



# International Accounting Education Standards Board: Organisational legitimacy within the field of professional accountancy education



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## ABSTRACT

This research considers the organisational legitimacy of the International Accounting Education Standards Board (IAESB), and whether it is perceived or accepted as the appropriate standard setter for professional accountancy education across the globe. We define the organisational field in which the IAESB operates to influence education practice, and frame the research through the lens of both strategic and institutional traditions of organisational legitimacy. In this context, we examine the extent to which 21 selected professional accountancy bodies, operating in diverse jurisdictions across the globe, disclose compliance with IAESB pronouncements. Our results show that disclosed compliance does not always indicate conformity of practice amongst the professional bodies which have obligated themselves to comply with International Education Standards (IES). We discuss reasons for this varied immunity to IES practice and the impact this has on the IAESB achieving its self-declared objective of developing and influencing globally acceptable and implementable standards for professional accountancy education. This research should be useful to professional accountancy educationalists, and to the IAESB in pursuit of its objective.

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## 1. Introduction

This research considers the organisational legitimacy of the International Accounting Education Standards Board (IAESB), and whether it is perceived or accepted as the appropriate standard setter for professional accountancy education across the globe. The International Accounting Education Standards Board is one of The International Federation of Accountant (IFAC)'s committees which set standards in the public interest.<sup>1</sup> National professional accountancy bodies gain recognition from being members of IFAC and can become full members of IFAC if they have rigorous qualification programmes and

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<sup>1</sup> The IAESB issues IESs and is one of IFAC's four Public Interest Activity Committees (PIACs). In addition to the IAESB pronouncing IESs, the remaining three PIACs are responsible for developing and pronouncing standards on: auditing (International Standards on Auditing (ISAs), published by the International Auditing and Assurance Standards Board (IAASB)); ethics (International Code of Ethics for Professional Accountants, published by the International Ethics Standards Board for Accountants); and the public sector (International Public Sector Accounting Standards published by the International Public Sector Accounting Standards Board). Each PIAC's constitution and activities are overseen by IFAC's Public Interest Oversight Board (PIOB), and all member bodies of IFAC obligate themselves to comply with all IFAC standards by completing a Statement of Membership Obligation (SMO). Thus, the IAESB is subject to the same governance framework as other PIACs, and IESs have the same authority, in respect of compliance obligations among members, as other IFAC standards.

professional designations that allow their members to practice in their respective jurisdictions (Hall & Sen, 2004). IFAC's vision of such a rigorous programme of professional education is mandated by the International Education Standards (IESs)<sup>2</sup> pronounced by the IAESB.

There are two divergent notions in the literature relating to theoretical approaches that can be used to understand perceived or assumed organisational legitimacy of global accounting entities.<sup>3</sup> The strategic approach examines the persuasive and calculative action of a particular 'focal' organisation' in its attempt to extract perceptions of legitimacy from its environment (for example, Durocher, Fortin, & Cote, 2007; Fogarty, Hussein, & Ketz, 1994). In contrast, the institutional approach seeks to understand embedded institutions, being cultures, norms and beliefs, that penetrate entire fields of organisational life, such that organisations are cognitively accepted to be legitimate entities in the organisational field (for example, see Graham & New, 2003). It is at this interface between strategic actions and cultural institutions that conflicts and oppositional discourses emerge and organisational legitimacy may be contested (see for example: Bengtsson, 2011; Crawford, Ferguson, Helliard, & Power, *in press*; Chiapello & Medjad, 2009). To some extent, this framework for analysis resonates with middle-range theory for understanding organisations; this theory sets "organisations in a dynamic societal context whilst maintaining the role and importance of human actors [agency]. . . and provides a framework for judging the values or danger of organisational change" (Broadbent & Laughlin, 2005, p. 13). The research presented in this paper seeks to evaluate whether the purposive action of the IAESB to attain legitimacy for harmonising global professional accountancy education can be successful against embedded institutions existing at the national level where educationalists implement practice.

