trend toward acquisitions of consulting companies in order to create large networks and international advisory companies has been

identified as one of the future trend, yet current trend, that will be worldwide observed within the accountancy profession. The same strategy can be adopted at the Italian level, even though it has to be reconsidered and adapted to the national context.

Large accountancy firms in Italy, beyond the Big Four, strictly composed by accountants have not completely affirmed yet. Medium and large consultancy companies could represent a great job opportunity for accountants as there is a trend within these consultancy companies to enlarge their supply of services toward accounting activities. However, large professional firms between accountants, where each one supplies a different service, are still far to be conceived by the majority of accountants in Italy. Though, a more important investments toward that direction could be made, as it represent one of the greater recommendations in order to rebuild the profession and exit the recession period that is affecting the profession.

That is, in Italy the profession has not been able to define a reliable alternative to the single professional practice yet (Di Nardo, 2015). But with recently observed events in the economic environment, characterized by fast pace changes, there is no space for hesitation. Italian accountants have immediately to start operating profound changes in their practices organization.

The impact that the merging of accountant firms may have on the profession is not actually widely perceived within accountants, only the 26% of European accountants actually considers mergers, acquisitions and consolidation in the accountancy industry as likely to have a greater impact on their practice over the next five years, while it is largely acknowledge by accountants of Central and South America accountants (IFAC, 2015).

The business strategies to adopt are the same organizational models as in the industrial and commercial enterprises, as Dell'Olio (2014) reports; in order to survive, M&A for accountants are mandatory processes to be triggered. There is no more space for small accounting firms, it is claimed by accountants themselves that synergy makes accounting profession stronger, more competitive (Press, 2014).

The merger process can involve several accountants, leading to the constitution of a professional firm, or accountants and other professions (as lawyers or notaries), and in that case a multidisciplinary practice will emerge. The latter type of business model is though limited by tax and welfare regulation and by the fact that they do not seem to fit the particular situation of Italian accountants, as it will be next explained. As it was possible to observe through the interviews, many are the organizational variants achievable within a professional firm. It was witnessed the structure of a 'Dominus firm' with a quite evident hierarchical structure, even if it is not so pronounced as it could be in a more extreme case. Then the professional firm, constituted by accountants and lawyers, also belonging to a network of other professional firms, was the example of how the diversification of services can allow to reach a range of clients with more sophisticated needs. Finally, within the third firm it could be observed the combination of the managerial activity with the professional accounting activity, with a single accountant shifting toward a more managerial role in order to better run the activity of other accountants.

However, both alternatives provide some important advantages: they help creating and delivering higher quality services and achieving scale economies. Moreover, through the aggregation, the acquisition process of new skills is facilitated, new clients are attracted and more services are delivered within the same structure (Dell'Olio, 2014). A firm size also appears to be closely tied to the breadth of advisory services: larger practices more frequently provide business advisory and consulting services compared to sole practitioners (IFAC, 2015). An accountant working in a single practice has even difficulties in keeping pace with all regulatory and economic innovations, one of the interviewees admitted that he barely can read the economic newspapers every day, an accountant alone cannot do it at all.

A 2014 survey produced by Tommaso Di Nardo, clearly points out which benefits are related to the professional firms activity. His research shows that the single professional practice performs audit activity in the 40,5% of the cases (few below the Italian average which is 44,3%), which means that 6 single practices out of 10 do not perform audit activity. Performing audit

services has been proved to be an extremely profitable activity, and an organizational structure hampering the implementation of those services really increases the future chance of failure of that organization. As for the income, only the 32,2% of single practices exceeds €100.000, while the national average is 40%. Finally, single practices witness a level of specialization below to the average.

The shared firms perform few better than the single practice in all the fore mentioned scopes, but for the percentage of shared firms exceeding €100.000 income: it is lower than the single practice.

Professional firms seem the most advanced business model, testified also by their outperforming results. Within them greater income, greater specialization hence higher focus on the value-adding activities are witnessed.

Moreover, in favor of the accountants' network, a 2012 survey of the Italian Accountants National Institute, highlighted the positive correlation between the performance of accounting firms and their level of organization of the activity, directly proportionate to the degree of aggregation and the degree of specialization. It means that greater complexity of the organization of accounting firms translates into greater specialization thus in greater profitability (Di Nardo, 2012).

The simple creation of a professional firm is not enough. Accountants perceive themselves and are perceived by the society as the representatives of the SMEs, main partners of the entrepreneurs. A huge responsibility weighs on them and they have to be able to change and adapt themselves. In order to continue being the propulsive force of the country, as they have been recently depicted (Gattagrisi & Sarno, 2014), providing a business organization to their professional firms is mandatory. Even though the firm consists of accountants, a clear repartition of their activities and roles has to be made. A strategy has to be conceived within professional firms as well as within any other firm, and it needs to involve both internal division of roles and responsibilities and a plan for future growth keeping into considerations external factors.

7.2.2 Adopting the inter-professionals companies business model

Attempts aimed at creating this type of practices in Italy have already been done. A first step toward the creation of inter-professional companies was made in 2011 with the law no. 183 (also known as Legge di stabilità, which means Stability Law) aimed at reforming all the legalized professions. Its scope was wider than the law no. 1815 of 1939, which accorded the right to accountants (and also to other professions as the lawyers) to perform the professional activity in the legal form of the association only, making accountants partner associated in the same practice. Then in 1997 the law no. 266 abrogated the restriction imposed to the legal structure of a firm between professionals, and it was also stated (art. 24) that within 120 days a decree better explaining the requirements for professional firms would be issued. But that decree never came (Galizia, 2014). After nine years of regulatory inactivity, in 2006 the National Parliament made a step forward: the law no. 248 (art.2) eliminates the ban to corporations or professional associations to deliver inter-disciplinary professional services. Finally, the 2011 law aimed to regulate professional firms between different types of professional, which means that accountants could create a professional firms with lawyers. It is a widely accepted opinion that one of the main advantage to be gained from that business model is the professional osmosis (Bellinazzo & Mincuzzi, 2009).

