

**The influence of the accounting profession on the academy:  
A cautionary case study**

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# The accounting profession's influence on academe: a cautionary case study

## Abstract

**Purpose:** To highlight the negative aspects of the influence of the accounting profession on academe.

**Design/methodology/approach:** Our case study on the influence of the South African Institute of Chartered Accountants (SAICA) on the South African accounting academy highlights a number of negative influences and we show the applicability of these findings to other parts of the world, including the USA, the UK and Australia.

**Findings:** Four mechanisms of influence that maintain the *status quo* have been identified, namely, the professional body's accreditation of university accounting programmes; direct supplementation of academic salaries by SAICA; the reputational benefits to the academy of association with SAICA; and the way the qualifying examination results are used to play universities off against each other. We describe the isomorphic rules and structures within the academy that have developed as a result of these mechanisms of influence. The effects include the fact that teaching has become overly technical, that it is not informed by research and that it makes no reference to theory, principles, or social implications. Research is de-emphasised and plays almost no part in developing accounting as an academic discipline, or in informing regulatory change.

**Social implications:** The accounting academy is losing its academic freedom and its ability to be critical of the profession. No other parties in society are as well placed to fulfil this role as accounting academics. In addition, the development of accounting teaching and research is negatively influenced.

**Originality/value:** Awareness of these issues will place the accounting academy in a position to assess whether there is a need to resist the influence of professional bodies. We suggest approaches that may be useful to counteract the influence of such professional bodies if this is deemed necessary. However, the mechanisms employed by the professional bodies provide strong incentives for the accounting academy to maintain the *status quo* and we cannot identify any incentives for the accounting academy to resist, other than to strengthen their academic independence.

**Keywords:** accounting profession, accounting academy, accounting teaching, accounting research, institutional theory, isomorphism

## Case study

## I. INTRODUCTION

Academic knowledge is considered to feed into and to be closely related to professional knowledge, which in turn is considered to be the basis of professional competence (Annisette and Kirkham, 2007). In his influential book, *The System of Professions*, Abbott (1988) considers the development of a relationship between a profession and universities as a natural process. Professions and professional bodies are often reluctant to surrender control over curricula and examinations to universities, as they regard their control over these areas as important mechanisms to define and demarcate the boundaries of the profession, both in terms of its membership and its knowledge base (Annisette and Kirkham, 2007). However, professions in their turn derive extensive practical and reputational benefits from alliances with universities (Lee, 1995). It is, for example, of practical benefit that “the US profession has largely downloaded accounting training to universities, with one consequence being that the AICPA’s Uniform Public Exam strongly influences the curriculum” (Cooper *et al.*, 2005:379).

According to West’s (2003) comprehensive analysis in his book, *Professionalism and Accounting Rules*, the accounting profession follows a narrow rule-based compliance philosophy in education. By contrast, universities generally have a broader social responsibility and a principles-based approach. Therefore, attempts by the profession to influence the academy can lead to discontent among academics. For example, Francis (2004:360) argues that “academic accountants are often viewed as apologists for the accounting profession and in particular for the Big 4 firms. This view is reinforced by numerous Big 4 professorships and donations to accounting departments of US universities, and the general lack of critical reflection in accounting scholarship published in leading US research journals” (Francis, 2004:360).

An influential report by Albrecht and Sack (2000) also implicates the professional bodies, as they conclude that accounting education in the USA does not provide the required skills and lifelong learning needed. Moreover, in the UK, Sikka *et al.* (2007:4) state that “control of accountancy education remain[ed] with the professional bodies. This control was deepened as most UK universities sought ‘accreditation’ of their degrees from the professional bodies, a process that enabled accountancy bodies to shape the content of accounting degrees. In some cases, to maximize exemptions from professional bodies’ examinations, university accounting degrees imitate professional qualifications by placing particular emphasis on learning techniques, rules and regulations, often at the expense of wider reflections about the social consequences of the techniques and practices”.<sup>1</sup> Williams (2004, p. 513) goes as far as to suggest that “these accounting problems are really problems with professional accountants and that recovering accounting as a worthy endeavour requires that intellectually we dissociate it from those who currently claim it as their own.”

Accounting is a relatively new subject at universities and, along with business schools in general, the discipline has shown tremendous growth over the last three or four decades (Sikka *et al.*, 2007). The accounting academy is developing and appears to be greatly influenced by the accounting profession in many parts of the world. The quotes above show that academics do not always appreciate these influences. However, the accounting academy appears to believe that it has to engage with the profession to demonstrate its relevance

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<sup>1</sup> Annisette and Kirkham (2007) proclaim the advantages of the separateness of the English CA body, ICAEW, and universities. However, they clarify that “notwithstanding the historical chasm between British universities and professional bodies in the area of professional education, a closer profession-university alliance did begin to emerge in the second half of the 20<sup>th</sup> century” and argue that British universities, under pressure from the State, started to welcome input from the professions “to establish their direct relevance to commerce and industry” (p. 7). It is also important to recognize that their paper does not comment on the influences of the other UK accounting professional bodies, namely ACCA, ICAS, ICAI, CIMA and CIPFA.

(Annisette and Kirkham, 2007), while, in turn, the profession engages with universities to gain practical and reputational benefits (Lee, 1995). In these efforts to engage and be engaged, equilibrium develops through mechanisms of influence and structures to respond to these environmental pressures. Institutional theory, based on the premise that legitimacy, resources, stability and enhanced survival prospects can be gained by using similar structures to those used by others (Meyer and Rowan, 1977; Scott, 2008), provides a useful context to explore the influence of the profession on the academy.

We use the case of the influence of the South African Institute of Chartered Accountants (SAICA) on the South African accounting academy to demonstrate a number of consequences of this influence that academics elsewhere need to be aware of and possibly guard against, because they are already experiencing similar effects, albeit possibly to a lesser extent. The South African situation is appropriate for study, because it displays the same issues as those mentioned above. We show that SAICA has been particularly successful in its use of a range of mechanisms to influence the accounting academy. As a result, the consequences of these influences are exaggerated and the detrimental effects on the accounting academy are more evident. Although there are also a number of positive effects that accrue to academe from SAICA's mechanisms of influence over the accounting academy, such as additional resources, we focus on the negative effects. We cite examples from the literature that show similar mechanisms and effects in other parts of the world. In the conclusion, we suggest ways in which the South African accounting academy and the accounting academy elsewhere can deal with such influences. However, we acknowledge that the accounting academy believes that it needs to involve the profession to (in institutional theory terms) gain legitimacy, resources, stability and enhanced survival prospects; second, that the accounting academy wants to involve the profession to continue to reap the resulting financial and reputational benefits; and, finally, that there may be a lack of incentives to reduce the influence of the profession.

In the rest of the paper, we first discuss the accounting academy in general and then provide an institutional theory perspective on the mechanisms used by the profession to influence the accounting academy. We then evaluate the influence of SAICA on South African universities, before we show that the same mechanisms and consequences of influence are present elsewhere in the world, currently to a lesser extent. We conclude with suggestions for dealing with the influence of the profession on the accounting academy.

## **II. THE ACCOUNTING ACADEMY**

A consideration of views on the role of the accounting academy in the context of universities reveals some common themes. "The fundamental purpose of the university is the pursuit of knowledge" (Singh, 2004:545) and its role lies in "reflecting on and problematising the pervasive ideas of the times" (Boyce, 2004:566). Therefore, universities are supposed to be involved in gaining knowledge (research) and imparting knowledge (teaching). Academic employment contracts typically refer to teaching, research and service responsibilities, and the teaching and research components are regarded as equal senior components.

