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# Accounting professionalization and the state: The case of Saudi Arabia

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### ABSTRACT

This study examines the professional project of the Saudi Organization of Certified Public Accountants (SOCPA). It seeks to explain how SOCPA secured legislated authority to control standard setting and entry to professional practice before the organization developed technical and financial capacity as a professional body. The state corporatist system of Saudi Arabia provided fertile ground for SOCPA's promoters to invoke the need for an accounting body to advance Saudi Arabia's socio-cultural values. The promoters advocated the role of such a body in setting suitable accounting standards for the *Sharia* law context of Saudi Arabia, and developing an indigenous system of professional accountancy training. The project made a detour from its initial plan for an autonomous professional association, and instead organized SOCPA as a hybrid entity that blends some characteristics of a state agency and a professional body. Further, the project exhibited hybridity in accommodating incumbent practitioners into SOCPA membership, and in setting accounting standards using a mix of American accounting standards and Saudi Arabia's *Sharia* law. Through these strategies, SOCPA succeeded in securing the authority to restrict the entry of foreign nationals and candidates affiliated with overseas accountancy bodies into the Saudi market.

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## 1. Introduction

Although accounting professionalization has received considerable research attention in a range of research streams over the past four decades (Napier, 2006), there is a continuing need to examine the social role of accounting and the ensuing link to professionalization (Walker, 2016). The literature on professionalization has widely adopted the neo-Weberian approach, analyzing occupational group competition aimed at exclusionary closure (Abbott, 2014; Larson, 1977; Waring, 2014; Willmott, 1986). This approach explains how occupational groups operationalize closure by institutionalizing exclusion

*Abbreviations:* AICPA, American Institute of Certified Public Accountants; ANT, Actor-network theory; CPA, Certified Public Accountant; GAAP, Generally Accepted Accounting Principles; ICAEW, Institute of Chartered Accountants in England and Wales; KFU, King Fahad University; KSA, Kingdom of Saudi Arabia; KSU, King Saud University; SAA, Saudi Accounting Association; SAR, Saudi Arabian Riyal; SOCPA, Saudi Organization of Certified Public Accountants; US, United States; UK, United Kingdom.

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criteria based on credentials (Coronella, Sargiacomo, & Walker, 2015; Abbott, 2014; Larson, 1977; Willmott, 1986) and sometimes other subtle criteria, such as race and citizenship (Annisette, 2003; Hammond, Clayton, & Arnold, 2009; Sian, 2011). Convincing the state to provide legislative support is crucial in occupational groups' efforts to operationalize closure (Macdonald, 1995). From the neo-Weberian perspective, the state is often viewed as a neutral adjudicator of occupational group competition. This emphasis on the neutrality of the state has generated interest in alternative frameworks that could capture ways in which the state shapes professionalization more directly. In this regard, prior studies have highlighted the need for a dynamic analytical framework (Burrage, Jarausch, & Siegrist, 1990; Chua & Poullaos, 1993) to enable understanding of accounting professionalization in a broader social and historical context. Nevertheless, the literature on the accounting–state dynamic has remained sparse (Ezzamel & Xiao, 2015), and further studies are needed to understand accounting professionalization, particularly in relation to the advancement of broad societal goals (Walker, 2016).

Some studies have drawn upon the concept of state corporatism to investigate the direct role of the state in shaping accounting, including aspects of accounting professionalization (Cooper & Robson, 2006; Panitch, 1980; Puxty, Willmott, Cooper, & Lowe, 1987; Richardson, 1989). In this approach, professional associations are conceptualized as corporate bodies involved in national policy-making in societies characterized by a concentration of power in the state (Hertog, 2004, 2006a; Puxty et al., 1987; Schmitter, 1974). Corporatist bodies are assumed to operate under state control, serving as an intermediary between their members and the state. Such bodies monitor and regulate their members, thus serving as a mechanism of hierarchical societal control, which is broadly consistent with the notion of social controls (Walker, 2016) that solidify social structures (Brigham & Hayes, 2013). Nevertheless, the corporatist view presumes structural determination (Puxty et al., 1987), and therefore neglects the dynamic interaction of multiple actors in the professionalization process. Actor-based approaches—which are increasingly being adopted in the study of the profession–state dynamic (Burrage et al., 1990; Macdonald, 1995)—can supplement state corporatism to enable an understanding of professionalization in its social and historical context. Concepts of actor-network theory (ANT) that have been employed to investigate some aspects of accounting professionalization (e.g., Gendron & Barrett, 2004) and regulation (Ezzamel & Xiao, 2015; Gendron & Barrett, 2004) hold promise in this respect.