Nonetheless some issues have still to be defined, for instance no regulatory decision upon the tax treatment of the revenues produced by such corporations has been definitely taken: do they have to be treated as independent workers revenues or enterprise revenues? Many draft laws concerning this issue were proposed, but none of them has been ever translated into law (Melis, 2016). It was proposed to submit inter-professionals companies to the tax law of associations without legal personality. According to someone this is not the right decision, and it has been told that their revenue “should be considered as independent workers revenue if there are no elements to suppose it is enterprise revenue” instead (Galizia, 2014). The Italian tax authority has recently declared that inter-professionals companies revenues have to be considered as enterprises

revenues applying the competence principle, hence reducing the appeal inter-professionals companies could have: in this particular moment accountants report lots of delays in payments from their clients, and such a tax treatment would worsen things for them (Melis, 2016).

The inter-professionals companies in Italy have been estimated to be 282 (data updated to the 1st January 2016), +52% of inter-professionals companies in 2015 (2016 survey). Maybe it could be interpreted by regulatory bodies as a signal that this business model is actually convincing. But is it really?

The large majority of accountants believe it was an unmistakable failure. Since their legal constitution in 2013 less than one thousand inter-professionals companies have been created (Melis, 2016), whose almost one hundred were actually pre-constituted; half of them are accounting and legal advisory firms, while a small part is constituted by dental and medical assistance practices, and engineering and architectural practices; the 52% are limited liabilities companies, with few equity invested.

These multidisciplinary practices are mainly located in Lombardia, where such a business model was adopted since 2009, naturally emerging from the needs in that moment accounting clients appeared to have: after the financial breakdown accountants had to become consultants of the enterprises, and support entrepreneurs in many different activities (Bellinazzo & Mincuzzi, 2009). Veneto is the other region where inter-professionals companies are largely located (Melis, 2016).

Reasons for their failure have been widely analyzed. For sure the uncertainty about which fiscal treatment their income is submitted to is one of the major causes (Melis, 2016), hence, it seems this particular business model not to be achievable as it is unable to cope with peculiarities of the Italian reality and regulation, dominated by confusion which is a wide spread problem of many social context in Italy (Campise, 2013); another reason for the unrealized success of inter-professionals companies is the great worry that non-professional people could become stakeholder and managers of the inter-professionals companies, hence downgrading accountants to simple employees (Civetta, 2013). Also, it was considered a disfavoring aspect the fact

that it has been forbidden to accountants to take part to more than a inter-professionals companie (Melis, 2016).

On one hand there are accountants, worried to be downgraded to humble employees in case a manager (not a professional accountant) might join the firm, they would lose their prestigious position after all it took to gain it. On the other hand there is the ambiguous, lacking important details and superficial law. Basically, even though it is a set of factors laying behind the impossibility for that business model to be implemented, the main responsibility can be attributed to the law: shell the regulatory intervention be more careful, the accountants would feel more safe and of course they would have a more friendly attitude towards the multidisciplinary practices.

The failure in the creation of inter-professionals companies in Italy is a further evidence of the unsuitability of the Italian regulatory bodies' attitude in trying to emulate business model typical of other cultural contexts. Sometimes laws seem to have generated from a hurried process, where the regulator has ignored some crucial aspects. That carelessness is the main source of the regulatory confusion permeating several issues in Italy.

7.2.3 Specialization and focus

New activities have been observed to be performed by accountants in all directions, but it is impossible to be an expert in everything, accountants have to become experts in an area and then thrive in that area, thus shifting their traditional professional orientation toward specialization and focus on specific activities.

As it was possible to deduce through the interview, the Big Four are extremely specialized structures, they cover a wide range of services and their accountants grow vertically within the same service line. In the professional firms that were interviewed different degree of specialization appeared to have been implemented.

However, this strategy has to be adopted with moderation, because a narrow specialization may excessively limit the accountant's skills, each specialization is "daughter of a contingent moment", as one of the interviewed accountants said.

Today, as Di Nardo (2012) reported in a recent survey, the most performed activities are tax advisory related, accounting and auditing, but also corporate law, agreements, share transfer (“trasferimento di partecipazioni”) which are no longer exclusively performed by notaries (Micardi, 2012). They are appealing specialization in terms of profitability.

The supply of customized consulting services has been identified as one of the key success factors (Passerini & Marsoner, 2015), and can only be achieved if accountants abandon traditional and overrated activities.

The acquisition of skills beyond traditional accounting context can be crucial in the development of the Italian entrepreneurial system (Roma, 2014), even more since the individual income tax return is no longer so profitable for accountants as it can be performed by other professional categories. The choice of the field of specialization is a crucial one. It cannot be randomly made. It has to be conceived upon the current resources and skills available, or reasoning on the current economic context and preempting the needs that could be shown by clients, which is the strategy that one of the interviewee implemented.

It is a process that can concern a single individual or a professional firm. In both case a consideration of emerging trends within the accounting field should be made. In the latter case it could be a good strategy that of assigning more than one person to a particular area.