In *teaching*, academics transform students from being uninitiated in a subject to having an understanding of the issues within and surrounding the subject matter (Watty, 2005). In order to do this, in accounting, academics introduce topics and highlight typical areas of conflict for accountants, auditors, regulators, the accounting profession, within firms and in the capital markets. In all of these areas, academics focus on principles and thinking skills to ensure that students will be able to cope with the expansion of knowledge in the field (Oliverio, 2004). Students need technical skills, but these can be honed in practice (Albrecht and Sack, 2000). With a solid foundation regarding the principles, a student should, for example, be able to complete a complex consolidation without having been taught a complex

consolidation (Cooper *et al.*, 2005). By contrast, a student with a high degree of technical knowledge with no theoretical underpinning or no knowledge of the principles may be at a loss as soon as the rules or methods change (Wells, 1987). In fact, “a so-called trade school orientation where students learn exactly how to handle specific tasks is perceived to be inadequate for university learning” (Oliverio, 2004:456). Hence, a critical approach, underpinned by an ideological awareness is called for (Amernic and Craig, 2004). In short, teaching at universities is about the development of “independent and integrated thought” (Singh, 2004:547), not about developing technical skills. Other types of tertiary institution (such as polytechnics), as well as professional bodies offering focused programmes, are specifically tasked with the development of technical skills.

In *research*, we examine the social consequences of accounting (Burchell *et al.*, 1980). We often focus on bringing new insights into the accounting choices exercised by accountants and managers on the one hand, and by regulators on the other (Kinney, 2003) or on institutional structures in the profession (Cooper *et al.*, 2005). As the findings of research studies improve our understanding of the behavioural aspects and regulatory impact of accounting choices, issues of social welfare are addressed. Accounting choices are, of course, monitored by regulators, auditors, civil (court) action, NGOs and the general public, through consumer action, media attention and radical activity. Regulators that exercise accounting choices include the IASB, FASB, SEC, stock exchanges, government (through the Companies’ Acts and other legislation) and the profession (for example, in auditor recommendations and qualifications). Academic research addresses all these linkages. Research creates new knowledge and thus “causes the curriculum to grow and deepen” (Demski and Zimmerman, 2000:347). Indeed, scientific progress depends on the quality of critical conversation within a discipline and research provides the forum for this critical conversation (Reiter and Williams, 2002). Unlike technical teaching, which only addresses the “how” questions, research explores a deeper level by addressing the “why” questions. Consequently, when we refer to research in this paper, we do not mean practitioner-focused technical “research”.

Kachelmeier (2006:38) suggests that “teaching ultimately would become stale unless the teacher was willing to challenge the *status quo* and investigate how accounting influences capital markets and society in general.” There is also evidence that accounting faculty research productivity is positively related to teaching performance (Bell *et al.*, 1993). Research appears to be one of the *raisons d’être* for universities and is the lifeblood of teaching.

Amernic and Craig (2004:348) aptly summarise the role of the accounting academy when they state that academics “are the conscience of the profession, and not merely the willing servants of professional reproduction and corporate triumphalism. Their role in society is to make the teaching, research and practice in the discipline of accounting as good as it can be for society at large.”

### **III. INSTITUTIONAL THEORY**

Institutional theory provides insights into the process of isomorphism and how organisational structures and processes develop in response to their external environment in order to achieve a higher level of conformity to the surrounding institutional environment (De Lange *et al.*, 2010; Boland *et al.*, 2008). An institutionalised structure is one that is taken for granted as being effective and necessary (Dambrin, *et al.* 2007; Dillard *et al.*, 2004). Hence, institutional theory provides a useful lens for studying the current case of the impact of a professional body on accounting departments at South African universities. It allows us to focus on particular mechanisms of control in order to identify the structures the academy uses to deal with the demands by the professional body, SAICA.

Institutional theory suggests that formal organisational structures reflect environmental forces, vaguely defined as “rule-like” frameworks, “rational myths” and “knowledge legitimated through the educational systems, by social prestige, by the laws and the courts” (Scott, 2008). Thus, organisations adopt rules imposed from outside (and that thus reflect select myths) in order to gain legitimacy, resources, stability, and enhanced survival prospects (Meyer and Rowan, 1977; Aerts et al., 2006). These rules move organisations to embrace similar structures to other organisations influenced by the same frameworks (De Lange et al., 2010). The similarity in structures themselves assists in legitimating the organisations (Boland et al., 2008; Aerts et al., 2006). Various internal and external forces (historical, cultural, social and environmental) shape the acceptability of rules and structures (Aerts et al., 2006). The process of adopting similar rules, structures and practices, is known as isomorphism (DiMaggio and Powell, 1983; Aerts et al., 2006). Non-conforming organisations are susceptible to accusations of neglect, irrationality and redundancy and risk losing support (De Lange et al., 2010).

DiMaggio and Powell (1983) identify coercive, normative and mimetic isomorphism. Coercive isomorphism refers to one organisation forcing another to comply and is largely driven by resource-dependent relationships (Aerts et al., 2006). Hence, coercive isomorphism suggests that the greater the centralisation of an organisation’s resource supply, the greater the extent to which it will change isomorphically to resemble the organisations it depends upon. Normative isomorphism is based on values and professional norms (Zucker, 1987) and is therefore typically associated with the professionalisation of a field, either through training or through interactions with professional organisations (Aerts et al., 2006). Normative isomorphism is often also based on values that result from national and corporate cultures (Boland et al., 2006). In other words, managers follow cultural norms; and those who are members of professions are likely to follow the rules and structures promoted by their profession. Mimetic isomorphism occurs when successful organisations are copied, a practice often promoted by consultants. This is more likely to happen under uncertain environmental conditions. These three types of isomorphism complement each other and reinforce the drive to conformance (De Lange et al., 2010).

We apply these principles of isomorphism to investigate the elements of institutional order that shape the influence of SAICA over the accounting academy. The interplay of these elements creates an organisational environment for the academy that leads it to develop similar organisational rules and structures to those used expected by the professional body to deal with appointments, promotions, remuneration, and resource allocation. These structures often influence both teaching and research negatively.

#### **IV. THE SOUTH AFRICAN CASE**

This is a case study of the influence of a professional accounting body, SAICA, on the accounting academy (departments of accounting in South Africa). The study is informed by publicly available documents and publications, as well as by the active participation of the authors, one as a “complete member” and another as a past “complete member”, as defined by Adler and Adler (1987). In this case, being a “complete member” means being a member of SAICA and being employed by a department of accounting. In addition, we made use of our extensive network of colleagues in other departments of accounting to compare the structures used to address the environmental pressures created by SAICA. Throughout the study, we use examples specific to the subject of financial accounting, but the points we raise also extend to other subject areas that form part of accounting education prescribed by SAICA.

In the rest of this section we provide background on SAICA’s historical influence over the accounting academy, its effect on the process to becoming a Chartered Accountant in

South Africa (CA(SA)) as well as some of the mechanisms SAICA uses to influence accounting departments at South African universities.

## Historical context

The accounting profession developed throughout the 1800s in Scotland and England and took advantage of the audit opportunities that successive companies' acts created (Sikka and Willmott, 1995). English companies' acts were invariably followed by similar legislation in the South African region some years later, because of the Cape Colony and Natal's colonial status, as well as England's predominance in international trade and company regulation.

