

January 2011

Informal networking by professional accountants
and its effect to their promotion: a network
analysis used longitudinal data of one of the
biggest accounting firms in Japan

Nobuko Nishiwaki

Research Institute of Economic Science

College of Economics, Nihon University

Informal networking by professional accountants and its effect to their promotion: a network analysis used longitudinal data of one of the biggest accounting firms in Japan¹.

Nobuko Nishiwaki
College of Economics, Nihon University

¹ This is a revised edition of the paper written in Japanese titled “Relationship between networking and promotion in a professional organization: a case of a large accounting firm.” in *the Journal of Business Management* (Nihon Keiei Gakkai shi), vol.23, 63-74, 2009. The original paper won the Best Paper Award from Japan Society of Business Administration in 2010.

1. Introduction

What does organization mean to professionals and how does the participation in it effect their career development? Many professional researches have traditionally interpreted the relationship between an individual and his organization as an antagonistic configuration, based on the idea of “cosmopolitan and local” stated by Gouldner (1957, 1958) , and either do not look at the organization and its elements, or consider them as obstructive factors (Sorensen & Sorensen, 1974).

But some researches carried out since 1990 indicate that the organization and its elements are of prime importance to professionals and show that professionals are likely to be affected by the influence of human relationships at the workplace to a degree that is equivalent to, or even exceeds, regular staff. For example, Katz, et al. (1995) studied the relationship between the career patterns of superiors and those of subordinates using engineers in the R&D department as case examples, and showed that there is a tendency for subordinates to follow the same career path as their superior where dual career paths exist in which they choose between taking technical roles and taking managerial roles when they get to a certain age. Anderson-Gough et al. (2006) showed, through long-term interviews conducted on accountants working for an audit firm, that building relationships between superiors and colleagues have a significant influence, for better or for worse, in terms of building a career. Another research (Podolny & Baron, 1997), which was conducted on professionals and their supervisors in the high-tech sector, analyzed the relationship between internal promotion and networking, and concluded that building a close relationship with superiors is effective in building a career within an organization.

The reason why elements of the organization have been discussed may be that many researchers have gradually focused on professionals who participate in, and sometimes build by themselves, the flexible and organic cooperative system defined by Barnard (1937) or Weick (1969), rather than those who are embedded in the rigid structure already built. There is a fact behind the change that today many professionals work within organizations in spite of their capability to work independently, and that cooperation among professionals is becoming commonplace. If we suppose organizationally cooperative behavior as a premise of the professional research and focus on organizing itself, how should we discuss the relationship between organizations and professionals?

As analyzing the informal networks made in a formal organization, this study examines the effect of the participation in an organization as a cooperative system on professionals and their careers (promotion), using accountants from one of the biggest Japanese audit firms as study samples. Public accountants are typical professionals which can be applied to the strictest classic definition dealing professionals as those who obtain high skills or abilities based on specialized education and training, job autonomy, and professional ethics and norms (Greenwood, 1957; Wilensky, 1964), and auditing done by Japanese auditing firms is a good example of organizing and cooperating by professionals who share the same skills and knowledge. Though some of the former studies consider those who are not always applied to the definition listed above as professionals, this research will pick up chartered accountants and auditing, their major job, as a research target in order to get good analysis within the theoretical framework of professional research.

2. Analysis

2-1. Study sample and analysis procedure

The study was conducted on chartered accountants employed by one of the major Japanese audit firms, working in a department that specializes in audits of domestic firms. Their job ranks are partners, managers, and senior staff. Partners are investors and administrators of the firm. Managers and senior staff correspond with employees in a regular firm. Partners and managers are divided into two ranks, 'representative partners' and 'partners' and 'senior managers' and 'managers'. The standard length of service is three to seven years for senior staff, six to fifteen years for managers, and ten to fifteen years or more for partners. There is little difference in the job roles of senior managers and managers, but as a rule, an employee must work as a senior manager for at least two terms before he or she is promoted to the rank of partner.

The data was analyzed using clique analysis², a type of network analysis. The data is obtained from the sample firm's task assignment charts from six half-year fiscal terms from the second half of 2001 (July to December) to the first half of 2005 (January to June). The task assignment charts contain daily assigned tasks (client names) of each member of the department, represented by symbols. The data is not entirely continuous; data for the second half of 2002 was excluded as it was unavailable, and data for the second half of 2004 was also excluded due to the extent of missing data. Only audit tasks were included in the scope of this study; other tasks such as consulting and internal tasks were all excluded. The interviews were held not only for building theoretical framework for analysis but also for asking interviewees to see whether the results of the analysis are relevant or not³.

The analysis is performed as follows. First, through clique analysis, it is going to make clear whether the group of the specific members (cliques) are organized in formal job networks in the division or not. If they are found, their characteristics are also illustrated. Second, it is analyzed whether there is a difference between those who belong to cliques and those who don't as for the pattern and the speed of promotion.

Cooperative relationships that were considered in this study were limited to those, which are direct; namely those between corporate members, between corporate member and managers, and between managers and senior staff. The number of individuals on a team was used to measure the strength of its relationship⁴.