There are so many field of specialization for the activity of accountants, but often they are disregarded. For example the activity of labor consultant is a task accountants can do since always, as established with the law no.12 of January 1979 (Pace, 2014), but as a survey pointed out only 6,1% of accountants declare they have appropriate skills in order to perform the labor consultant activity (Di Nardo, 2012). A countertrend attitude has been observed in Milan, where together with tax, pure accounting, auditing and management control, labor consultancy represents one of the most rated specialization (Mastrogiacomo, 2015).

Another field identified for its high value-adding potential toward which it would be a great chance to address efforts is the business valuation (Bronzo, 2016). Actually, according to a recent survey, business valuations already

constitute a quite performed activity by accountants in general. This kind of specialization can be largely exploited in extraordinary financial operations.

The valuation activity should not be isolated only to the business, wider opportunities are in fact represented by stock and other financial instruments valuation, permanent assets valuation, and so on. In a recent survey only 8% of respondents declared that valuation activity is its main performed activity, and among them the 70% is used to perform valuation in SMEs contexts (Bronzo, 2016). Therefore, it is an activity completely fitting with the characteristics of Italian accountants. However, as it further emerged in this survey, it is still in a growing stage, that can be deduced by the uncertainty over the type of valuation principles to be adopted: best practices (largely used), or the Italian valuation principles.

Ownership of firms in code law countries tends to be concentrated in the hands of families, other corporations, and large commercial banks. Firms satisfy substantial fractions of their capital needs through the government or through bank borrowing. Debt as a source of finance is relatively more important in code law countries than in common law countries (Choi & Meek, 2011). However, small dimension, beyond all other consequences, often implies insufficient financing. Furthermore, SMEs make it harder to get bank's or other specialized investors' loans (Di Nardo, 2015). This aspect has been thought by some accountants to be an important opportunity to broaden their scope of activity and they could become advisors for funding decisions.

Strictly connected to this issue is the increasing manifested interest of accountants for the so called "Gestione della crisi da sovraindebitamento", the management of the over-indebtedness crisis (Caradonna, 2015). A project aiming at spreading to all local national institutes of accountants an array of guidelines on the subject has been recently presented to the National Institute.

One of the most profitable area to focus on is the one related to international affairs: investments abroad, foreign income consulting services, international tax issues, these all are underestimated area of specialization with high margins of profit. The internationalization strategy is going to be further analyzed in a section below.

The specialization as a strategy to rebuild the profession is an opportunity that has been perceived as greatly advantageous since many years. Such a consciousness led the National Institute of Italian Accountants to the approval of a project concerning the constitution of the so called SAF, Scuole di Alta Formazione, or High Education Schools.

The project of SAFs emerges also in response to a recent regulation that years ago introduced the duty for accountants, as for other professions, of the continuing education. The SAFs, as conceived by the National Institute, through the supply of high quality education, would have a double purpose: to guarantee attendees the retention of their professional skills and competences (as required by the law), and simultaneously to increase their knowledge in those fields they will decide to invest their career in.

Moreover, these SAFs, directly provided by the National Institute will be supplied at lower costs than those provided by other institutes or associations.

Consistently to their eternal attempt to gain more respect and increase their prestige before the law and the State, accountants will try to take advantage of the services provided by the SAFs. It has indeed already been expressed as a future intention of the National Institute to start a process for the legal acknowledgment of specialization titles, in order to firmly provide these titles the legal soundness of a further academic title. Such an aspect will lead Italian accountants to gain a more competitive positioning within the international framework.

Furthermore, it seems that the SAFs project is in an advanced state of progress. The National Institute has in fact already identified eleven macro geographical areas where to constitute the schools, that in the Institute's mind are going to be in a number between eleven or fourteen, and it will be directly committed through a starting contribution of € 2 millions. A board aimed at permanently coordinating the SAFs is going to be soon constituted. One representative of each macro geographical area will be appointed as a member of the coordination board. It will be then committed to promote the schools together with local Institutes members and to create relationships and agreements with the Universities.

The coordination board will also be in charge of the surveillance and the fair functioning of the SAFs.

As for the subjects to be taught within the SAFs and the skills willing to be developed, a recommendation may come from the ACCA (2012) pointing out that the currently required characteristics in accountants are entrepreneurial spirit, curiosity, creativity and strategic thinking skills, as they could assume far more significance in the selection of tomorrow's accountants. However, traditional skills of accountants have still to be maintained, alongside them the additional skills to meet changes to the accounting tasks have to be developed (Jones & Abraham, 2007).

7.2.4 Reduce conflicts with other professions

Even though it could seem a bit too simple or maybe utopian, and particularly hard to achieve since the national regulator keeps on establishing laws that turn professions against each others, accountants really should try to seek some agreements with other professions to have life easier.

Actually, things seem already moving toward this direction. With regard to the continuing education, recently a conference among National Institutes of Accountants, lawyers, labor consultants, journalists and notaries has been hold (Mastrogiacomo, 2016). The main subject of the conference was a non hostile debate on some central issues that the Decree no. 137 in 2012 on the continuing education had raised. Each representative of those professions presented a program on the continuing education for its own profession, then altogether they proposed a memorandum of understanding having the purpose to allow a mutual acknowledgement among the professions of those credits required to attest the continuing education. In so doing, accountants may apply for a continuing education course proposed by the National Institute of lawyers, for instance, get the credits he/she needs and simultaneously also diversify the portfolio of skills.