Following the discovery of gold in the Transvaal in 1886, large financial deals, amalgamations, the proliferation of limited liability companies, bankruptcies, and the need to protect the general public, required the services of accountants and auditors (Noyce, 1954). Members of the British societies were unsuccessful in their attempts to gain statutory recognition in the then Transvaal area through the Institute of Accountants and Auditors in the Zuid-Afrikaansche Republiek (IAASAR), which was established in 1894 (Van Vuuren and Verhoef, 2009). A contributing factor to this state of affairs was probably that they were British accountants who were trying to gain a competitive advantage in an anti-British republic<sup>2</sup>. The British used this type of "unfair" treatment of British citizens in the Boer Republics as a pretext to start the Anglo-Boer War (now known as the South African War) in 1899 – the lure of the gold in the Transvaal and the diamonds in the then Orange Free State were the primary catalysts for the war. The British arguably won the war through tactics such as burning farms and homesteads and imprisoning women and children in concentration camps, where many died. After the war a 1904 ordinance incorporated the Transvaal Society of Accountants, the first such law in any British dominion. Accounting societies were established in quick succession in the conquered Orange Free State, and in the colonies of the Cape and Natal, which would, in 1910, along with the Transvaal, form the four provinces of the new Union of South Africa.

During 1921, these separate provincial societies established the General Examining Board (GEB) which provided uniform conditions for admission, examinations and regulations for service under articles (now training contracts) (Noyce, 1954; Kritzinger, 1991). The examinations had to be passed in a particular sequence, with a final examination at the end. Administration of the Final Qualifying Examination was passed from the GEB to the Public Accountants' and Auditors' Board (PAAB) in 1957. In 1998, the examination was divided between SAICA (the first part) and the PAAB (Puttick and Van Esch, 2007).

In 1927, the Chartered Accountants Designation (Private) Act allowed the use of the designation "Chartered Accountant (South Africa)" or CA(SA), the part in brackets was added to avoid confusion with ICAEW members (Noyce, 1954). Practising accountants gained admission through a "grandfathering" arrangement. The Joint Council of the Societies of Chartered Accountants (JCSCA) was formed in 1945 (Noyce, 1954). It was renamed the National Council of Chartered Accountants in 1966, and SAICA in 1980.

Until the 1950s, accounting education was mainly provided by technical colleges and via correspondence schools (Noyce, 1954). Each provincial society had its own examinations and syllabi (Kritzinger, 1991). With a view to unification, representatives of universities and societies met and agreed that from 1951 onwards, specified universities' examinations would be accepted in *lieu* of intermediate requirements, with the GEB focusing on the Final Qualifying Examination (Noyce, 1954; Kritzinger, 1991). Many universities instituted the

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<sup>2</sup> Disgruntled farmers left the Cape Colony in the mid-1800s and established the Boer Republics.

“Certificate in the Theory of Accountancy” (CTA) (Van der Schyf, 2008), a four-year course with 12 subjects (Deloitte, 2006).

The incorporation of CA education at universities was initially controversial, as it “had no academic standing” (Kritzinger, 1991:36). During the late 1960s, the CTA grew from 12 to 18 subjects and most universities changed to a Bachelor degree (3 years) followed by an Honours degree (1 year) (Deloitte, 2006; Van Rensburg, 1990). The establishment of degrees may have been encouraged by more advantageous government subsidies, but it also enhanced the standing of the profession. A report commissioned by the profession mentioned that from “1951 to 1971, the universities provided adequate technical education but achieved very little in developing accounting as an academic discipline” and that post-graduate studies was directed towards “academic qualifications” (National Council and PAAB, 1980:126).

The Public Accountants’ and Auditors’ Act of 1951 (replaced in 1991) provided for a register of auditors, and for the establishment of the PAAB, as well as the right of admission to a provincial society for those who passed the qualifying examination and thereby the use of the CA(SA) designation. The PAAB took over the administration of the Final Qualifying Examination from 1957 to 1998, whilst always closely cooperating with SAICA.

South Africa declared independence from the UK and formed a republic in 1961, due to racial tensions within South Africa that led to British pressure, as well as the national pride of the Afrikaners (white South Africans, mainly of Dutch descent, many of whom still harboured animosity towards the British due to the Anglo-Boer War). The Republic’s racial policies led to increased international pressure and isolation, creating a culture of self-reliance. In the 1970s and 1980s, SAICA (and its forerunner, the National Council of Chartered Accountants) thus found itself in a society that tended to address problems with home-grown solutions. Today SAICA appears to develop its education requirements in unique ways, for example by way of a much more technical emphasis than other institutes and by not having an academic research funding programme.

SAICA’s forerunner established the Accounting Practices Board (APB) in 1972 to prepare GAAP statements. The Companies Act of 1973 was the first to require financial statements that followed generally accepted accounting practice (GAAP). SAICA’s forerunner obtained a legal opinion that confirmed that compliance with APB standards would satisfy the Companies Act requirement to comply with GAAP. The timing of these events is telling and shows SAICA’s political connectedness and strategic awareness. It also shows that SAICA did not have absolute control over the event, because an explicit endorsement of APB standards in the Companies Act would have suited the body better.

During the 1970s and 1980s, the PAAB strengthened its relationships with universities. At the time, the PAAB was in charge of the qualifying examination and the registration of auditors and only SAICA members were allowed to register. The SAICA/PAAB combination had no competitors, because no local alternative professional accounting body had been established, and foreign institutes did not want to be associated with South Africa. During this period, the professional bodies strengthened their hold over universities. Partly due to the 1950 profession-university agreement and partly due to the expansion of business, the demand for accounting at universities rapidly increased during the 1970s and 1980s. Universities had to employ CAs to meet the demand for training, thereby further entrenching SAICA in universities.

The unwavering historical influence of the profession over universities, created the perfect platform for SAICA when it took control of Part One of the qualifying examination in 1998.

After the democratisation of the early 1990s, the Association of Chartered Certified Accountants (ACCA) established a presence in South Africa and the Chartered Institute of Management Accountants (CIMA) enhanced its profile. A home-grown alternative,

Chartered Financial Analyst (CFA(SA)), was established. During the 1990s, processes and structures were put in place to enhance transparency, access and mobility into and among the accounting institutes. For example, the Association for the Advancement of Black Accountants of Southern Africa (ABASA) was formed to represent and promote the aspirations of formerly disadvantaged (black) accountants and the South African Qualifications Authority (SAQA) established educational unit standards for accounting and finance courses with input from a representative body consisting of members representing universities, polytechnics and all the accounting bodies. However, it may be argued that, due to the historical predominance of SAICA, it was inevitable that many individuals involved in these initiatives were CAs or had other close links with SAICA. Accounting standard setting also changed from a situation where the APB was practically a SAICA instrument, to a more representative and all-inclusive process during the late 1990s, and eventually to full IFRS endorsement by the Johannesburg Securities Exchange in 2005, where SAICA has practically no influence. However, this loss of control does not affect SAICA's power relationship with universities or other accounting bodies.

Since 1998, the PAAB has focused on audit regulation (Putick and Van Esch, 2007) and in 2005 morphed into the Independent Regulatory Board of Auditors (IRBA). SAICA is the only professional body accredited by IRBA. Thus SAICA's domination in setting educational requirements continues to prevail.

SAICA's full CA membership increased from 19 970 to 29 814 between 2002 and 2010 (SAICA, 2010). This high growth rate shows that SAICA is still a highly popular accounting institute. It seems that the other institutes have never made a major impact, probably because SAICA was sufficiently entrenched as the dominant accounting body in South Africa by the end of the isolation period. SAICA was also able to (re)position itself politically with connections in government, the PAAB, and later IRBA. SAICA's success is shown by its ability to remain the only institute whose members have access to the assurance function, despite the aspirations of other bodies, such as ACCA.

SAICA's (re)positioning can be seen in the various initiatives to increase the number of African (black) CAs<sup>3</sup>. The Thuthuka<sup>4</sup> programme serves as an example of SAICA's generation of funding through donors to provide additional resources to participating universities to provide exclusive support to students of African and mixed (coloured) descent. Once again, SAICA is using the universities as a facilitator to meet its own objectives. The repositioning and legitimisation also extends to SAICA's senior management, whose members are now predominantly from the groups that were disadvantaged before the 1994 elections, although thus far, only a small proportion of CAs are from this group. Overall, SAICA appears to be regarded as legitimate by the ANC government and appears to wield considerable political power.