² Cliques refer to groupings of multiple agents that are linked to each other directly within a network where the agents are connected to each other by close relationships. There are three methods of defining cliques, namely: (1) a method that focuses on the subjective views of the agents and defines cliques according to how the agents feel; (2) a method that defines cliques according to the existence and the extent of relationships; and (3) a method that defines cliques according to both the existence of relationships and the subjective views of the agents (Yasuda, 2001). In this study, cliques were identified using the second method, and correspond to groups that have direct and strong internal relationships with regards to auditing tasks.

³ The interviews were conducted about five times from 2002 to 2005, including those for additional research. The average interview time was 60 to 120 minutes per interview. Although the specifics cannot be published in detail due to reasons relating to confidentiality, the interviews were conducted on two respondents whose lengths of service is about 7 years and about 15 years respectively.

⁴ The clique analysis was performed as follows. First, the presence and number of cooperative relationships between all members in the sample were identified from the task allocation chart, and a dataset for clique analysis created for

2-2 Characteristics of auditing jobs in Japan

There are two major characteristics of auditing. First, auditors are required to follow legislation and rules set by JICPA that strictly regulate matters throughout the entire audit process from signing of the contract to completion; examples are the sequence and required time-frame of audits as well as items that must be included in the audit report, which is the final results of the audit process (Kawaguchi, 1984). If an audit is not performed according to the rules, or the results of the audit do not accurately reflect the financial status of the client firm, the accountant and the audit firm may be held civilly or criminally liable and subject to administrative penalties (Kanzaki, 1982; Shitani, 2007). Second, audits are performed by audit teams that are organized specifically for each client according to “organizational audit procedures” stipulated by the JICPA⁵. These are temporary organizations that only function during the audit process, and comprise one team leader who is responsible for an entire process, one or two deputy team leaders, and one “In-Charge” (member of staff in charge of the audit duty) and several audit staff who participate in the audit duty on location (Kawaguchi, 1984). Within teams, work roles are strictly divided both between ranks and individuals, and an audit is performed according to meticulous operational plans.

As long as these conditions are considered, though various restrictions concerning job process and team building seems to prevent accountants from making the best use of their job autonomy and the professional expertise, they are able to control the whole audit process because authority and discretion are fully delegated to them. According to the interview, audit jobs are performed in the division throughout the following way.

The first step of auditing is that partners close an audit contract with their client. While partners chose and designate managers as the person in-charge of their tasks and delegate them to authorities to fix team members and audit schedules, they become heads of the audit teams who takes responsibility on the whole audit process. Audit teams organized twice a year, in July (the period from July to December for interim audit) and in December (the period from January to May for final audit), at the team organizing meeting where all In-charges gather. They usually won't make any drastic changes about audit team members in July but they sometimes do so in December considering the quality and quantity of the total numbers of audit tasks dealt with in the division. The process of team building is as follows. Every In-charge submits the plans of auditing which show their ideas about which members, when, and what kind of audit jobs are given until a week before the meeting. At the meeting, In-charges assign audit jobs to all staff based on the plan submitted. In case several In-charges want to use the same staff for their tasks on the same day, they try to solve

the six fiscal periods. This was then used to analyze the structure of connections between members and how these structures changed over time. The dataset is in the form of a matrix in which the members in the sample were arranged in rows and columns, wherein each cell contains the number of job cooperation for the corresponding pair. The number of job cooperation represents the number of teams that the two individuals share membership of, where one shared team membership is counted as one job cooperation.

⁵ The organizational audit procedures stipulate that the person in charge of an audit must, in order to gain sufficient understanding of the audit task, (1) establish a hierarchical system in order to clarify the chain of command, and (2) appropriately organize an audit team as an audit organization in which the roles and authority of constituent audit personnel are clearly divided (Wakita, 1999).

the problem by numbering each task according to its importance, using other available staff, or making special arrangements among those involved if they won't change their ideas. They fix all team members and audit schedules on that day.

It is not always the case that team members work together. In the surveyed department, several hundred audits are performed by approximately 50 accountants and 50 junior accountants every fiscal term. Every member belongs to from several audit teams to several dozen at the same time. The entire process, from the start of the audit to completion, is at the accountants' discretion and authority, including the audit team building to the allocation of roles among members. Since all members work on several audit jobs and an audit must be performed by visiting the client firm, only a few of the team members work together at once, even though teams are very large ones which have a lot of members. Some may focus their efforts within one team over a certain period of time, while others move between teams every two or three days. There may be instances where two individuals in the same team do not ever meet on-site. In a situation where every individual belongs to multiple teams, in order for several hundred teams to function simultaneously in parallel and for every team to produce results that meet a specific standard within the required time frame, it is crucial that each member acts autonomously according to operational plans and rules. The person in-charge, who leads the audit on site, must organize team members who vary from team to team to perform duties according to a schedule. The on-site staff must have a clear understanding of their roles within each audit and perform those tasks accurately, while cooperating with leaders and members who vary from audit to audit. The accountants and the audit firm thus realize flexible organizing and management of audit teams that draws upon specialist knowledge and autonomy of its members, while abiding by the rules of the JICPA.

According to interviews, the accountants all have equal levels of knowledge and skills that are backed up by their qualifications and the ability to perform an audit does not vary significantly from one accountant to another. If auditing skills only are considered, there would not be any problems if partners simply allocate tasks to managers in a random manner, and managers select auditing team members in a mechanical manner. In such an instance, cliques would not form within the network. If such groups exist, it can be presumed that accountants form special relationships taking into account factors other than auditing skills.