The collateral purpose of the agreement, as it may be perceived by the interview to a representative of one of the professions invited to the conference (Mastrogiacomo, 2016), is further closing the profession exploiting the continuing education as a weapon against a "shapeless galaxy" made of other activities trying to subtract important exclusive professional services.

7.2.5 Exploiting the technology's advantages

As it was already witnessed in 1998 with the AICPA survey, the technology keeps playing a crucial role for the activity of the accountants. A 2015 survey, conducted by the National Federation of Accountants in Italy, reports that for someone the main threat to the profession of accountants is the digital revolution. Technology can be dangerous if it is not controlled (Dell'Olio, 2014). Disregarding technology, indeed, would extremely question the typical activities performed by accountants (continuous assistance and consulting services provided to their recurring clients) as the increasing digitalization of accounting and tax services would eventually lead to a decline in the value of such activities. For instance, the software for cloud computing accounting offers a great support to the business management, and sometimes accountants consulting services are not even required. Furthermore, all the digital innovations would lead to relevant economies of scale for the company that employs technology.

Nonetheless the digital revolution represents an important opportunity to be turned into an increase of demand of accounting services. As the interviews highlighted, it is already emerging a category of IT technicians able to supply those accounting services that do not require particular skills or activities that some recent regulation made mechanically achievable through the simple fulfillment of a form. It is the case of the individual income tax return through the 730 form.

The key for accountants to succeed over other technology experts lies in their almost unique ability to combine the awareness of their clients company's mission, objectives and business environment, and the familiarity with information technology systems. Modern era accountants, and it is true as for Italian accountants as for those all over the world, are required to match technological knowledge with business understanding. Technology decisions such as whether replacing or updating hardware also vary according to the firm size (Drew, 2015), it is a task of the accountant to fairly advice the firm on the best fitting technology.

The Italian economic framework is dominated by SMEs. International surveys have recently pointed out how the SMEs, not only Italian ones but in

the worldwide framework, are becoming the core value creation sites within these long international production chains (Di Nardo, 2015). Hence, besides the technology-fed globalization leading to the creation of big multinational companies, the SMEs, the major clients of the accountants in Italy, will strengthen themselves.

Of course competitive SMEs will be those ones able to go beyond their typical limits: low managerial skills, centralization of functions on few individuals or just one, insufficient management control systems (Di Nardo, 2015). It is in this context that accountants must intervene. As above explained, today accountants are provider of information, and they must provide strategic and customized information to companies in order to help them improve their strategic positioning in the global economic framework. In fact nowadays information is the fourth productive factor after material, capital and work, it is high perishable and has to be processed rapidly (Salusest, 2014). The provision of crucial information to the firm is preceded to the elaboration of data. Today those data can be better and faster collected thanks to technologies, which is a further reason why accountants have to improve their technological skills. Even though companies will adopt technologies as the cloud computing accounting, they still need a support from accountants to interpret or reclassify the collected data. Technology skilled accountants represent the optimal reaction to the challenges that the internationalization process has created, leading the rebuilding of the profession (Dell'Olio, 2014).

Technological expertise must be leveraged in order to provide higher value-adding activities, because today companies can manage independently some activities that before necessarily required the assistance of an accountant. Accountants are thus asked not to simply employ the technology, but to find a better and advanced use of the same technology.

Technology has an important role in the expansion of traditional boundaries of the profession. Evidence is represented by mobile devices and cloud computing allowing small and medium size accounting firms to reach clients worldwide, increasing flexibility in the way services are delivered. Furthermore, it does not have to be ignored the fact that the technology can be

adopted within the accounting professional firms as well. It has been recently reported (Dell'Olio, 2014) that technology cost are decreasing, hence becoming more accessible by small accounting firms. Several types of technology can be adopted, as reported by IFAC (2012).

Mobile technology, especially telephones and Internet-based wireless communications, enables a “virtual office” to be operated, allowing accountants within a professional firm to move seamlessly between the office, a client’s premises, and even the accountant’s home, all the while being connected or at least accessible to accounting applications. The ‘cloud’ allows both accountant and client to operate on the business records at the same time enabling real-time interaction with the client, opening up the opportunity for the client to outsource much of their finance function to the external accountant who effectively becomes the internal accountant. Those applications are increasingly being software-controlled to remove the ‘human factor’ from the control process. Using a specialist IT consultant is a good idea, since he/she is more conscious about ever-changing risks and potential applications.

It was interesting to notice that, although the adoption of the technology within the accounting activity is a widespread topic, that has been largely and profusely treated by several newspapers and academic reviews, it was an issue that appeared during one interview only. It is an instance of the fact that most of the accountants still ignore the importance of investments in technology or, as the interviewee suggested, recognize that it is a growing issue, but retain that integrating technology within a professional firm structure is an excessively complex procedure. However, accountants are not required to completely dominate the technology, but to adapt at least themselves at it.

7.2.6 Gaining increasing importance as public interest operators

It has been previously asserted that accountants are crucial also as intermediaries between citizens and State for tax responsibility; the protection of the public interest has always been an essential characteristic of the accountant profession (CPA Vision Project). Due to the increase in the

competition between accountants and other professions or individuals, who have been appointed by the law for the accomplishment of individual income tax return, accountants have reached new awareness on the position they occupy in the society. Therefore, they consider other activities, such as the surveillance on tax evasion, more important for their profession as they are the best representation of their role as intermediaries between citizens and State.

Hence, for many it would be a great professional achievement if accountants were provided a more central role in certifying and approving activities (Roma, 2014), in order to reinforce and reaffirm throughout all segments of their profession the integrity and objectivity inherent in the traditional definition of protecting the public interest.

