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Accounting and structural reforms: A case study of Egyptian electricity

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ABSTRACT

This paper theorizes accounting's role in realizing the state's political ambitions. It triangulates Dillard et al.'s (2004) institutional theory framework with historical institutionalism in order to trace the institutional layers and political processes that connect micro-organizational changes with ideological transformations within the political state. Data comes from an 'extended case study' comprising a three-month fieldwork into an Egyptian electricity company's cost management practices and an extensive review of secondary materials on Egypt's electricity-sector reforms. Empirical findings provide insights into the ways in which accounting plays a political role in institutionalizing structural reforms and how that role evolves with the political ideologies of the state. Accounting's political role during the colonial regime was speculation of commercial and scientific gains, while it was signification of centralized political power during the postcolonial military regime. Accounting's role during the neoliberal regime was paradoxical – simultaneously a reformation technology and a deficient institutional apparatus that hindered privatization. Accounting takes political meanings when it institutionalizes the state's reformative ideologies. Accounting makes the connections between the macro-political and micro-organizational.

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1. Introduction

Critical accounting research develops through exploring – both theoretically and empirically – how accounting relates to macro-political and institutional dynamics. This has been so since its early days in the mid-1970s, when Marxist and Foucauldian accounting researchers started exploring the accounting's political rationalities. Afterwards, notions such as class struggles, politics of production, governmentality, biopolitics, institutional myths and isomorphism, actor-networks, and institutional logics helped conceptualize accounting's social and political connections (e.g., collected papers in [Macintosh & Hopper, 2005](#)).

This macro-micro connection has been especially important in theorizing accounting changes in less developed countries (LDCs), where large-scale economic enterprises were transformed from colonial to postcolonial and neocolonial forms through nationalization and then structural reforms (see [Hopper, Tsamenyi, Uddin, & Wickramasinghe, 2009](#)). Precedent research emphasized exogenous political dynamics in explaining accounting practices in these organizations. They

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explained how politics of structural reforms rendered accounting unable to perform the ideal-type techno-economic and rational-bureaucratic role expected of it (see Alawattage, Hopper, & Wickramasinghe, 2007; Alawattage & Wickramasinghe, 2008; Ashraf & Uddin, 2015, 2016; Hopper et al., 2009; How & Alawattage, 2012). Attention has primarily been on how politics influences accounting rather than accounting's instrumentality in realizing political ambitions. Our paper, however, focuses on the latter – accounting's role in realizing the state's political ambitions. It triangulates Dillard, Rigsby, and Goodman (2004) institutional theory model (hereafter DetM) with historical institutionalism to trace the institutional layers and political processes that connect accounting changes with ideological transformations within the political state. Data comes from an “extended case study” (Burawoy, 1998) comprising a three-month fieldwork into the management accounting practices in the case company and an extensive review of secondary materials on the public-sector reforms in Egypt. We analyze how accounting assumes political meanings when the state uses it to institutionalize its reformative ideologies, showing how accounting makes connections between the macro-political and micro-organizational.

This paper makes three main contributions. First, it enriches literature that examines connections between accounting and structural reforms in LDCs, demonstrating how accounting intermingles with other political processes to institutionalize macro-political logics. Secondly, it extends institutional theorizations of accounting practices, illustrating how DetM can be triangulated with historical institutionalism to articulate connections between structural reforms and accounting. Finally, using rich empirical data from the Middle Eastern context it demonstrates how accounting helps reconstruct the political state.

The paper proceeds as follows. The next section reviews literature but particularly analyzes accounting's political role in structural reforms. Section three articulates the theoretical propositions of DetM and justifies our triangulation of it with historical institutionalism. Section four explains our methodology. Section five presents the empirical analysis in three main sections: colonial construction of the electricity field; postcolonial nationalization and militarization; and neoliberal transformations. Finally, section six discusses our findings' political and theoretical implications and concludes the paper.

2. Literature: accounting critique of structural reforms

Coined by then World Bank President Robert McNamara in 1979, ‘structural adjustment’ was a lending practice whereby governments received World Bank and IMF loans on condition they implement the lenders' specified economic reforms (Kapur, Lewis, & Webb, 1997). It subsequently encompassed broader macro- and micro-economic policies and programs but now concerns cluster of overlapping conceptual associations and change programs with specific aims: reconfiguring economies through privatization and managerial modernization of state-owned enterprises; reducing government welfare bills and government debts through budgetary reforms; and improving state-owned economic enterprises' efficiency through market-driven mechanisms of governance and management. At the organizational level, this includes reconstructing public-sector institutions “along lines suggested by the model of ‘the commercial enterprise’ – the privately-owned firm or company operating in a free market economy” (Keat, 1991, 2).

2.1. Western experiences

Accounting implications of structural reforms have interested critical accounting researchers since structural reforms began in the industrial West. This extended to LDCs, providing somewhat different analyses and conclusions: in western contexts accounting played a constitutive role but in LDCs was marginal and ceremonial. The West also has greater diversity in accounting critiques of structural reforms; these accounting critiques fall into three somewhat overlapping themes: (1) explaining accounting's role in privatization; (2) challenging neoliberal claims of privatization; (3) explaining the epistemological politics in privatization.

2.1.1. Accounting's role

Ogden's (1995) early paper on UK water privatization explained the transformative capacities of accounting regarding redefining organizational objectives, changing the meanings ascribed to organizational processes and activities, and reshaping managerial and political perceptions about what the critical issues are. Through its vocabulary of costs, accounting helped construct new organizational purposes and new internal operational measures of performance and management accountability. Ogden's (1997) subsequent paper on water privatization drew on Miller and Rose's (1990) analysis of governmentality and governing public life to theorize how new accounting and accountability forms were instrumental in regulating the notion of the customer and customer service. Here, accounting's political role involved offering technologies of government through service indicators, especially in constructing an accounting-based calculative regime of customer service. Collectively, Ogden's papers revealed accounting's instrumental role in propagating the neoliberal political proposition that structural reforms through privatization benefit the political masses, who are then transformed into customers of the economic enterprises operating within enterprise cultures (see also Keat & Abercrombie, 1991).

Skaerbaek and Melander's (2004) field study on strategy translation in a Danish government-owned company under privatization drew on the sociology of translation (Callon & Latour, 1981; Callon, 1986) to demonstrate how accounting was evident in various forms and how accounting during translation processes changes characteristics and uses from principles of control to principles of financialization. Intermingled with New Public Management (NPM) ideologies and technologies, accounting played a mixed role in translating the organizational form from public to private. While it played a significant role in constructing the new strategy, as a principle of control instigators deemed accounting an obstacle to strategy as it was

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