Since the 1950s, SAICA and its forerunners, assisted by the examining bodies (the GEB and the PAAB), have dominated the development of accounting education within the South African university system. In 1998, SAICA took advantage of its entrenched position to take complete control over Part One of the Final Qualifying Examination and university accreditation. SAICA's monopoly in auditing shows its strong position within the profession and strengthens its stature and influence over the academy.

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<sup>3</sup> The African National Congress (ANC), the South African governing party, aims to promote black economic empowerment (BEE). SAICA has several initiatives to promote BEE membership. However, in February 2010, SAICA had only 1 492 black CA members (or 5%), 683 coloured CA members (2%), 2 507 Indian CA members (8%), but 25 072 white CA members (84%). A further 60 members were of 'unknown' classification (SAICA, 2010). This distribution does not reflect the proportions in the population, which is about 84% black, 3% coloured, 3% Indian, and 10% white.

<sup>4</sup> : "Thuthuka" is a Zulu word which means "to develop".

Today, SAICA calls itself “South Africa’s pre-eminent accountancy body” and indicates that it “is widely recognised as one of the world’s leading accounting institutes” (SAICA, 2009a). International recognition of the CA(SA) designation is one of the main messages of SAICA’s membership marketing efforts (see for example, Wadee, 2009a). Indeed, about 22% of the SAICA membership has taken advantage of this recognition and is now based overseas (SAICA, 2009b). SAICA is a member of both the International Federation of Accountants (IFAC) and the Global Accounting Alliance (GAA), an alliance of leading professional accountancy bodies in significant capital markets. Furthermore, it has reciprocal membership agreements with chartered accountancy bodies in Australia, Canada, England and Wales, Hong Kong, Ireland, New Zealand and Scotland (SAICA, 2009c).

The Institute states that it exists “to serve the interests of the chartered accountancy profession, and society, by upholding professional standards and integrity as well as promoting the supremacy of South African CA’s nationally and internationally”, through, amongst other things, “developing and delivering competent entry level CA(SA)’s with relevant skills” (Wadee, 2009a).

### **Becoming a CA(SA)**

Only universities accredited with SAICA are able to offer an accounting programme that provides entry into the first professional examination of SAICA, “Qualifying Examination 1” (QE1). Currently 13 of the 23 universities in South Africa are accredited with SAICA. Unlike other institutes of chartered accountants, SAICA offer only one route to membership, namely through the degrees offered at the 13 accredited universities. After completing a three-year undergraduate degree, entry into QE1 of SAICA requires a CTA from an accredited university. Most universities offer this by way of a one-year Honours degree in Accounting.

The QE1 is written during January of the year following the CTA-qualification, in other words, soon after completion of four years of university study. SAICA publicly announces the performance of each university in this examination, including the number of students and pass rates, as well as the names and university affiliation of the Top 10 candidates. These statistics are sent to the press, the universities, the Big 4 audit firms, other firms where trainee accountants work, and are placed on SAICA’s website. The competition amongst universities to manage this important performance measure is fierce. The requirements and structure of the QE1 is discussed in more detail below. Universities’ role in CA training ends after the QE1.

After the QE1, candidates sign on for a three-year training contract with an accredited training provider, either with an auditor, in other words, “training in public practice” (TIPP), or with a large company, in other words, “training out of public practice” (TOPP). During the second year of the training contract, candidates need to obtain an “Advanced Certificate in Auditing”, for TIPP-candidates, or an “Advanced Certificate in Financial Management”, for TOPP-candidates, in order to obtain entry into the last professional examination. Certificates can only be issued by SAICA-accredited providers. These advanced certificates are offered by only one company, who has professors of two South African universities as the only directors. Candidates who obtain the advanced certificate can write either the “Public Practice Examination” (PPE) set by the IRBA or the “Qualifying Examination 2” (QE 2) set by SAICA. During 2008, approximately 2 766 candidates enrolled for the advanced courses, paying substantial course fees. Students who successfully complete either the PPE or QE 2 can register as CAs after completion of their three-year training period.

### **SAICA’s education committee**

The purpose of SAICA’s education committee (Edco) is to ensure that entry level CAs “have the knowledge, skills and attitude to competently perform the duties expected from

them” (SAICA, 2009f). Edco has 27 members, six being academics from accredited universities, while the remaining members represent SAICA, the Big 4 firms, and commerce and industry. Edco defines the educational syllabi and accredits and monitors university programmes (SAICA, 2009f).

### **The SAICA Education Fund**

SAICA’s “education fund” is funded mainly through education levies received from registered training officers (SAICA, 2009h). Training officers are required to pay a SAICA Education Fund (“SEF”)-levy in respect of each completed year or part thereof of the training contract registered with SAICA for each trainee accountant (SAICA, 2009h). During 2009, the SEF-levy amounted to R1 678 (about US\$225) (SAICA, 2009i). Fasset (2008) reports that 11 700 SAICA training contracts were completed during the period from 2000 to 2007. At least 62 per cent of the income of the fund is used in a subvention scheme for lecturers of accounting and related subjects at accredited universities (SAICA, 2009h). Therefore, the subventions distributed to universities for onward distribution to individual academics are significant in terms of their monetary value. According to SAICA, the objectives are to assist universities in attracting and retaining suitably qualified lecturers by reducing the gap between education institutions’ remuneration structures and those in the private sector; and to encourage universities to increase the numbers of their graduates, specifically individuals from SAICA’s transformation target groups (SAICA, 2009h).

Each university’s subvention amount, which is distributed to academics, is determined by a categorisation based on the university’s performance in increasing the volume of graduate output, the quality of output (measured as QE passes) and the contribution towards transformation.

### **SAICA accreditation of universities**

SAICA accreditation means a university has the appropriate resources to deliver the CA programme and that the programme meets SAICA’s requirements (SAICA, 2009d).

SAICA assesses and monitors accredited universities regularly through annual self-evaluations by universities and an (inspection) visit at least every five years (SAICA, 2009d). During the monitoring visit, a review panel with SAICA and academic representation evaluates the performance of the university against criteria such as legal requirements, resources, the management and academics in the department, assessments, student support and transformation requirements. SAICA requires extensive documentation, which academics prepare well in advance. The review panel submits a formal report to the principal or chancellor (head) of the university, containing detailed feedback, “actions required”, and “recommendations”. The university is required to respond in writing to each of these points.

### **Qualifying Examination 1 (QE1)**

QE1 consists of two five-hour papers which candidates sit for on consecutive days. The Examination Committee (Examco) of SAICA (a sub-committee of the Edco) sets QE1. Detailed syllabi for each subject examined as part of QE1 are set by a sub-committee, approved by Edco, and published by SAICA. So, for example, the SAICA syllabus for financial accounting for the 2010 QE1 is prescriptive and focuses exclusively on the technical content of IFRS. Very few IFRSs are excluded from the syllabus, resulting in an extremely detailed and technically oriented syllabus. Indeed, the syllabus is so detailed that the term “syllabus overload” is often used in accounting academic circles in South Africa.

In order to provide further context to the South African case study, we reviewed the content of questions testing predominantly financial accounting topics in the QE1 from 2005 to 2009. During this five-year period, 37.4% of the marks were for financial accounting,

which covers only the technical content of the existing financial reporting standards. The financial accounting questions required task-driven outcomes, such as the preparation of journal entries (25.6%), the discussion of existing accounting standards (20.6%) and the preparation of calculations (18.4%).