The anti-laundering law actually wanted to leverage the competencies of accountants to obtain an increase in the public wealth, but it has been widely criticized by the accountancy profession, since the benefits connected to the performance of that activity do not exceed the cost of compliance to the law. Costs weighing on accountants are intended in terms of real costs, since the compliance of the anti-laundering law implies specific technologies to be adopted by the accountant practice (De Vivo, 2016), and are also intended in terms of risk of penalties, as previously explained. However, according to Longobardi, the president of the Italian National Institute of accountants, accountants really are willing to commit themselves in the battle to the money laundering (M. Par., 2016). Longobardi also retains that an international cooperation would be absolutely more powerful.

It is not only a call from the profession, but it is also a need that external actors have shown: there is a perception that the profession could do more to highlight and prevent everything. The profession needs to be seen to be addressing again clear public concerns, starting from an increased surveillance on small-scale financial irregularities through to the major systemic failures that helped cause the global financial crisis and the ensuing economic uncertainty (ACCA, 2012).

However, such an increase of the qualified professional employment could only be achieved through a reduction of the bureaucratic and regulatory oppression by the national regulatory bodies.

7.2.7 Go international

With the globalization process a SMEs trend trying to expand their business beyond national boundaries has been observed. Unfortunately, SMEs often lack knowledge and skills necessary to undertake such a process, hence they surrender (Mastrogiacomo, 2016). Accountants, who have now become strict co-operators of the entrepreneur in Italian SMEs, can find in this specific juncture an opportunity to increase their international competitive positioning.

Accountants are thus required to cope with these challenges. If SMEs are showing this increasing interest towards international markets, accountants have to be able to cope with new requirements that a “go international” strategy implies, if they want to continue representing a useful support for their clients.

As it was pointed out during the interviews, not all clients are conscious of the opportunities that an internationalization of their business could offer. Accountants in this case have to push those clients they believe may have the right qualities toward an internationalization process. For this reason, accountants have to develop necessary skills and adapt their firms structure toward that direction: they have to know international accounting standards, rules, principles any kind of regulation on specific subjects to provide the best consulting service for their clients (Dell’Olio, 2014). Training courses promoted by the professional firm itself could be provided to accountants, as it emerged during an interview. It could consist in an English course, or in an academic course, which would be financed by the firm, on a particular international subject.

If investing a lot on this activity, consulting services on international accounting aspects might become the core business of a professional firm, its characteristic feature to build the competitive advantage on. One of the interviewed firms is actually moving toward this strategy.

Furthermore, a deeper knowledge on international issues for many accountants could be a turning point to their career as major job opportunities could be found abroad, rather than in Italy. Before Italy may be considered a fertile land for accountants to evolve, further regulations necessitate to be emanated (Mastrogiacomo, 2014).

It could also happen that accountants trying to go international put in practice the wrong strategy. Recently the President of Italian accountants has been involved in creating a strategy to implement the internationalization process for the Italian accounting profession (Barone, 2015). For this purpose, it has been recently created a board for the internationalization process of firms, whose objective is facilitating the process of accountants toward international oriented practices. It would represent a significant support both to Italian firms willing to go abroad and international firms willing to have business in Italy. This board is pursuing its objective through a four-steps process, consisting in: designing the specific education activity aimed at acquiring knowledge and competences to be adopted in order to operate at an international level; tracking Italian accountants currently or willing to be involved in the consulting activity for enterprises interested in internationalizing their business; providing information, skills, relationships to accountants in order to ease the attraction of foreign capital in Italy; promoting the role of accountant with diplomatic, political international bodies and achieving some mutual collaboration between professional categories of other countries (Invitti, 2015).

Concerning the latter two points of the project, in February 2016 the project of the national Institute of the category to promote the role of accountants as consultants of firms in the penetration of international markets has been presented to the Senate, and it has also been announced that a “Road Show” involving ten cities (Bologna, Brescia, Verona, Firenze, Perugia, Caserta, Bari, Palermo, Catanzaro and Rome) will have started in April 2016, finally concluding in November 2016. The objective of such an initiative of the national Institute is to provide accountants with useful information to allow a constructive debate between them and those institutes strictly connected with international markets, hence leading accountants to offer their clients a 360°

consulting service on technicalities connected with the internationalization strategy (Mastrogiacomo, 2016).

7.2.8 Investments in marketing activity

It has been widely argued that professional models have to change, have to adapt to new emerging needs. A broadening of the scope of activities and services performed by accountants has already been observed. Consistently with such a strategy an increase of investments is mandatory required. According to Dell'Olio (2014) one of the activities requiring new attention hence investments, since it shows great potential of profitability, is the marketing activity, allowing accountants to transmit the added value of new services delivered. In the past, also Big Four exploited the marketing activity in order to attract more clients.

In order to improve the efficacy of the marketing activity the technology could be exploited. For instance, performing marketing activity through the Internet would increase the visibility of the practice and could represent an easier way to catch important clients. As it was possible to learn during one of the interviews to a professional firm, the press archive of the firm's website is a powerful tool to increase the visibility of the firm itself highlighting past professional achievements or the reputation of a member of the firm for instance showing one of his/her articles on some important newspaper. The marketing activity can be performed through more subtle ways. Each of the interviewed professional firms revealed a particular attention to the graphic layout and the contents of the website. It is the first thing clients look at when seeking for a new advisor. A modern website reflects the approach of the firm itself.