Promotion of employees and hierarchy within the sample firm is determined, as a rule, on (1) length of time since qualification was obtained, (2) length of service at the sample firm, and (3) age; however, requirements for promotion from the rank of senior manager to that of partner are not clearly defined, partly because the move involves a change of status from that of an employee to a joint investor. Promotion to the rank of partner requires a recommendation by at least one existing partner, and the final decision rests on consensus between all partners. If those below the rank of managers are being promoted in accordance with the basic rule described above, no significant difference in the rank order of members should be expected between the start and the end of the study period. If any changes in the rank order of members or disproportionate promotion of specific members are observed, this would indicate that factors other than the rule described above also have an effect. In particular, there is a possibility that partners have a significant influence on the internal

promotion of managers. Analyzing the relations between belonging to cliques and promotions, it will also make clear whether the same effects that work relationships give professionals promotions and careers pointed out in several former researches are found in the case of accountants or not.

3. Results

3-1. Base data

Table 1 shows the number of individuals in the department for each fiscal period, the number of audit teams across the department (i.e. the total number of audits), and the number of teams that each member belongs to (i.e. the total number of audits assigned to each member). There are 16 to 19 representative partners and partners, 14 to 19 senior managers and managers, and 14 to 33 senior staff members. The number of teams across the department is between approximately 200 and 400, and the number of teams per member is 2 to 77 for partners, 1 to 16 for managers, and 1 to 26 for senior staff. Table 2 is a descriptive statistics of the number of work-related-ties between members, which is limited to the ones actually built. The number is equivalent to 30% among all work relationships in the department including theoretically possible ones. The data distribution is unequal in that while in the majority of cases, the number of ties established is one or two, there are instances where this increases to over ten. When the three types of relationships – ones between partners, ones between partners and managers, and ones between managers and senior staff – are compared, the average number of ties as well as its variance and its maximum value, are all higher with increasing seniority of the individuals concerned. When a one-way analysis of variance was performed on the average number of job relationships, it was found that there is a significant difference in the relationships between partners compared to the other two types, while no significant difference was observed in the relationships between partners and managers and those between managers and senior staff.⁶

Table 1 Audit Teams in the Department and the Number of Team Memberships per Person

	number of people				total number of audit teams in the department	number of the audit teams per person		
	partner	manager	senior	total		partner	manager	senior
July.2001	16	19	14	49	264	7~33	6~16	9~18
Jan.2002	17	19	14	50	251	3~30	3~15	8~18
Jan.2003	19	16	33	68	237	7~70	6~15	9~23
July.2003	19	15	32	66	195	3~66	3~15	4~18
Jan.2004	19	16	33	68	350	2~71	3~16	2~26
Jan.2005	17	14	22	53	403	2~77	1~16	1~17

⁶ The result of the one-way analysis of variance was significant ($F = 23.291$ and $p < .001$). As a result of multiple comparisons according to Tukey HSD ($p < .05$), significant differences were observed only in the relationships between partners and two other relationships.

Table 2 Data showing the number of job cooperation (for those relationships established; for all six fiscal periods)

	between partners	partner and manager	manager and senior
Average value	2.27	1.86	1.64
Variance	4.52	1.70	1.16
Standard deviation	2.13	1.30	1.08
Median	2	1	1
Minimum value	1	1	1
Maximum value	16	8	7
Frequency	566	602	546

3-2. Analysis1: the existence of cliques and their characteristics.

Table 3 is a list of cliques found in the sample department as a result of the clique analysis⁷, and Table 4 is a list of those cliques that have particularly close-ties, with a high density.⁸ For the purpose of the analysis, the minimum number of members in a clique is set to be three, which is the minimum size of an audit team. When the clique density is analyzed, some variations result in the size and number of cliques summarized by the configured value. In this study, importance was placed on how closely the results agreed with the perception of interviewees, and the interviewees were asked to confirm the results of the analysis during a second round of interviews. Table 4 shows the results of the clique analysis, which are, at the same time, the group of cliques, which interviewees agree that exist. For example, in the case of July 2001 fiscal period, seven cliques were identified as a result of clique analysis (Table 3); these can be consolidated into three cliques by accounting for, for example, overlapping of members (Table 4).

Similarly, the number of cliques in the sample firm after January 2002 is 5, 17, 11, 17, and 5; these can be consolidated into 3, 4, 4, 5, and 2 cliques respectively. Uppercase characters in the table represent partners, and lowercase characters represent managers. The alphabetical sequence of the characters reflect the rank order at the start of the period of study in the July 2001 fiscal period in descending order from A or a. An asterisk attached to a lowercase character indicates that the individual concerned got promoted during that fiscal period and became a partner. Of the members, A, B, a, b, m, and p left the department during the period of study as a result of retirement, resignation, or transfer.

⁷ In performing clique analysis and the subsequent clique density analysis, there is a need to polarize the data set value to zero and one. This study focused on relationships, where the number was 3 or above (corresponding to approx. the top 25% in the distribution of number of job cooperation shown in Table 2), which can be considered a strong mutual relationship; these relationships were allocated the value of 1, and relationships with 2 or less job cooperation were allocated 0.

⁸ The density is a measure that indicates the closeness of the relationship between agents in the network, and is calculated by dividing the number of ties that are actually present in the network by the number of ties that are theoretically possible (Yasuda, 2001).