### **SAICA's view on research**

In a recent article in SAICA's monthly magazine, which is distributed to all SAICA members and trainee accountants, *Accountancy SA*, the Chief Operating Officer of SAICA addresses the issue of accounting academics' responsibility regarding research. The article starts with the comment that "as SAICA we support that idea [research], because universities are knowledge centres generating new ideas and thoughts" (Wadee, 2009b: 4). However, the rest of the article indicates that SAICA (or at least the author) does not truly value the role of research in departments of accounting, as he refers to the "perception that time spent on research benefits the university but detracts from the time that could otherwise have been allocated to qualifying a greater number of students" (Wadee, 2009b:4). He adds that the requirement to do research "is a phenomenon that is negatively impacting the profession, because the research requirement is driving lecturers out of academia; lecturers who would have otherwise stayed on board simply for the gratification they derive from imparting knowledge to future generations. As CAs(SA), for them research is alien; something for which they feel little passion or concern" (Wadee, 2009b:4). Notably, Wadee (2009b:4) admits to not being "entirely sure of government's criteria for what should be a university's primary objective".

It is also telling that, whereas the websites of many accounting institutes discuss opportunities for academics to apply for research funds, SAICA's website does not<sup>5</sup>.

## **V. DISCUSSION: MECHANISMS AND EFFECTS OF INFLUENCE**

The 13 accredited universities follow SAICA's dictates and acquiesce with its demands. According to institutional theory, the formal structures of many organisations reflect the myths of their institutional environments instead of the demands of their work activities (Meyer and Rowan, 1977). We identify these "myths" in our South African case study by focusing on the mechanisms SAICA uses to co-opt the accounting academy. In this section, we identify four mechanisms of influence or pressure that SAICA uses to maintain the *status quo*, namely the mechanisms relating to accreditation, financial rewards, status, and professional examination results. We document the coercive, normative and mimetic isomorphic structures that the accounting academy adopts and then highlight some effects of these on teaching and on research.

### **Mechanisms of influence**

#### **1. Accreditation mechanism**

According to Serrao (2008), the existence of departments of accounting in South Africa would be in serious jeopardy if they were not accredited with SAICA. The departments will struggle to attract students, because there is no alternative route to becoming a CA(SA), other than through a SAICA-accredited university, and therefore CA students would have to go elsewhere if a university loses its SAICA accreditation. Many non-accredited universities are attempting to gain accreditation and often call on academic consultants from accredited universities to assist them in this attempt, resulting in mimetic isomorphism. However, it may

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<sup>5</sup> Recently SAICA made a request for a proposal for research into the history of the accounting profession in South Africa. SAICA's website clearly indicates that the final product should "be closer to a coffee table book than to an academic research report" (SAICA, 2009k).

be argued the view that departments need SAICA accreditation is a “myth”, as the social demand for university education is not determined by universities’ alliances with professional bodies, and non-accredited departments do survive.

If university education was not a requirement to become a CA, many prospective chartered accountants would still opt for a university education before pursuing the CA qualification. Anisette and Kirkham (2007) suggest that students from leading UK universities, such as Oxford and Cambridge, do ultimately become members of the ICAEW, despite the fact that these universities are not formally accredited with the ICAEW. Gammie and Kirkham (2008) surveyed school pupils and first and final year university undergraduates in Scotland and found only 12 percent indicated that they would have opted for a non-degree route had it been available.

Nevertheless, the accreditation myth leads departments to regard accreditation as necessary, with the result that rules and structures are implemented in academic departments to achieve this end. So, for example, SAICA’s monitoring visits are taken very seriously by accredited universities and the extensive documentation required is prepared well in advance. Academics are briefed on the visit and all possible measures are taken to show that the accreditation criteria are being met or exceeded. Because the monitoring report is addressed to the university principal, departments take the utmost care to avoid negative comments. The monitoring visit, and indeed the whole accreditation process, is filled with coercive elements. This contrasts with the purpose of a university, which is to encourage a critical assessment of disciplines and professions.

As a specific example, on 5 November 2008, SAICA made a media announcement that it was considering withdrawing the University of Witwatersrand’s (Wits’s) accreditation due to human resources constraints (Blaine and Temkin, 2008). Wits is one of South Africa’s leading universities (QS, 2008). Under the headline “SAICA’s ultimatum has Wits BCom students in a flap”, it was reported that

“South Africa’s four largest accounting firms yesterday received a flurry of calls from University of Witwatersrand (Wits) BCom Accounting students worried about whether they should switch universities after it was revealed that the South African Institute of Chartered Accountants (SAICA) was considering withdrawing the university’s accreditation to educate prospective chartered accountants. The professional body has given the university until the end of the month to provide a detailed plan on how it intends to rectifying its human resources constraints through its budget allocation for salaries, and until the end of March next year for further remedies” (Blaine and Temkin, 2008).

Another newspaper article stated that “if this happens, the respected department will have to close down, as it will be unable to offer a course in chartered accountancy” (Serrao, 2008). Wits issued a response in the media on 7 November 2008 with an article entitled “Wits business factory’s in good shape” (Carte, 2008). This immediate media response illustrates that not only are departments of accounting extremely wary of losing their accreditation status, but that universities are prepared to go to extraordinary lengths to repair their reputation if it is under threat. It is interesting to note that audit firms, students and parents immediately became involved in the issue between SAICA and Wits. This example illustrates the effect of SAICA’s use of an occasional public reprimand. Not only does it discipline the errant department into renewed submission, but it ensures the ongoing submission of other accredited universities by demonstrating to them the reputational and status consequences of not toeing the line. In addition, universities understand the financial implications of losing hundreds of accounting students, which are relatively profitable, compared to students in degree courses that require more resources and/or attract smaller student numbers.

According to institutional theory, a myth such as the one that accreditation is essential for academic departments to secure legitimacy, resources, stability and enhanced survival prospects means that the accreditation criteria give rise to coercive isomorphic pressures. As a result, academic departments evolve to ensure recruiting and other structures that satisfy the accreditation requirements. For example, departments typically provide formal evidence to SAICA relating to their compliance with accreditation criteria by:

- preparing budgets to reflect the availability of financial resources to remunerate and develop academics, design and develop course material and provide student support;
- preparing evidence to show that the individual subjects within the CA programme are sufficiently staffed;
- providing evidence to show sufficient allocation of lecture venues to the CA programme;
- preparing clear and published mission statements that are aligned with the overall educational objectives of SAICA;
- compiling files with the curriculum vitae of academics involved in the CA programme to show that academics are suitably qualified and mostly SAICA members; and
- maintaining individual course syllabi that are aligned with the overall SAICA syllabus.

The preparation for an accreditation review visit is typically entrusted to a senior academic, often as chair of a committee. These academics compile the evidence files for the SAICA review team. The internal quality control unit of the university is often involved to ensure compliance and a positive outcome. The review team takes up residence in the department for the review process and a senior academic, often the head of department, ensures that they are welcomed and that requests for additional information are dealt with promptly. In summary, the review team is treated very well in all respects.

This formal structure around the accreditation process and the perceptions around the power and importance of the accreditation review committee, (re)emphasise the importance of SAICA and of keeping the body appeased. In fact, SAICA's demands are discussed in committee and in departmental meetings on an ongoing basis between accreditation reviews, and are incorporated in curricula. The validity of the demands themselves is not debated, only the issues around the efficient implementation thereof.

## 2. Financial rewards mechanism

Mitchell and Mickey (1999) review the literature on financial rewards and emphasise its social importance through its association with four of the most important symbolic attributes humans strive for, namely achievement and recognition, status and respect, freedom of control, and power (Mitchell and Mickey, 1999). Financial rewards are frequently used to recognise accomplishments and engender status and respect from others. Agency theory assumes and management incentives research shows that financial rewards motivate and change behaviour.