The IAESB sets standards to increase the "competence of the global accountancy profession and contribute to strengthened public interest" (IAESB, 2013) to effectively interpret and consistently implement international accounting and auditing standards (IFAC, 2012). Indeed, the IAESB declares that adopting IES practice will enhance education in the public interest by "contributing to the ability of the accountancy profession to meet the needs of decision makers" (IAESB, 2010a, p. 10). The logic expressed in the IESs must therefore articulate with the logic of international accounting and auditing standards, to ultimately converge international practice. However, the challenge to the IAESB to motivate education practice in its organisational field goes beyond influencing professional bodies and international regulators with an interest in globalised accounting practice. Audiences involved in professional accountancy education also include, for example: professional bodies operating in countries at different stages of development; national governments; private training providers; universities; and employers. There is little published research into understanding the development and logic of IAESB pronouncements, and whether IESs are perceived as legitimate by education stakeholders ('audiences') in the field of professional accounting education. This research addresses the gap and examines two areas: First, it discusses the organisational field in which the IAESB operates and seeks to influence education practice, followed by an overview of the governance structure and the standard setting process of the IAESB; in so doing, we consider the professional accountancy education 'logic' emerging in IESs and reflect on the extent to which this logic might be perceived or accepted as legitimate within the organisational field. Second, we examine the extent to which selected professional bodies' disclose compliance with IESs and use the findings to argue whether the IAESB has attained organisational legitimacy in pursuit of its self-declared goal of harmonising professional accountancy education across the globe.

Our article contributes to the body of knowledge on the globalisation of professional accountancy education in several respects. First, it answers calls for a better understanding of how influences embedded in the standard setting process produces standards that may conflict with national regulatory environments (Bengtsson, 2011; Crawford et al., *in press*; Chiapello and Medjad, 2009; Durocher et al., 2007; Loft, Humphrey, & Turley, 2006). Second, much attention has been aimed at understanding the influences impacting on the development of, and compliance with, international accounting and auditing standards; however, education standards, developed to underpin practice, have been largely ignored. Finally, this article highlights important challenges to the IAESB that threaten the effective and converged implementation of IESs which will arguably lead to differences in the application of international accounting and auditing standards.

The remainder of this paper proceeds as follows. The next section discusses the challenges to professional accountancy education in the context of globalisation. This is followed by an appraisal of the IAESB, the organisational field in which it seeks to exert influence, and the governance structure with in which it develops IESs for professional accountancy education. We then outline our understanding of organisational legitimacy as it pertains to the IAESB and acceptance of its IESs by diverse audiences across the globe – specifically, we discuss: the relationship between compliance and legitimacy; examine how the

<sup>2</sup> The IAESB has issued eight International Education Standards for professional accountants covering the Initial Professional Development and Continuing Professional Development of accountants who are either training to become, or who are already, members of IFAC member bodies, respectively. International Education Standards (IES) set criteria to be achieved to demonstrate competence in: professional knowledge; professional skills; and professional values, ethics and attitudes. Member bodies, which make up the IFAC membership, are required to comply with IESs through their Statement of Membership Obligations (IFAC, 2010a), and must disclose detailed compliance in the returns they submit to the IFAC Compliance Programme (IFAC, 2010b). IESs can be accessed in the Handbook of International Education Pronouncements (IFAC, 2010c).

<sup>3</sup> Other theoretical lenses could be used instead of, or in addition to, organisational legitimacy theory. Indeed, "a different theoretical lens enables different insights" to be extracted from the same empirical data (Gurd, 2008, p. 527). And, theoretical triangulation (using more than one theory at a time), allows researchers to "take advantage of the complementarities of different theories" (Gurd, 2008, p. 524), although this is notably difficult within a single research paper and possibly more achievable in an extended piece of work akin to a doctoral thesis. For example, Giddens's (1979) structuration theory of signification (meaning), legitimation (morality) and domination (power) could be used to interpret and critique the IAESB's strategy to persuade (power) its audiences, using the discourse of globalisation (meaning), that public interest will be served by enabling efficient and standardised, neo-liberal, global capital markets (seeking moral consensus).

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