Using an analytical framework that combines state corporatism and ANT, this study examines the professional project of the Saudi Organization of Certified Public Accountants (SOCPA) (1979–1992) to explain how an occupational group can secure legislated authority to control standard setting and entry to professional practice before developing the technical and financial capacity as a professional body. The study demonstrates how hybridization enabled the reconciliation of contradicting goals of actors (see Couldry, 2008; Miller, Kurunmäki, & O'Leary, 2008) in the process of translation, which transformed the SOCPA proposal into a reality in the state corporatist setting of Saudi Arabia. First, SOCPA emerged as a hybrid body blending some characteristics of a state organ and a professional body. The organization is subsumed within the state structures while it controls entry to the professional accountancy market. This successful alliance between SOCPA and the state is traced to SOCPA's promoters' articulation of a mission in line with the national policy priorities of the 1970s to 1990s, which focused on safeguarding Islamic values and indigenizing the Saudi labor force. Despite detracting from the professional project's initial ambition to establish an autonomous body, hybridization with the state enabled the diffusion of the underlying tension between the project's underpinning closure goals and the Saudi state's governance model, which attempts to restrict groups' self-serving behaviors. Saudi Arabia's political culture is interpreted as a state corporatist system (Hertog, 2006b) guided by Islamic principles.<sup>1</sup> The Saudi governance system advocates the role of the state in maintaining a harmonious society in which conflict and advancement of parochial interests are minimized.

Second, SOCPA employed hybridization in the development of accounting standards as a mix of United States (US) standards and the *Zakat* concept of *Sharia* law.<sup>2</sup> This strategy was crucial because although the project promoters advocated the need for a vanguard professional body to set accounting standards suitable for the practice of *Zakat*, the project lacked the capacity to accomplish this task.

Third, SOCPA accommodated incumbent practitioners into membership. This approach helped address the challenge arising from SOCPA's promoters' emphasis on the need to redress expatriate labor dominance and the potential lack of qualified professionals to service the market if expatriate accounting practitioners were excluded from the Kingdom of Saudi Arabia's (KSA) market. Hybridization with incumbent expatriate practitioners implies that the project's exclusionary move was only a future-oriented strategy, consistent with the state's policy priority of Saudization of the labor force (Madhi & Barrientos, 2003; Rice, 2004; Wynbrandt, 2010), aimed at restricting expatriate entrants into the Saudi accountancy market.

This study contributes to understanding of accounting professionalization processes and outcomes by demonstrating how hybridity enabled SOCPA to gain legislative authority before the organization developed the capacity as a professional body. Akin to environments in which race has been employed as an exclusion criterion (Annisette, 2003; Hammond et al., 2009; Sian, 2011), the SOCPA project introduced citizenship as a primary means of exclusion. This outcome contrasts with experiences in which occupational groups engaged in activities such as establishing certification mechanisms for potential

<sup>1</sup> The predominant adoption of Islamic values in the Saudi system of government puts Saudi Arabia on the theocratic end of the theocratic–secular continuum of state models, which Al-Atawneh (2009, p. 721) labelled a 'theo-monarchy.'

<sup>2</sup> *Zakat* is a religious tax imposed on KSA nationals and citizens of other Arab countries. Paying *Zakat* is one of the key pillars of Islam. Saudi citizens are subject to *Zakat*, and companies operating in the KSA are also required to pay *Zakat* proportionate to their Saudi ownership (Al-Moghawli, 1999). For a detailed explanation of *Zakat* computations, see Awang and Mokhtar (2011).

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