South African accounting academics are financially rewarded for their association with SAICA through various formal and informal mechanisms. The subvention scheme of the SAICA education fund provides direct financial rewards for accounting academics. Academic departments use a similar structure to distribute these subventions, normally a committee chaired by the head of department and with a representative of the profession, a SAICA member, adjudicating. The fact that CAs who teach the CA programme receive financial rewards is well known, and this enhances their status within departments. As a result, they often also get preferential treatment in other ways.

Academics can also receive financial benefits by becoming directly involved in SAICA initiatives. For example, accounting academics who are involved with the firm that is the sole SAICA accredited provider of the advanced certificate programmes obtain significant financial benefits from their association with SAICA. Each prospective CA needs to complete one of their courses, and because this company has a monopoly, the financial rewards are generous. Those who share in these benefits are unlikely to challenge SAICAs influence over the accounting academy and thus jeopardise their financial rewards.

SAICA has no programme of research funding for academics. This further reinforces the view among CA teachers that SAICA teaching is beneficial for their financial and career prospects, whereas research and other teaching priorities are irrelevant.

In essence, SAICA feeds the myth that academics involved in the CA programme should receive preferential treatment and financial reward. In institutional theory terms, this can be characterised as normative pressure. Universities respond by often offering scarcity allowances in addition to the normal salary scales that apply to academic faculty members in other departments. In addition, differential appointment policies apply to the academics involved in the CA programme, making it easier for CAs to be appointed at or be promoted to a higher academic rank. Furthermore, organisational structures within departments are influenced by these arrangements: academics who get SAICA financial rewards are organised in separate CA teaching units and their rules and methods are often different from those in other units.

### 3. Status mechanism

The view is held that the CA(SA) designation is highly sought after in the business community. As evidence, an analysis done by SAICA of job advertisements during October 2009 in a weekly financial publication and a daily business newspaper shows that 19 percent of respondents specifically singled out the CA(SA) designation as a prerequisite for employment (SAICA, 2009j). SAICAs executive president believes “that chartered accountants’ academic excellence ... guarantees a level of technical competence that creates the highest quality technical business background” and furthermore that university accreditation and monitoring “guards against any slippage of standards” (SAICA, 2009j). In addition, SAICA has aligned itself with well-recognised international bodies such as IFAC, Eastern Central and Southern African Federation of Accountants (ECSAFA) and GAA.

Taken together, SAICAs successes give the body enormous credibility and create normative pressure on universities to accept SAICA’s views and requirements. Accounting academics thus accept the *status quo*, especially while the system produces these desirable results. Indeed, academics who are themselves the product of the SAICA education programme into which they self-selected generally feel that they make a significant and worthwhile contribution towards the success of the profession. Formal isomorphic structures resulting from these pressures include differential appointment and promotion policies to the various academic levels for academics involved in CA teaching, and additional resource allocations to accounting departments relative to those of other departments. A recent SAICA publication documents information about the qualifications of CA programme academics in the 13 accredited universities, and demonstrates the isomorphic appointment and promotion policies (SAICA, 2009j). In the majority of cases, an honours degree (together with SAICA membership) is sufficient for appointment at senior lecturer level, while 60 percent of full professors and 82 percent of associate professors in accounting departments do not hold a doctoral qualification. It is also clear that the majority of the accounting faculty are SAICA members, which ensures that the SAICA system remains entrenched in universities. To facilitate these appointments and promotions that do not comply with the normal academic

process, departments of accounting cite examples from other universities to convince the universities of their own rules and promotions committees to follow suit. In institutional theory terms, this exemplifies mimetic isomorphism.

This differential treatment of CAs strengthens academics in the accounting discipline's belief that their status and future prospects are dependent on SAICA and not on the university. The result is that the SAICA's technical emphasis is believed to be more important than any academic requirement, such as a theoretical foundation and the value of research.

#### 4. The professional examination results mechanism

McPhail (2001:481) refers to the importance of examinations in shaping the beliefs of individuals when he states that "through the examination, individuals come to see themselves in a particular way as healthy or unhealthy, intelligent or unintelligent, normal or abnormal and discipline themselves accordingly". Over the years the QE1 has been elevated to a level of extreme "academic" significance. Students see it as a critical hurdle to overcome on the way to qualification. From the perspective of universities, Van der Schyf (2008) reports that it is common knowledge in South African academic accounting circles that the prestige of accounting departments depends largely on the performance of the department's alumni in QE1. The 13 accredited universities' performance in this examination in terms of both pass rates and pass numbers are publicly available on SAICA's website. The format in which SAICA publishes the results, clearly detailing the 13 universities' relative performance in terms of both pass rates and pass numbers, exerts pressure on the universities to rank among the top performers each year. Additional status is gained if universities can support good pass rates and pass numbers with some of their alumni being ranked within the prestigious "Top 10" candidates with the highest overall marks. Performance in this examination is of the utmost importance to departments, not only to maintain their accreditation status with SAICA, but also to ensure that they attract students, and that employers, most notably the Big 4 firms, employ their graduates. In addition, the amount of subvention that is allocated to a university in terms of the SAICA Education Fund is largely dependent on the performance of the university's graduates in QE1. While a university's performance in the QE1 may be indicative of SAICA's conception of the quality of education provided, it should be remembered that this is a technical, non-principles-based education.

Academics share the belief (or myth) that a good showing in the QE1 is essential to secure legitimacy, resources, stability, and enhanced survival prospects. Hence, the QE1 results create informal coercive pressure. The fear is that a poor performance in the QE1 will lead to diminished student numbers, lack of support from the profession, and reduced subvention funding. The belief also exists that a poor showing in research could be justified with an exceptional performance in the QE1. Academic departments implement isomorphic structures around the release of the QE1 results, such as the following:

- The results are scrutinised and any positives (such as higher numbers or percentages of passes than in previous years or at other universities, more candidates in the Top 10, etc.) for the particular department are identified.
- These positives are emphasised in internal faculty communication, press releases and in discussions with students, former students, parents, employers, deans and others within the university.
- Academic appointments, promotions and remuneration structures are influenced by the need to ensure continued good QE1 results or improvements, instead of by academic performance, for example, in the form of research output.

This method of dealing with the SAICA examination results emphasises the importance of the SAICA examinations and channels discussions and assessments into exploring ways to

improve a department's SAICA examination results. Thus discussion, assessment, and criticism of other aspects, such as research output and other aspects of teaching, are deflected.

### **Consequences of influence**

Taken together, the effect of the accreditation process, the financial rewards that accounting academics receive, the perceived status of association with SAICA, and the performance in QE1, motivates academic departments to create similar rules and structures as those of SAICA to ensure ongoing legitimacy, access to resources, stability, and survival. In this section we highlight certain undesirable consequences linked to SAICA's mechanisms of influence and the resultant isomorphic structures within the academy.

#### **1. Teaching**

The facts of the case study and the analysis of mechanisms mention the emphasis on technical teaching to the exclusion of theory, principles and the exploration of social implications. Olivier (2008), a South African philosophy professor, notes that in accounting there is a narrowing down of the function of a university by placing more emphasis on the training of professionals. As Zeff (1989) points out, if all that is taught in an accounting degree is current practice, then degrees are likely to become mere "exercises in indoctrination". Amernic and Craig (2004, 358) note that a "poverty of accounting discourse will arise from condemning students to an exclusive diet of conventional accounting technique – one that is lacking in the vital trace elements of critique."

In 1989 Zeff warned UK academics that the steady growth in the number of detailed and highly specific accounting pronouncements could well result in textbooks and other teaching materials beginning to resemble codifications of recommended practice. Another Zeff warning was that the increasing rigour of professional bodies' accreditation of university degrees could lead to a greater emphasis in accounting curricula on practice and less emphasis on broader issues.