Rules dominating the internet are different from those of the real world, indeed there is no one dominant player as in the physical market, several players can find a "space" to perform their own activity (Barbarossa, 2014). However, marketing activity does not mean necessarily that complex marketing tools have to be adopted. As one of the interviewed highlighted, the simple press archive on the professional firm's website is a first step toward a communication strategy.

This chapter has produced important findings for the profession. They have been collected from different sources and reported some provisions that accountants should treat as recommendations for future strategies to implement. Also, it has been demonstrated that many of the forecasted and suggested actions to undertake have already been adopted by the accounting firms that were interviewed. It represents the evidence that there is consistency between the theory and the practice.

8 CONCLUSION

It has been showed the birth of accounting, the evolution it had, relating them both to time and different spaces, and, consequently, the evolution accountants had. Their past and present role emerged from the above analysis, as well as their different approach to the profession, and it clearly appeared to have changed during centuries.

Besides the scholastic interest that reconstructing the path of the profession through past and present instances could have had, the results obtained generated similar if not larger enthusiasm, as it has been possible to observe the extent the theories perceiving accounting as a practice reflect into the reality, and, eventually, the relevant recommendations that emerged for the profession of Italian accountant that is currently going through a recession period.

Accounting, involving both its role into society and its perception, is changing. It was affirmed at the beginning of the paper and it was confirmed through researches and empirical evidences above mentioned. The profession of accountant as well is moving toward a new direction, pushed by external forces, whether they are social or environmental forces, they all are peculiar to the market itself. These entities are molding the accounting and, more accurately, the behaviors of accountants as well. Indeed, it is not only the professional activity of accountants that is changing and trying to permeate into other fields of activity, it is also the structure of the professional organizations that accountants belong to, that requires for some changes to be implemented.

Similarly to what happened during the industrial revolution, when accounting was exploited to clearly make visible the role of employees and their individual contribution to the company's economic result, so accounting firms have been observed to adopt the same concepts of profit generating activities or value adding activities to their organizations.

The social constructivist and reshaping feature of the accounting is then adopted by accountants themselves. Correcting the inefficiencies and building a new organizational structure has necessarily required a reasoning upon the competencies, the current relationship and resources of the entire

organization. In some case, as the interviews pointed put, changes have occurred spontaneously as a direct consequence of new activities that accountants performed moving each actor's behavior toward a more efficient order. In some other case the new strategy was the result of a research activity. Finally, in other case the impetus of external forces encountered the resistance and reluctance of accountants to change, it is the case of single or small professional firms, now going through a real professional crisis.

It has been observed that some trends, even though they are retained to be global, do not correctly fit with the peculiarities of the Italian context, thus they are not feasible. It is consistent with Potter's (2005) theory that local, time-specific factors shape accounting change within particular instances. For example, the Big Four represent almost since always the biggest player within the accounting stage, but within the Italian framework some of their global characteristics do not find ground to be implemented, being the Italian economy dominated by SMEs, while Big Four target another type of clientele. Therefore, there is a lot of margin for accountants in Italy to develop their business outside the big multinational accounting firms.

On the basis of what has been observed to be the best practices in a sample of medium-large professional firms in the area of Bologna, compared with what literature and experts retain to be future trends of the accounting profession, a set of recommendations emerges.

The single or small professional firm is no longer a feasible business model for accountants to survive, unless it concerns a niche of accounting that one decided to master and to specialize in. Many are the reasons: the lack of professionalism, lack of innovation, lack of resources, lack of time to keep the pace with external changes, both regulatory or in clients' needs, often strictly related. Accountants have to overcome the traditional professional figure, mainly focused on individual income tax return, on pure accounting.

Accountants today have adopted a more consulting approach, not necessarily because they wanted to, but because market and external factors required it. The economic crisis turned the attention toward the importance of the internationalization of the business activity of the firm. May the national country be no longer profitable, other opportunities can be found outside

national boundaries in other countries. It is the reason why an increasing trend toward the internationalization of services provided by accountants has been observed. It has led to an increased in the complexity of performed activities, making companies asking for a major consulting support on specific subjects.

Accounting has then moved toward a new range of consulting activities. This change has been initially imposed by external undeniable social entities, then accounting has found a new place within the social context as crafter and facilitator of the complex modern society.

The necessity for accountants to redesign their organizational structure has been a direct consequence of the new role that accounting, thus accountants, was asked to have.

Within professional firms different areas of consulting services have been developed, employing several accountants within each area. Specialization can be less or more marked, it depends from the structure, as well as the fields of specialization. Most recent fields of activity to focus the personal professional development in are connected to international services, but they are not the only ones. The specialization require a strategy. Actually, the professional firms in general require a strategy. The creation of medium or large firms between accountants cannot exist without a set of shared principles, exactly as any other firm. That is another aspect of the modern accountant: more managerial than technical.

Maybe the current situation that Italian accountants reached has already been experienced by accountants in other countries, but each context has its own limitations and peculiarities. It does not matter if it happened later, what does matter is that the old concept of accountant does not work anymore. Recommendations for single or small professional firms to shift toward a larger organizational model are several, accessible through newspapers, internet, and other communication tools. Actions and strategies to adopt to rebuild the profession are not unknown; the real mystery is whether accountants belonging to small practices will be able to catch these recommendations, abandoning their old habits, maybe too often linked also to

a sense of professional self-esteem, and reconvert them into a professional figure more feasible with modern context.