Table 3 List of cliques

July.2001	Jan.2002	Jan.2003	July.2003	Jan.2004	Jan.2005
1: E G d	1: E G d	1: E J P b	1: E I P	1: C E I J P	1: E I P
2: E N d	2: E J b	2: E J P g	2: E P g	2: E J P g	2: E J P
3: C I I	3: C I I	3: E J P i	3: E P i	3: E J P t	3: E P g
4: C I n	4: C I p	4: E I J	4: E P t	4: E G P d*	4: J P i
5: C I p	5: A G d	5: C E F I	5: E N d* t	5: E N P d* q	5: G H K L s
6: D N q		6: E F P	6: E G d*	6: E N P v	
7: E J b		7: E G d*	7: C I I*	7: E P d* t	
		8: C E m	8: H K s	8: E P i	
		9: E I N	9: J P g	9: E I J L	
		10: D I L	10: J P i	10: E G L	
		11: D I N	11: I L P	11: E L v	
		12: D O a		12: D I L	
		13: H K O f		13: D N c	
		14: H K j		14: C F J P	
		15: H K s		15: H K s	
		16: H K k		16: C I I*	
		17: C I I*		17: I L n*	

Capital letters describe partners. Small letters describe managers.

Table 4 High-density cliques

July.2001	Jan.2002	Jan.2003	July.2003	Jan.2004	Jan.2005
E G J b d	E J b	E J P b g	E I J P g i	E J P d* t	E I J P g i
	A G d	G d*	G N d* t	D I L n*	
C I I n	C I I p	C D I N	C I*	C F	
D N q				N c	
		H K O f	H K s	H K s	G H K L s

Tables 3 and 4 show that cliques definitely exist in the department, only some partners and managers form cliques, and none of the senior staffs are involved. The three cliques that have a high density are: (1) a clique centered around EGJPbdgi (clique α), (2) a clique centered around CII (clique β), and (3) a clique centered around HKs (clique γ). Clique α is, strictly speaking, divided into a section centered around EJP (clique α) and a section centered around EG (clique α'), and has the largest size and is the most stable of the three cliques; its core members went through little change throughout the six fiscal periods. Clique β initially comprised five members including n and p in addition to CII, but decreased to three members CII in practical terms since l and n got promoted to the rank of partner and p left the company in 2003.

Although not shown in Table 4, Table 3 shows that the clique remains, centered around C, until the first half of 2004. However, the clique disappears completely when C and n are transferred to another department as a result of departmental restructuring within the firm in 2004. In contrast to clique β , clique γ does not appear as a clique until 2002 in either Table 3 or 4, but maintains a relatively stable structure centered around H, K, and s from 2003 onwards. When I joins clique α

when clique β disappears, clique γ joins clique α' that has been gradually drifting away from clique α since 2002. As a result, the three cliques in the department are consolidated into two cliques, α and γ .

Since the analysis in this study focused on the number of work-related relationships, it is thought that individuals assigned to a large number of audits and individuals with a high degree of concentration of work relationships are more likely to be included in a clique; therefore, an analysis was conducted in order to determine whether a significant difference existed in the centrality scores⁹ and the number of assigned audits between clique participants and non-participants¹⁰. Tables 5-1 and 5-2 show the results. A relatively strong positive correlation exists between centrality scores and the number of assigned audits in the case of partners, but this relationship is not particularly strong in the case of managers. When each partner and manager are divided into clique participants and non-participants and the difference in the averages of the two variables are examined, it is found that in the case of partners, clique participants had significantly higher numbers of assigned audits and centrality than non-participants, but no significant difference was observed for managers.

Table 5-1 Correlation between number of assigned jobs and centrality

	Correlation	Significance
partners	0.752	**
managers	0.572	**

**p<0.001

Table 5-2 Examination of difference in average values of centrality and number of assigned jobs, by job rank and clique participation

		Clique participants average	Clique non-participants average	F value	Significance
Centrality	partners	38.11	19.72	10.626	***
	N	46	50		
	managers	22.75	19.22	0.574	
	N	28	82		
Number of jobs	partners	32.17	16.24	11.194	***
	N	46	50		
	managers	12.07	8.71	0.324	
	N	28	82		

*** p<.001

N is the total value over the six fiscal periods

3-3. Analysis 2: difference of promotion patterns among members.

Table 6-1 to 6-4 shows the managers' (including senior managers) promotion process made by plotting their ranks in every fiscal year recorded in the task assignment charts during the research terms. In this table data of the latter period in 2003, was eliminated because managers

⁹ Centrality is an indicator that shows the number of other individuals with whom there is a direct relationship within the network. There are multiple indicators of centrality; in this study, the degree centrality, which is the simplest indicator, was measured.

¹⁰ Eight partners and 6 managers who belong to cliques α , β and γ were treated as clique participants, and the rest were treated as non-participants. A dataset for each of their centrality scores and number of assigned jobs over the six fiscal periods were created. With regards to the three managers who were promoted during the study period, they were treated as managers until 2002 and as corporate members from 2003 onwards.

(including senior managers) were temporally divided into three groups and ranked separately within each group only in this period, it enabled us to grasp accurate ranking among all managers in the division. The results provide the fact that there are three types of managers, (1) those who were promoted to partners and/or senior managers smoothly, (2) those who weren't promoted or demoted, and (3) those who were hardly promoted. These results indicate that the promotion rule denoted in the interview, in fact, is not so strictly applied to managers, instead, some other elements might be considered.