The South Africa accounting academy is an extreme example of the realisation of Zeff's (1989) warnings. The volume of the SAICA syllabus for QE1 and significance of this examination for both students and universities have resulted in accounting academic practice of "teaching to the test". The 13 accredited SAICA universities all follow the SAICA syllabus to the letter. The voluminous syllabus leaves little room to cover any of the broader, more fundamental and conceptual accounting issues. In essence, a key academic function, the development of the content of accounting curricula, has been handed over to the profession, while the nature of assessment mimics the SAICA examination.

In South Africa, accounting textbooks have come to resemble encyclopaedias which, like formal accounting lectures, cover the vast number of financial reporting standards in extensive detail, while lacking any accounting theory, historical developments, and social implications. They do not even point out contradictions between standards. Textbooks and accounting lectures mostly fail to consider recurrent accounting problems, such as the role of accounting in corporate collapse and economic crises, leaving students "bemused by criticism in the media unmatched in their formal education" (Craig and Amernic, 2002). Students are left "intellectually impoverished" by not being exposed to the broader issues and concepts of the academy if they only cover professional standards that will ultimately become outdated (Craig and Amernic, 2002). Narrowly trained technocrats will simply become out of date; and the faster the rate of change, the faster they become redundant (Wells, 1987).

It is our experience that newly qualified South African CAs can typically perform technical tasks with little direction, but they are at a loss when a discussion turns to theory or principles. This means that South African CAs can make a limited contribution towards debating the issues relating to global standard-setting. We argue that the level of technical

expertise required under SAICA at the university level precludes the development of a more enduring foundation built on principles and theory. The type of teaching made necessary under SAICA, thus belongs at polytechnics.

Gray and McKernan (2000:9) provide a critical view of the “state of accounting education” in South Africa following a working visit by the author(s) to the country. They refer to the practice of the employment of CA(SA)’s as academics as the “conservative loop” resulting in neither teacher nor student being exposed to or capable of critical independent reasoning (Gray and McKernan, 2000:10). In their view, the absence of critical thought from the education system means that universities in South Africa are not educating students at all, “but simply inculcating them into the current conventional ways of accounting practice” (Gray and McKernan, 2000:10).

SAICA has shifted the teaching of prospective CAs to universities and has mandated highly technical teaching. Unlike other chartered accountancy bodies, such as ICAS, the New Zealand Institute of Chartered Accountants (NZICA) and the Institute of Chartered Accountants in Australia (ICAA) who have their own “professional schools” which students attend after they have graduated from universities, South African CAs are taught all the technical requirements at university and are examined on these very soon after they have graduated.

## 2. Research

The case information and the analysis of mechanisms above mention the lack of emphasis on and the lack of incentives to do research. Research has no place in the SAICA syllabus. The basis for the allocation of SAICA’s subvention also incentivises improvements in QE1 results.

IFAC expects its member bodies, like SAICA, to comply with its Education Committee’s *International Education Standards for Professional Accountants* (IFAC, 2003). The relevant standards require, amongst other things, that the intellectual skills of “the capacity for inquiry, research, logical and analytical thinking, powers of reasoning, and critical analysis” be incorporated as part of accounting education (IFAC, 2003). These requirements are glossed over, as narrow, technical training is bound to fall short (Van der Schyf, 2008). The fact that accounting graduates leave the university without being exposed to research means that departments of accounting have been unable to establish substantial PhD programmes.

Based on the fact that most South African accounting academics are themselves the product of the SAICA dominated technical training, together with their continuous preoccupation with teaching the SAICA syllabus and meeting QE1 performance targets, it is not surprising that accounting academics lack research skills. A study by Niewoudt and Wilcocks (2005) on the attitudes and perceptions of South African accounting academics about research shows that 73 percent believe they do not have enough time to do research, while 66 percent feel that research is not worthwhile, and 89 percent respond that their CA training did not prepare them to carry out research. In a subsequent study, Niewoudt, Wilcocks and Kilpert (2006) found that accounting academics spend 10 percent of their time on management tasks, 78 percent on teaching, 5 percent on research and 7 percent on service. Their analysis indicates that the effort allocation of professors in South Africa is the same as that of instructors (the lowest rank) in the USA.

In a study by Chan et al (2007) on the global ranking of accounting programmes based on research output, South Africa was ranked 33rd internationally with 2.67 weighted number of articles appearing in 24 leading accounting journals over the period from 1991 to 2005. The USA, UK and Australia dominate the rankings with 4 567.54, 1 208.20 and 633.16 articles respectively. Smaller countries like New Zealand (103.83 articles), the Netherlands (70.99 articles), Finland (68.50 articles), Spain (68 articles), and Singapore (66.04 articles) all

rank well above South Africa. These statistics shows the sub-par performance of South African accounting academics in research.

We mention above that CAs without post-graduate qualifications or research output are often appointed at the senior lecturer level to provide some compensation for the loss of income they experience when they move from practice to the university. This means that their career progression within the academy is fairly limited. Being appointed at such a senior level acts as a disincentive to engage in research. First, by being appointed at a senior level without research they do not feel the need to do any, and second, they do not acquire research skills at a lower academic level or through a PhD programme and are embarrassed to make their inexperience apparent by attempting research as senior academics.

Promotion policies are often also adjusted to make promotions to the professor and associate professor level possible without requiring the same qualifications and research output required from academics in other fields. For example, a leading South African university recently promoted a CA who does not hold a masters degree or a PhD degree, with no peer reviewed research output, from the associate professor level to the professor level, based on the fact that the individual “makes a huge contribution to the development of IFRS which in turn has direct and immediate impact on the standards of global reporting” (UCT, 2009). Academic promotions of this nature result in a lack of research output by other South African accounting academics, because such promotions demonstrate that research is not necessary for success (promotion). CAs entering universities soon realise this and lack any incentive to do research.

Due to the SAICA-influenced curricula and academic appointment structures, CA faculty members generally enter the academy with no research training. The preferential promotions and remuneration structures ensure a lack of incentive and motivation to improve such skills and render research development initiatives ineffective. Additional resources are unlikely to change the *status quo*, especially if these resources are not earmarked for the promotion of research.

## **VI. SIMILAR MECHANISMS AND EFFECTS ELSEWHERE IN THE WORLD**

We use the South African case to highlight the mechanisms and effects of the influence of the profession, because these are exaggerated in this case. However, similar mechanisms and effects are present in other settings. We cite some of these here under the same headings used in the case analysis.

### **Mechanisms of influence**

#### **1. Accreditation**

In 1992, the UK education sector was unified, with the ex-polytechnics gaining university status, resulting in the original universities being referred to as “old” universities, with the newly formed universities being referred to as “new” universities (Paisey and Paisey, 2005). Annisette and Kirkham (2007) argue that the ICAEW has exerted virtually no influence on universities in the UK, and this scenario has greatly benefited accounting faculties by allowing them to enhance the status of the accounting discipline through high quality research. However, their study ignores the fact that many “new” universities may already have been influenced by professional bodies before their conversion. It also ignores the influence of other professional bodies such as ICAS, CIMA and ACCA. Despite Annisette and Kirkham’s (2007) positive outlook on the UK university-profession relationship, Sikka *et al.* (2007, p. 4) lament the fact that “most UK universities sought ‘accreditation’ of their degrees from the professional bodies, a process that enabled

accountancy bodies to shape the content of accounting degrees.” Singh (2004) holds that the professional accreditation guidelines can be so prescriptive that, as in South Africa, they even identify the standards that must be covered.

Furthermore, the AICPA strongly influence US curricula (Cooper *et al.*, 2005, Hendrickson, 2001); and Albrecht and Sack (2000) blame the profession for many of the skill and attribute shortcomings of US accounting graduates.