Consistently with the theory that conceives accounting as a practice, new strategic actions have been adopted by accountants in response to external, in some case worldwide, changes. But accounting both shapes and is shaped by the social space, indeed, through the observation of modern accounting professional firms it has been possible to ascertain that the new portfolio of activities that are performed by accountants is necessarily promoting a new kind of social order. This new set of social relationships is not simply involving the companies that accountants are serving, as it was mainly considered in the past, but it is today a main characteristic of internal organization of accounting firms. It is a completely actual concept that illustrated by Hopwood in 1984 concerning the power of accounting in reshaping the organizational framework. The only difference is that the particular characteristic of accounting that is intrinsic to, and constitutive of social relations, today can be observed within accounting firms as well.

9 APPENDIX

9.1 Appendix one – Timeline of regulatory changes

Name of regulation	Year	Content
<i>Codice Napoleonico del 1805</i>	1805	In order to be licensed to practice as a 'public accountant', passing examinations and three years of practical training are required
<i>Legge Casati n.3725 del 1859</i>	1859	- Secondary education and Universities are under State control - Primary education is declared compulsory - The secondary education offer also includes technical education, consisting in industrial and economic subjects - Those ones aspiring to become bookkeepers or accountants have to accomplish three years of attendance at a Technical School followed by three years at a Technical Institute
<i>Decreto n.1742 del 1865</i>	1865	It is established the title of expert accountant for those graduating with a diploma from the accountancy section (where the accountancy class was mandatory) of Technical Institutes
<i>Decreto n.3133 del 1866</i>	1866	It is introduced the requirement of the possession of a diploma of a Technical Institute necessary for professional practice, but abolished practical training
<i>Decreto n. 1874 del 1867</i>	1867	The Napoleonic regulation of 1805 is abolished
<i>Codice di Commercio del 1882</i>	1882	The accounts should show with 'straightforwardness and truth' (evidenza e verità) the financial situation and the economic results of a company (art. 176)
<i>Decreto n.3654 del 1885</i>	1885	It defines the duties of accountants (i.e. bookkeeping, preparing inventories and balance sheets, liquidations, schemes of division, trusts and giving expert evidence), even though it is not specified that these activities are reserved to them nor to the expert accountants. The existing accounting diploma is replaced with two other titles, both still qualifying for the profession of accountant: the diploma of 'expert in commerce and private accountancy', intended as a qualification for business managers in the private sector, and the diploma of 'expert in administration and public accountancy'
<i>Regio Decreto n.6484 del 1889</i>	1889	The two different qualifications are replaced by a single general accounting diploma
<i>Regio Decreto n.476 del 1903</i>	1903	Schools of Commerce of Venice, Genoa and Bari are conferred the right to release a special degree equivalent to the ordinary higher academic degree
<i>Legge n.327 del 1906</i>	1906	Bookkeepers are declared freelance professionals; the practice is subordinated to the enrollment in a College of Bookkeepers. They obtain the constitution of the 'college' (accountants not yet)

Legge 20 marzo 1913, n. 268	1913	The higher commercial institutes are elevated to the grade of Universities, thus providing students graduated in those institutes the title of 'laurea'. Accountants have now a superior qualifying title than bookkeepers, who still have only a 'diploma'
Decreto n.103 di gennaio 1924	1924	All professional categories without a legal prescription are constituted into Associations if their members are graduated students from Universities or Higher Institutes
Decreto n.588 del 1928	1928	It contains the guidelines of the accountant profession. Several activities are conferred to them, but they are not exclusive to them (art. 3); - it is established that the admission to the roll of bookkeepers is submitted to the possession of a diploma - in order to access the accountants roll it is mandatory to pass an examination (such examination is not disciplined here) and to have graduated from a High School of Commerce or University and having accomplished two years of training after the graduation
Codice Civile del 1942	1942	It adds the general principle of clearness and precision to be adopted in the drawing up of the balance sheet and the profit and loss account, in particular while presenting the financial position and the results of a company (art. 2423)
Decreto del Presidente della Repubblica n.1067 del 1953	1953	It is separately established the Association of the accountants who are called for the first time "Dottori Commercialisti". - Technical skills in economic, commercial, tax, financial and bookkeeping field are attributed to the accountants, not in an exclusive way (art. 1): they are all activities within the scope of action of accountants unless they are conferred by law to other professions as bookkeepers, lawyers or attorneys. - it is allowed the enrollment of the bookkeepers, who do not get the title of 'accountants', but are only admitted to the roll, only after specific requirements are satisfied
Decreto del Presidente della Repubblica n.1068 del 1953	1953	It regulates the profession of bookkeepers.
Legge n.216 del 1974	1974	- The format and minimum content of the income statement are legally defined. - listed companies are required to present a six-months report - it is created the CONSOB (Commissione Nazionale per le Società e la Borsa, or National Commission for Companies and Stock Exchange), aimed at monitoring listed companies - it is introduced the duty for listed companies to provide external audit - it is established the figure of the external auditor for publicly listed companies who have to be 'independent'