Table 6-1 Total Job Rank Movement of Managers

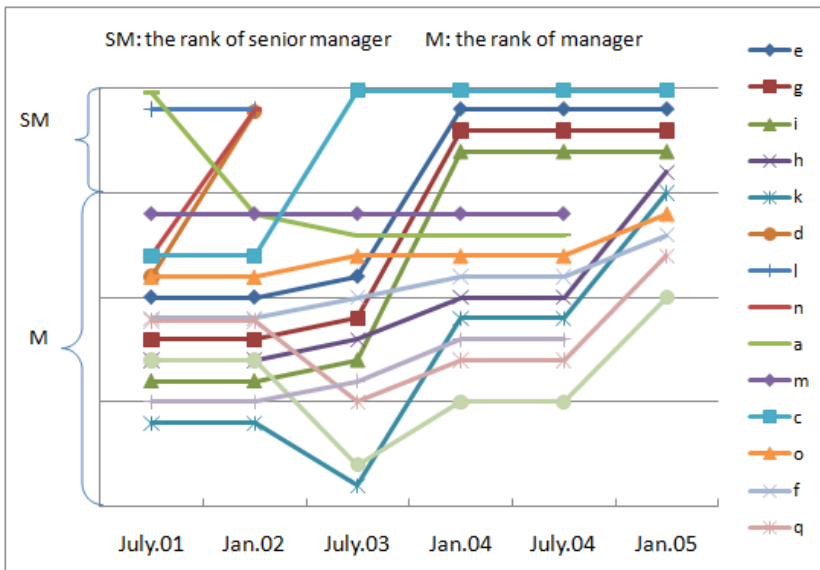


Table 6-2 Job Rank Movement of those who were promoted smoothly

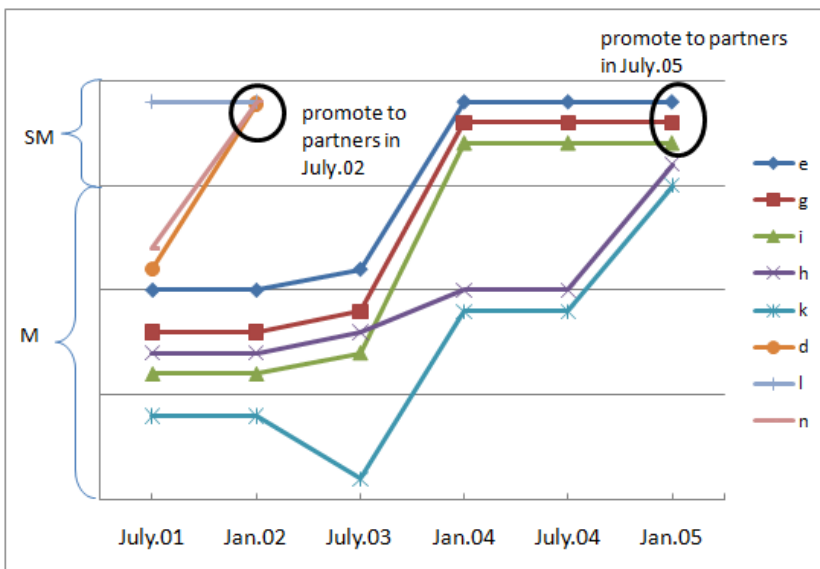


Table 6-3 Job Rank Movement of those who weren't promoted or demoted

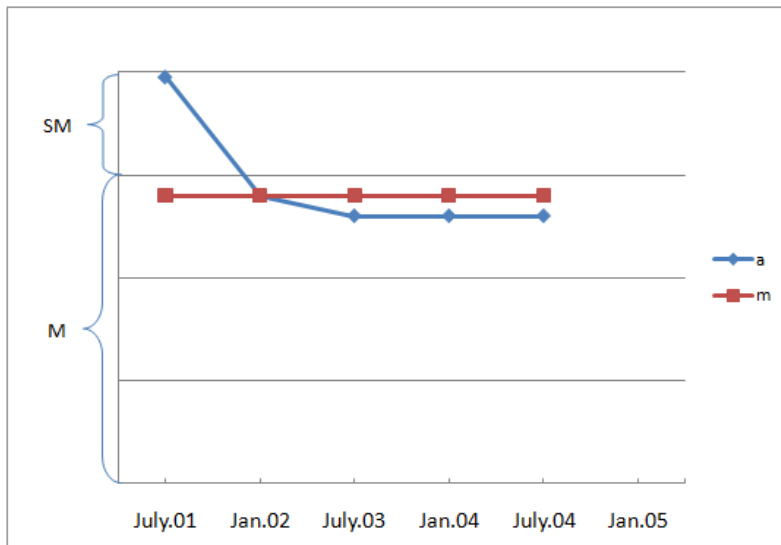
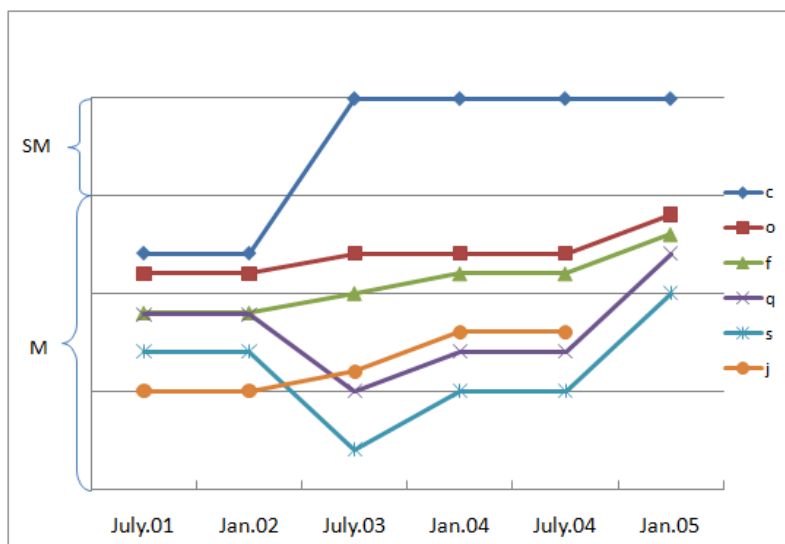


