

4. CONSEQUENCES IN THE EC

The principal consequences of Europe 1992 for the accounting professions in the European community are due to the above-mentioned changes in client needs. They result in:

- . accelerated national mergers;
- . a national trend towards deregulation and the emergence of multidisciplinary firms;
- . the development of foreign branch offices and the creation of European and international networks;
- . the reinforcement of the supremacy of the "big six."

4.1 National Mergers

National mergers have accelerated since 1985, particularly with the largest firms and in countries where, until now, the profession was the least concentrated. Hence, in France, the revenue required to rank in the top five rose from 100 million francs (approximately C\$20 million) in 1984 to 300 million francs (C\$60 million) in 1989. These mergers are mainly due to improved geographic national representation, a wider range of expertise and finally (perhaps most significant) a strengthened starting position to negotiate entry into one of the networks of the "big six." Similar trends have been witnessed in the other European countries as well.

4.2 Reorganization of the Professions at the National Level

As is the case for business lawyers, the current internationalization and the approaching deadline of an inevitable opening up provide incentive for countries to make restrictive regulations more flexible. The principal measures aim to provide for the creation of corporations that are more capitalistic and the appearance of multidisciplinary

firms in cases where such firms were not previously authorized.

4.3 The Opening of Foreign Branch Offices and the Creation of Networks

The opening of foreign branch offices is one response of different national firms to meet the changing needs of their clients, who are also expanding abroad. Networks (discussed later) allow foreign branch offices the advantage of continued services in the client's language, the same methods, and proximity between the client and the firm. Foreign branch offices also enable medium-sized firms to create their own international network without having to merge with large international firms.

The other type of response is integration into the international networks of the "big six."

4.4 Strengthening the Supremacy of the "Big Six"

Table 9 illustrates the growth of the "big six" ("big eight" at the time) on the various continents between 1982 and 1988. Europe's growth rate of 60 per cent is by far the most impressive. The number of European offices now exceeds the number in North America, and the number of partners, half the number in North America in 1982, rose to 60 per cent in 1988. This trend continued in 1989, and it is expected that in most EC countries the majority of large independent firms with no international network will soon join one of the "big six."

There are many reasons for the success of the "big six," as compared to a multipolar merger of the large national firms. The principal ones are:

- . *The quality of their international signature.* At a time when companies become more internationalized and increasingly turn to capital markets, a firm's signature becomes a key success