



Institutional formations and the Anglo-Americanization of local auditing practices: The case of Greece



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ABSTRACT

Following influential studies on the operation of the world economic system and the development of accounting, this paper synthesizes elements of political economy and institutional theories to illuminate the processes which have led to the Anglo-Americanization of local auditing practices. By focusing on the history of modern Greece, this paper demonstrates how broader politico-economic ties created the backdrop for the development of coercive, mimetic and normative processes whose intertwining gave rise to a professional cognitive basis and organizational practices conducive to the dominant Anglo-American models, long before the emergence of influential international accountability organizations.

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1. Introduction

In 1975, two years after the establishment of the International Accounting Standards Committee (IASC), Lord Henry Benson (then Chairman of the Committee), referring to the internationalization of accounting and auditing practice, stated: “We will see, during the next five years, great successes, the effects of which will not make themselves felt until the year 2000”¹. Indeed, facilitated by the increased globalization of business in the latter half of the 20th century and the catalytic role of supranational organizations (such as the International Monetary Fund, International Federation of Accountants, International Accounting Standards Board and the International Auditing and Assurance Standards Board) and politico-economic blocs (such as the European Union), the process of accounting and auditing standardization has intensified, consolidating the prominence of Anglo-American institutions at the global level (Arnold, 2009, 2012; Power, 2009). This development has captured the interest of researchers who have, *inter alia*, investigated the impact of such processes on local institutional settings and regulatory arrangements (Erlend & Nobes, 2010; Guerreiro, Rodrigues, & Craig, 2012; Irvine, 2008; Nobes, 2011; Nobes & Parker, 2008).

However, influential scholars underscore the importance of exploring how and why accounting in different localities ever looked similar in the first place (Arnold, 2009, 2012; Power, 2009), suggesting that, “we need to redefine the starting point [...] for understanding the development of financial accounting practice” (Power, 2009, p. 325). Acknowledging that delving into history is a way of enhancing understandings of present developments (Carnegie & Napier, 1996; Jones &

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¹ Quoted in Michel Prada’s 2013 “Chairman of the Trustees” speech at the Financial Accounting Standards Foundation in Tokyo, Japan: “À la carte accounting will not deliver globally consistent standards” available at <http://www.ifrs.org/The-organisation/Members-of-the-IASB/IASB-speeches/Pages/IASB-speeches.aspx>.

Oldroyd, 2009; Walker, 2008), this paper focuses on a particular episode in the history of the institution of auditing by bringing to the fore the development of auditing in modern Greece. Although Greece has a very long and rich history as an influential civilization, characterized by varying systems of economic surveillance and accountability at different historical times², this paper focuses on the period from the early 19th century (when it actually became an independent state) until the end of the 20th century. By narrowing down the focus to this relatively recent period, this paper seeks to make sense of the development of auditing as a modern practice which has been inextricably intertwined with the development and predominance of capitalism in the aftermath of the industrial revolution in Western Europe (Armstrong, 1987; Bryer, 1993; Chiapello, 2007).

The history of auditing practice in modern Greece is an important case to examine for two reasons. First, it shows how close ties with influential Western countries shaped the development of the local institution and created the background for a particular pro-Western professional mentality to prevail with concepts such as “modern”, “rational” and “effective” to be associated with Western institutions, practices and operations. Second, by delving into the historical details, this case demonstrates an important historical complexity. While, influenced by the German tradition, the state initially incorporated the auditing profession into its own hierarchical system of regulation³ (Caramanis & Dedoulis, 2011; Dedoulis & Caramanis, 2007), local professionals introduced and applied Anglo-American standards of practice.

To illuminate this historical complexity, this paper brings elements of institutional theory to the fore to shed light upon isomorphic processes (Albu, Albu, & Alexander, 2014; Dillard, Riggsby, & Goodman, 2004; DiMaggio & Powell, 1983). It is demonstrated that, throughout the 19th century up until the aftermath of World War II, the coercive role of the Greek state was predominant, leading to the establishment of a corporatist body of auditors in the mid-1950s. However, from the 1960s onwards, mimetic and normative institutional mechanisms started acquiring a dominant character within the professional context. The uncertainty that professionals encountered during the first years of the profession’s operation led them to develop strong educational ties and networks with Anglo-American professional associations. This, in turn, facilitated the development of particular professional mentalities and orientations in Greece long before the emergence of powerful international organizations and professional bodies which standardized accountancy across the globe.

This historical analysis is located within the broader political-economy paradigm (Arnold, 2009, 2012; Hopwood, 2000; Power, 2009). The paper builds upon the premise that modern auditing constitutes an indispensable component of the institutional arrangements that govern capitalist economies and the world economy as a whole. It brings to the fore the role of political and economic interactions between states and influential organizations in creating the backdrop for the emergence of certain institutional formations at the local level in the realm of auditing.

Acknowledging that, due to institutional constraints, externally-induced accountancy reforms do not automatically translate into concrete benefits in local contexts (Caramanis, Dedoulis, & Leventis, 2015), this paper moves beyond an examination of their effectiveness and attempts to make sense of the historical processes that have given rise to the diachronic tendency of imitation which characterizes the operation of local institutions. This paper extends the critical stream of literature by providing insights into the simultaneous operation of institutional mechanisms which set the scene for the development of the institution of auditing. To this end, it pays particular attention to illuminating the varying degrees of dominance of coercive, mimetic and normative influences at different historical times.

The study is organized into the following sections: Section 2 discusses the theoretical framework upon which this study is built. Section 3 sketches the political and economic ties between Western nations, politico-economic blocs and Greece. Section 4 provides insights into the coercive attempts and pressures exerted by the Greek state which led to the establishment of the corporatist body of auditors. Sections 5 and 6 present the main empirical material regarding the development of auditing practice in Greece. Section 7 contains the summary and discussion.

2. Theoretical framework

Influential scholars have demonstrated that financial accounting and auditing are the outcomes of the dissemination of certain norms and practices through a global system which has developed over the last two centuries and significantly intensified in the latter half of the 20th century, as a result of the increased globalization of business (Arnold, 2009, 2012; Power, 2009). Underlying this process is argued to be the expansion of a universalistic commercial culture which has also been at work for the last two centuries. Power (2009) suggests that key accounting concepts such as income, expenses, assets and liabilities circulated and became more highly-rationalized at a transactional level before they were ever an object of explicit national interest:

These key features give financial accounting statements in different jurisdictions their ‘family resemblance’ and may even be one of the major global accomplishments of the modern period grounded on centuries of diffusion, adaptation,

² Ballas (1994) illustrates that auditing and accounting techniques, in various forms, had been invented and were employed in various eras throughout the Greek civilization. There is evidence to suggest that, as early as the Minoan era, accounting techniques were introduced to facilitate commercial and other economic transactions. More sophisticated techniques were developed in the 5th century BC and later during the dominance of the Byzantine Empire. However, these techniques bore little resemblance to modern accounting and auditing practices.

³ The profession was established in 1955 and operated as a corporatist institution until the early 1990s. In the 1990s, the profession was reorganized into an associationist body (see Caramanis, 1996; Caramanis and Dedoulis, 2011; Dedoulis, 2006).

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