Table 6-4 Job Rank Movement of those who were hardly promoted



3-4. Analysis 3 : relation between belonging to clique and promotion.

Since cliques are formed through job allocation, it is thought that for managers, the key to whether they become part of a clique or not rests on which partner they have a strong relationship with over a long period of time. The relationship between the two is therefore analyzed in detail, taking into account the characteristics of the assigned jobs. Table 7 shows the number of ties between partners and managers that occur in a relatively long period, in concrete terms, the ones occur at least three fiscal periods continuously or non-continuously during the six fiscal periods studied¹¹. The rows on the table contain partners arranged by clique and in rank order, and the

¹¹ The reason for spanning three fiscal periods is as follows. Audits take place over the course of one year, with interim and final audits combined as a set, and the sample firm organizes audit teams for each of interim audits and

columns contain managers according to rank order at the end of the study period. The columns contain, from left to right, any clique that the individual is a member of, final job rank and when and whether the individual has left the firm.

Table 7 Relationships between corporate members and managers, organized by presence of promotion / by clique (long-term)

Managers				Partners																						
	Clique membership	Final job rank	Retirement during period of study	Clique α					α'	Clique β			Clique γ			No clique										
				Shared	E	J	P	G		Shared	C	I	Shared	H	K	B	D	F	L	N	O	Q				
i n d c e g	β	partner 03							3	1									2							
	β	partner 03							3		1															
	α'	partner 03		1	7			4																		
		partner05		2	2																			1		
		partner05		2	4																					1
b h i k	α	SM	2003	9	1																					
		SM		1	4	1																				
	α	SM		6	3		1							1											1	
		SM												1	4	2										
a f j m o q s		M	2005	1		1								2						3	1					
		M		1										4							1	1				
		M	2005											5											2	
		M	2005			2															4	3				1
		M		1	4		1			2	3	2				1					1					
		M																								
		γ	M												7	4					1			1		

SM: senior manager
M: manager

The shaded line between a and k in the first column of the table indicates the boundary between those whose final job rank was senior manager (SM) or above (i.e. those who got promoted) and those whose job rank remained as manager (M) (i.e. those who did not get promoted). The individuals are represented by characters that start at the beginning of the alphabet and proceed down the alphabet in descending seniority of initial rank, while the sequence in which they appear in the columns is in descending seniority of final rank. The extent of promotion can be determined from the gap between the two. The division between clique α and clique α' is also shown by a shaded line. The word “shared” that appear in cliques α , β , and γ represent jobs that are shared by all partners in the cliques involved. Individuals A and p whose time in the department was less than three fiscal terms are not included.

Here is an example of what can be interpreted from the table. Manager l, who has the highest job rank at the end of the study period belongs to clique β , and got promoted to the rank of partner in 2003. l has connected with all partners in clique β in three shared jobs for at least three fiscal periods. Individually, l has had a job relationship with C in one task, and with D, who is not a

final audits. The sample firm department underwent a major internal reorganization between the first half and the second half of 2003, and there is a possibility that cooperative relationships within the department as a while changed drastically during this reorganization. Furthermore, data for the second half of 2002 and the second half of 2004 are missing, so no matter which starting point is taken, continuous data can be obtained only for three fiscal periods. As a result of these restrictions, cooperative relationship of over three fiscal periods is judged to be an indicator of a continuation of a cooperative relationship of at least two years, including the effects of departmental reorganization, and three fiscal periods was used as a standard for the sake of convenience.

participant of a clique, in two tasks, and has not had a long-term relationship with any other partners.

As an overall trend, partners in each of the cliques have a tendency to be mutually exclusive in their relationship with managers; managers who have a strong relationship with one clique do not have many relationships with other cliques. This tendency is more pronounced in individuals whose final rank was SM or above. Out of six individuals who became partners during or immediately after the study period, four of them belong to either cliques α or β , and out of four who became SM, two belong to clique α . Although not shown by the clique analysis, those whose final ranks were SM or above have a strong relationship with clique α , with the exception of k. In contrast to those who became SM or above, managers who remained as M have a strong relationship between partners in clique γ and those who do not belong to a clique. These individuals also have a wider range of relationships, with many of them having relationships with multiple cliques. They also produced a high number of those leaving the firm, with three individuals out of seven leaving the firm during the study period.