<i>Decreto del Presidente della Repubblica 31 marzo 1975, n. 136</i>	1975	The compulsory external audit is extended to major important Italian companies, such as newspaper publishers, insurers, State-owned companies, and a few others
<i>Decreto Legislativo 27 gennaio 1992 n. 88</i>	1992	Implementation of CEE Directive N. 84/253/CEE, concerning the qualification of people charged of legal control of company's balance sheet. Requirements for the registration to the roll: earn a bachelor's degree, or a university's degree or any other diploma in economic, management, or law subjects, after a 3 years minimum cycle of study, a 3-years-internship in an auditor's practice and having passed the exam Those who, at the time the law is in effect, are enrolled to the accountants roll or to the bookkeepers roll are exonerated from the exam
<i>Decreto n. 241 del 9 luglio 1997</i>	1997	It is conferred to accountants as well as to CAAFs (Centri Autorizzati di Assistenza Fiscale), labor consultants and tax related lawyers the right to perform the individual income tax return.
<i>Decreto n.58, (TUF) del 1998</i>	1998	New requirements for audit firms and listed companies auditors are defined: - the audit firms are provided with accounting control and balance sheet rating tasks - the board of statutory auditors, beyond administrative and legal control, is in charge of accurately monitoring the suitability of the business structure and internal control system of firms, and the suitability of the administrative and accounting system as well as its fair representation of management activity
<i>Decreto n.6 del 2003</i>	2003	It extends the duty of accounting control, to be performed by an auditing firm or a statutory auditor, to the majority of the limited companies: public companies, limited liability companies responding to specific parameters of revenues and dimension, and to cooperative societies.
<i>D.Lgs. 28 giugno 2005, n. 139</i>	2005	The National Association of Accountants and Bookkeepers is constituted, respectfully to the art.2 of law no. 34 of 24th February 2005 - specific technical skills are acknowledged on economic, corporate law, and other economic, financial, tax, corporate and management subjects - two separate sections are introduced, one for accountants (section a) and one for bookkeepers (section b), people can register only into one roll - the roll is managed and administrated by every regional associations - requirements for registering into section A: master's degree in economics in specific areas; having passed the National exam according to the laws in effect at the time the exam was made - for the section B a bachelor's degree and having passed the exam of bookkeepers are sufficient requirements - in order to make the exam a 3-years intership is

		<p>mandatory, it can also be done during the master's years</p> <ul style="list-style-type: none"> - two sessions of exam per year - the exam is made of three written tests and an oral one - the continuing education is mandatory and it is a duty of each regional association
<i>Legge n. 248 del 2006</i>	2006	It abolishes the minimal professional fees
<i>Decreto Legislativo 27 gennaio 2010, n. 39</i>	2010	<p>Implementation of EC Directive no. 2006/43/CE concerning yearly and consolidated balance sheet auditing, modifying the Directives nos.78/660/CEE and 83/349/CEE, and abrogating the Directive 84/253/CEE</p> <ul style="list-style-type: none"> - it is introduced the concept of network, structure involving an auditor or an audit firm, cooperating and sharing earnings and cost - it is sufficient the bachelor's degree to registering into the roll of auditors - introducing the mandatory 3-years internship for wannabe auditors - two exams per year at least - accountants and bookkeepers registered into the single roll are exonerated from the exam but have to integrate the internship (18 months more) [such a duty has been introduced only in 2014 with a law modifying this previous law] - the continuing education is mandatory for enrolled auditors - creation of a new single roll of auditors divided into 2 sections: active and inactive auditors - public, mandatory and periodic control on the quality of job of auditors enrolled - the Italian Minister of finance becomes the competent authority instead of the Minister of Justice
<i>Decreto Del Presidente Della Repubblica 7 agosto 2012, n. 137</i>	2012	<p>Rules reforming professional associations, with respect to art. no 3.5 of Decree of 13th August 2011, no. 138, converted by the law of 14th September 2011, no. 148</p> <p>The profession is an activity or a set of activities reserved by law or not reserved, whose exercise is allowed only after registering into specific rolls.</p> <ul style="list-style-type: none"> - the access to professions is free, after passing the exam, no discriminations, no limitations that are not founded upon law - duty of assurance - professional internship: it has now maximum strength of 18 months that can be made at the same time of last 6 months of university - the internship can be replaced by attending, for a period of 6-months maximum, training courses implemented by national professional association, that are in turn in charge of establishing the way and the conditions of training courses, the contents and the strength, not less than 200 hours, and the guidelines for the final examination of training courses

<i>Decreto 8 febbraio 2013, n. 34</i>	2013	Guidelines for companies between professionals, with respect to art.10.10 of law 12 th November 2011, n. 183.
<i>Direttiva Europea 2014/56/EU</i>	2014	It defines the content and the academic subjects that the auditor examination has to include
<i>Decreto MilleProroghe n.192 del 31 dicembre 2014</i>	2014	It modifies the Decree no. 39 of 2010. It adding the art. 4 bis to the above mentioned decree and establishes that an integration of the remaining 18 months was sufficient for the accountants to become auditors. It approves the full legal soundness between the accounting examination and that for the access to the profession of statutory auditor. Accountants are not required additional exams to become statutory auditors (not consistent with Directive 2014/56/EU)
<i>Decreto n.175 del 21 Novembre 2014</i>	2014	It is introduced the pre-filled individual income tax return
<i>Decreto 19 gennaio 2016, n. 63.</i>	2016	Concerning the subjects of three written tests and the oral test of auditor's exam. Those already registered into the roll of accountants and bookkeepers and those willing to become accountants have to pass an additional written test, concerning risk management and internal control, national and international auditing principles, the discipline of audit services, professional ethics and independence and professional audit technicalities. These subjects become also subject of the oral examination
<i>Informativa n.53/2016</i>	2016	Rules concerning the internship through training courses. These courses have to last at least 350 hours on a 6-months period.

9.2 Appendix two - Consulted sources

Source	Qty	%
PRESS (a CNDCEC's magazine)	20	16%
Academic articles	34	28%
Journal articles	33	27%
Books	9	7%
Surveys	11	9%
Laws	16	13%
Total	123	

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