If left unchecked, this form of influence can result in the profession’s completely dominating the education scene, leaving accounting departments unable to fulfil their academic role in society.

## 2. Financial rewards

We cited Francis (2004) regarding the “Big 4 professorships and donations to accounting departments of US universities” in the introduction. Cooper *et al.* (2005) refer to financial rewards when they argue that “professorial chairs sponsored by the profession are often the only way for public universities to compete for academics against wealthy private schools”. A scan of UK and Australasian university websites similarly reveals Big 4 and professional body name chairs, for example, the Department of Accounting at the London School of Economics has a CIMA Professor of Accounting and Financial Management. These relationships may influence the willingness of both the individuals who occupy the chairs and their colleagues to be critical of these professional bodies and/or firms.

## 3. Status

Name chairs confer symbolic (and economic) capital on the recipients (Cooper *et al.*, 2005) and are generally regarded as prestigious and a cut above ‘ordinary’ chairs, not least because of the economic benefits. In this way, financial and reputational rewards are linked and, as we have shown, the influence of the profession is pervasive. Academics are also members of professional bodies, for example, in the UK and Australasia, for the reputational benefits. Members of professional bodies are less likely to criticise the influence of these bodies than others. To this end, many professional bodies (at least in the UK and Australasia) provide pathways to membership based on degree qualifications, thereby arguably offering status to members of the academy in exchange for compliance.

## 4. Examination results

This mechanism is probably unique to the South African situation and we could not identify similar examples from the literature in other countries.

# Consequences of influence

## 1. Teaching

Lee (1995) argues that, at the beginning of the twentieth century, the US accountancy profession lacked prestige and status, and as a result most state societies of accountants attempted to establish accountancy education in reputable universities. This had the effect of taking responsibility for the technical aspects of accountancy education away from professional bodies and firms and passing it on to universities. The literature contains numerous warnings against the content of accounting curricula becoming overly technical (Craig and Amernic, 2002; Boyce, 2004). The main concern with a technical focus is that it is not conducive to the development of business professionals that act in the interests of society at large (Barth, 2008; West, 2003). In fact, Boyce (2004) argues that accounting education is not a prerequisite for technical practice and one would therefore expect accounting education to go beyond “technical dexterity” (Amernic and Craig, 2004:365).

From an Australian perspective, Singh (2004:547) argues that a technical and numerical focus may guarantee “technical virtuosos”, but students then remain unaware of the “intellectual, cultural and social context within which they will think and act as professionals.” It is therefore not surprising that Watty (2005) found that despite the fact that accounting academics in Australia and New Zealand believe that accounting education should be about the empowerment of the student, the pervasive practice is that accounting curricula are designed to suit the requirements of the accounting profession.

Sikka *et al.* (2007) found evidence of similar practices in a number of accounting education text books in the UK, as, beyond a technical and instrumental view of accounting, there is little discussion of theories, principles, ethics, public interest, globalisation, scandals or social responsibility to produce socially reflective accountants.

Staubus (2004) goes as far to suggest that a rules-focused curriculum does not attract professional level students, while Baxter in 1981 (as quoted by Chambers, 1995: page) aptly summarises the effects of a rule-focused curriculum:

“The study of standards now play a big part in accounting curriculum. They must have a profound influence on students, just when they are at their most impressionable and uncritical. You have only to look at an up to date text book to see how much weight is given to official pronouncements, how little to the economic reality that accounts are supposed to show . . . learning by rote replaces reason; the good student of today is he who can parrot most rules. On this spare diet, accounting students are not likely to develop the habits of reasoning and scepticism that education should instil.”

## 2. Research

While the influence of the profession on the accounting academy in South Africa contributes to a lack of research output, it appears that elsewhere the profession has a strong influence on the content of research. West (2003) argues that the accounting profession’s contentment with knowing and applying the rule book and its self-assigned task of interpreting and applying those rules has stifled the development of discourse intended to seek improvements in accounting practice. Cooper *et al.* (2005) argue that the profession continues to push for more “practical” research in the US. Francis (2004:360) maintains that there is a “general lack of critical reflection in accounting scholarship published in leading US research journals” and Williams (2004) makes a similar point when he reflects that it would be useful if accounting could be conceived as something separate from the profession. Oliverio (2002) argues that endowed professorships and contributions to the academic professional organisations appear to have “inhibited forthright, critical assessment”. During 2001 the “AAA Inc.” controversy highlighted the fact that the American Accounting Association is heavily funded by the large accounting firms and this has, arguably, led to research that is critical of the profession, being suppressed (AAA Inc., 2001; Tinker, 2001).

The examples in this section show how the accounting academy is influenced by the profession globally. In many countries the situation is not as dire as in South Africa, but similar influences are present and could, if left unchecked, develop to the same degree. There is at least enough evidence of influence to justify some introspection and, in our opinion, the academy everywhere should carefully consider the implications so clearly demonstrated by the South African case.

## VII. CONCLUSION

This case study is motivated by the dissatisfaction expressed in the literature by US, UK and Australasian accounting academics regarding the influence of the accounting profession on the accounting academy. The extraordinary success of SAICA in co-opting South African

universities makes this particular case useful to show the mechanisms and effects of influence of the profession. This case also serves as a cautionary scenario to show how the situation in other countries may develop if the profession is allowed to increase its influence further.

Institutional theory informs our investigation of the isomorphic structures and processes used by departments of accounting in response to the pressure exerted by the profession. The development of these structures is based on “myths” about the importance of environmental factors. We show some of the negative effects of SAICA’s influence over the accounting academy, including teaching with a technical focus and no links to the social implications of accounting, and a lack of research. SAICA’s influence appears to be stable and unwavering, but we suggest that it could be ephemeral and subject to change if the identified mechanisms are changed. Specifically, if the accounting academy finds the consequences of SAICA’s activities unacceptable, it can explore a number of options:

1. In the case of South African departments of accounting, Cooper *et al.* (2005, 378) suggest exploring collective action (among departments of accounting), alliances with other professional bodies, building relationships with government, and the introduction of alternative systems that weaken the unacceptable effects. By alternative systems, we mean creating and emphasising alternative measures of success (other than SAICA pass rates) and reporting mechanisms. This is challenging, as Boyce (2004) argues that many accounting academics consciously or unconsciously align themselves with the social reality that conventional accounting reproduces. Hence, as a first step, collective introspection and a realisation amongst accounting academics in South Africa of the current unacceptable state of the academy is required. In 2000 Gray and McKernan (2000:11) already suggested that to stimulate change “may also involve some loosening of the excellent and harmonious ties South African accounting departments currently enjoy with recruiters and practitioners”.
2. In the case of the international accounting academy, the academy needs to be aware of these kinds of influences and their effects, be they from professional bodies, the Big 4, corporate donors, accreditation bodies, or others. They should assess them and act if necessary to ameliorate the effects before they reaches the situation outlined in the South African case. A possible strategy is “to draw attention to the linkages between the accounting profession and supposedly independent accounting academics, to make visible the forms of patronage that compromise the independence of visible spokespersons within the academy” (Cooper *et al.*, 2005).

Having stated some possibilities for changing the *status quo*, we realise that the mechanisms of influence and the isomorphic structures we identify in the paper are strong and that there is little incentive to reduce the influence of the profession. In fact, the accounting academy derives its claims to relevance from the profession and individuals derive both financial and reputational benefits from the links to the profession. Therefore, if the accounting academy is to strengthen its academic claims, now may be an opportune time. The alternative is an accounting academy trapped by its own isomorphic organisational structures that is designed to entrench the profession’s influence. Such an accounting academy will be devoid of the academic ideal of furthering knowledge and will ultimately have little to offer society. Their success will furthermore be inextricably linked to the fortunes of a profession that could in future be severely criticised.

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