The precise analysis of data shows that partners who belong to a clique differentiate managers within the clique with those outside the clique in the following manner in terms of job allocation. Partners in cliques α and β allocate shared jobs that are shared by cliques and individually assigned jobs, which require larger audit teams to managers within the clique, and assign other jobs mainly to managers outside the clique. Partners in clique γ allocate most jobs that are shared by cliques to Ms, mainly s; and allocate individual jobs to k who is the only SM with they have a strong relationship. An analysis of the relationship between internal promotion and participation in a clique with regards to the seventeen managers shown in Table 6 demonstrated significant relationships between the two¹².

Currently, in Japan, audit firms do not have the power to set audit fees freely; audit fees are determined by the number of personnel and days required for the audit (Kawaguchi, 1984). Therefore, a job requiring a large team is usually for a major client which must have a large number of personnel for auditing. It corresponds to a job that contributes more towards the profit of the audit firm. What this means is that partners are allocating relatively important jobs to managers within their clique, while allocating less important jobs to managers outside of their clique. From the results of this study, it is possible that the difference in final job rank between managers with strong clique relationships and managers without may have resulted because the former stand a better chance of being assigned to important jobs and therefore gain more skills and experience.

4. Discussions

Differences in rank and assigned jobs have an effect on the difference between clique participants and non-participants, and only partners and managers are shown to have formed cliques. No senior staff members are involved in cliques. Several observations can therefore be made in terms

¹² A chi-square test was performed in order to analyze whether a link between promotion and participating cliques was confirmed or not, using 1 for those whose final job rank was SM or corporate member, 0 for those who remained an M, 1 for those related to a clique, and 0 for those who were not. The results were: chi-square value = 7.47, degree of freedom = 1, $p < .05$ and significant.

of the effects of cooperative relationships on the individual professionals and the organization.

The reason the position influences participation in a clique is that those who rank as manager or above and those who rank as senior staff or below have different roles that are expected of them. According to the interviews, there is no significant difference in skills required for auditing from one accountant to another, and as a rule, results more or less on a similar level can be obtained irrespective of who performs the audit. However, a role of a manager or above are said to require skills other than auditing skills, such as skills in dealing with unexpected situations that occur during the course of the audit process, skills in leading a team, skills in communicating with and negotiating with clients, and sales skills. In other words, only roles up to the level of senior staff demand auditing skills, and staff in these roles represent standardized personnel in terms of audit duty. As a manager, the choice of senior staff when organizing a team is not a significant issue that affects the job. This is probably the reason why no cliques are formed between managers and senior staff. In addition, the reason why managers in the sample audit firm are able to organize several hundred audit teams and fix all staffs' everyday schedules is not only because of the high level of authority delegated to managers who fulfil the in-charge role, but also because of the highly standardized-skilled staff members that are available to them.

On the other hand, managers and partners are not standardized personnel like senior staff. When partners appoint an in-charge, it is preferable that they select the most skilled and trusted manager so that any problems can be dealt with swiftly, in order to ensure that the audit can be performed as smoothly as possible. At the same time, when selecting a partner with whom they share joint responsibility, it is preferable that they select an individual who they know well and who is easy to talk to. Since it is not possible to foresee and take appropriate measures against all risks associated with an audit job, a partner would take extra care in choosing members for important jobs, and the result is that the same partners and managers organize on many occasions. One of the reasons for only partners and managers forming cliques with each other is thought to be to ensure the smooth running of operations with minimal risks.

Another observation is made regarding the effects of participating cliques on the members and the organization. Of the partners, only those who have multiple large-scale jobs that require a large number of staff are able to form cliques. Because audit fees are determined by the number of assigned tasks and the number of personnel involved, it can be said that partners who have multiple large-scale jobs have a high level of contribution to the income of the organization, and therefore are in a position where they are likely to have significant influence on the organization. Cliques are factions created by influential individuals, and involvement with a clique has an effect not only on members who are part of the clique, but also on other members in a variety of ways.

For partners, cliques not only provide a stable work relationship for better performance, but also represent means of exerting their power within the organization. For managers, participation in a clique not only represent a way of establishing close relationships with an influential partner, but also result in increased likelihood of attaining a variety of benefits for career advancement through that partner.

According to the interviews, clique α , the largest clique in the sample firm, is widely regarded

as an extremely influential group; its core member, E, is regarded as the most powerful of the partners. Managers who are involved in clique α are not only regarded by their peers as highly capable, but may also be thought of as able to obtain benefits that their peers cannot obtain. Although it is the partners who are directly involved in the creation of cliques, it is also possible to think of cliques as being created by both partners and managers who share mutual interests.

Although this study showed that participation in a clique may be beneficial in terms of promotion, a question remains as to whether participation in a clique really is desirable for professionals. According to Anderson-Gough et al. (2006) who studied accountants in audit firms, while establishment of a relationship with superiors has a beneficial effect in terms of promotion and building a career, the process of establishing a relationship is not something that can be successfully done according to a plan; furthermore, its effects only become clear later in time. Therefore, it cannot be said that establishment of a relationship is always beneficial. There is even a possibility that the direction and scope of the career develops in a way that is unintended as a result of the relationships created. In addition to that, according to the extra interview, the big environmental change concerning auditing has affected career development of the accountants studied in this research.

In 2005, four accountants taking responsibility for auditing one of the leading companies in Japan had been arrested and three of them then prosecuted under the suspicion that they made false statements on the financial report of the company, knowing it was dressed up.

This case led a large scale restructuring in the audit industry including reorganizations of the big four firms. Many audit firms changed their forms from unlimited liability audit corporations to limited ones, and shifted their major business from auditing, which was relatively risky but enabled them to decide the price of their service, to non-auditing jobs, which were more profitable with few restrictions for pricing. Of the accountants researched here, those who had promoted smoothly to partners and been able to establish their position in auditing jobs faced difficulty to change their careers from auditing to new fields even though they wanted to do so, but those who hadn't gotten promotions in the audit department were able to adjust their career paths easily to non-auditing jobs. Some of them moved to other departments specialized for non-audit jobs and found great success there.

From the results of the present study and the study described above, one deduction can be made with regards to the relationship between building a career and participation in a clique. Participation in a clique increases managers' likelihood of better career progress; however, participation in one clique makes it difficult to have relationships with other partners. As the individual climbs the ranks, the ties within the clique grow even stronger and become more important for him (her). According to the resource dependence theory (Pfeffer & Salancik, 1978), excessive dependence on a specific relationship is not very desirable because it increases the risk of excessive power being exerted on the individual and eliminates options available should the relationship be destroyed or is no longer beneficial. When this dilemma regarding relationship forming is taken into account, it is difficult to determine whether participation in a clique is always beneficial for building a career. This issue must be considered with care, taking into account a

variety of possibilities.

5. Conclusion

Through the case analysis of an audit firm and its accountants, this study showed the specific nature of organizing and making cooperative behaviour among professionals and how the various relationships formed through work have an effect on promotions in a variety of ways. Some previous researches indicated that professionals being autonomous per se are free to build their own careers in the organizations, but the results of this study and other previous research show that this would be difficult in real life. Rather, establishment of relationships with colleagues and superiors is important for professionals, and they are directly and indirectly influenced by these relationships, precisely because professionals are given autonomy and have the authority to decide all matters, such as the framework of work duties and cooperation partners.

The limitations of this study are primarily that it focused only on formal work relationships listed in the task assignment charts, and that the strength of each relationship was measured by the number of teams individual share membership in without accounting for other factors such as the number of days spent on one audit. As a result, unofficial relationships that are not on the records are not accounted for, and there is a possibility that relationships resulting from instances where individuals are focusing on one audit are considered to be weak relationships. A second limitation is that the analysis is limited to audit tasks. The responsibility of accountants extends beyond audit tasks, and working methods vary according to the type of task. In this study, analysis was conducted specifically on audit tasks for which procedures, methods, and required results are highly standardized, and which are not readily influenced by characteristics and size of individual firms. Therefore, the results of this study can be generalized to an extent in applying them to implications to accountants who work on audits and the organizations that they belong to or other professionals who are in charge of highly standardized job as auditing. But more studies should be needed for the other types of professionals and their organizations.

References

Andeson-Gough, F., C. Grey, and K. Robson (2006) "Professionals, networking, and the networked professional." *Research in the Sociology of Organizations*, 24, 231-256.

Barnard, C. I.(1938) *The Functions of the Executive*. Harvard University Press.

Gouldner, A. (1957) "Cosmopolitans and Locals: Toward an Analysis of Latent Social Roles—I". *Administrative Science Quarterly*, 2-3, 281-306.

————(1958) "Cosmopolitans and Locals: Toward an Analysis of Latent Social Roles—II". *Administrative Science Quarterly*, 2-4, 444-480.

- Greenwood, E (1957) "Attributes of a Profession." *Social Work*, Vol.2 No.3, 1957, pp44-55.
- Katz, R., M. Tushman, and T.J.Allen (1995) "The influence of supervisory promotion and network location on subordinate careers in a dual ladder RD & E setting." *management Science*, 41-5, 848-863.
- Kawaguchi, Tsutomu. (1984) *Knowledge of Accountancy Audit*, Nikkei Inc. (in Japanese)
- Kanzaki, Katsuro (1982) "Legal responsibilities of audit firms: Matters relating to the JICPA Legal Committee Report," *Shoji-homu*, Shoji-homu Research Group. (in Japanese)
- Pfeffer, J. and G.R.Salancik (1978) *The External Control of Organizations: A Resource Dependence Perspective*. Harper & Row.
- Podolny, J. M and J. Baron (1997) "Resources and relationships: Social network and mobility in the workplace". *American Sociological Review*, 62-5, p673-693.
- Shitani, Tadashi. (2007) "Failure in duty of chartered accountants and their liability – Using landmark cases as case studies" *Gekkan Kansa-yaku* Issue 524, 18-30, Japan Corporate Auditors Association.(in Japanese)
- Sorensen, J.E. and Sorensen, T. L (1974) "The Conflict of Professionals in Bureaucratic Organizations". *Administrative Science Quarterly*. vol. 19 Issue 1, p98-106.
- Wakita, Ryoichi. (1999) "Professionalism and responsibilities," *JICPA Journal*, issue 527, 14-17, JICPA / Dai-ichi Hoki. (in Japanese)
- Weick, K.E (1969) *The Social Psychology of Organizing*. Addison-Wesley.
- Wilensky.H,(1964) "The Professionalization of Everyone?" *The American Journal of Sociology*, 70-2, 137-158.
- Yasuda, Yuki.(2001) *Practical Network Analysis*, Shin-Yo-Sha. (in Japanese)