The impact of economic governance on the trade in accounting and audit services

Paul Serote

22379925

A research project submitted to the Gordon Institute of Business Science, University of Pretoria, in partial fulfilment of the requirements for the degree of Master of Philosophy (International Business)

9 December 2019

ABSTRACT

This study explores the impact of economic governance on the trade in accounting and audit services. A lot of research has been conducted on the trade in goods, but a lot less research on the trade in services. Similarly, as much as research on economic governance has been conducted, little research is available on the impact the rule of law, the control of corruption and the quality of institutions has on the trade in accounting and audit services in Africa.

Institutional theory was used to structure the study, particularly in unpacking the importance for a country to have a well-structured institutional framework enabled by formal and informal institutions that are effective. The research comprised of semi-structured interviews conducted with nine senior executives from three large firms, two mid-tier firms and the South African regulator. The study found that membership of the firms to global networks enabled them to possess the necessary systems, processes and procedures to assess and develop appropriate strategies to respond to the state of economic governance in countries they operated in, or intended to operate in. The study also established that, in arriving at the decision to enter or continue operating in a territory, firms did not only rely on the assessment of the state of economic governance, but took into account factors.

The study contributes to the firms, professional bodies and regulators in the potential enhancements to processes and standards aimed at further capacitating formal institutions in creating an environment conducive to economic activity, whilst also contributing to areas where the firms can strengthen their capacity to assess and respond to the state of economic governance.

Keywords

Economic governance, institutions, accounting, audit, Africa

DECLARATION

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Philosophy (International Business) at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other University. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

____

Paul Serote
9 December 2019

CONTENTS PAGE

LIST OF TABLES

LIST OF FIGURES

LIST OF ACRONYMS

AFIAAR	-	African Forum of Independent Accounting and Auditing Regulators
FDI	-	Foreign Direct Investment
GATS	-	General Agreement on Trade in Services
GATT	-	General Agreement on Trade and Tariffs
IFIAR	-	International Forum of International Audit Regulators
IRBA	-	Independent Regulatory Board of Auditors
IFRS	-	International Financial Reporting Standards
SAICA	-	South African Institute of Chartered Accountants
WGI	-	Worldwide Governance Indicators
WTO	-	World Trade Organisation

CHAPTER 1: INTRODUCTION TO RESEARCH PROBLEM

The study explored the impact of economic governance on the trade in accounting services in Africa. Using institutional theory as a framework, the study explored the tools that accounting and audit firms used to assess the rule of law, the quality of institutions and the control of corruption in the countries and territories they intended to enter, continue to operate in, or exit.

1.1 Why does economic governance matter?

In the book titled "Governance, The World Bank's Experience", the World Bank refers to good governance as being epitomised by predictable, open and enlightened policy making, a professional bureaucracy, an accountable government, a civil service which actively participates in public affairs with all citizens adhering to the rule of law (Talvitie, 1996). This sets the tone of engagement across both public and private institutions for the greater good of the country.

Following from the methodology of the World Bank's Worldwide Governance Indicators, this study looks at the manner in which the trade in accounting and audit services is impacted by the rule of law, the control of corruption and the quality of institutions. The rule of law and control of corruption refers to a country or territory having a framework in place, which ensures the protection of private property and freedom, creates an environment that is stable and predictable. Where the rule of law is effective, the environment is conducive to the promotion of entrepreneurship and investment (Isanga 2017).

Institutions matter and effective institutions are critical for the economic growth agenda of Africa (Epaphra & Kombe, 2017). It is also accepted that having effective institutions is not the panacea that overcomes obstacles to economic activities that drive growth. Other factors such as good policies, trade liberalisation, the promotion of Foreign Direct Investment (FDI) and the quality of the labour force among others should be considered.

This study specifically explored the impact economic governance has on the trade of accounting and audit services.

1.2 Background of Trade in Services

The General Agreement on Trade in Services (GATS) (GATT, 1994f) definition of trade in services is fundamentally dependent on the mode of supply. There are four modes of supply which can be summarised as:

Cross border trade – this is where the service is delivered from one territory to another (GATT, 1994f);

Consumption abroad – this is where the service is consumed in the territory of the provider of the service, e.g., tourism (GATT, 1994f).

Through commercial presence – this is where the service is being provided by the supplier through commercial presence in the consumer's territory (GATT, 1994f);

Through the presence of natural persons – this is where the service is supplied by an individual in the foreign territory who represents the supplier (GATT, 1994f).

The services sector is significant, particularly in the context of the Organisation for Economic Co-operation and Development (OECD) countries, where the sector consists of approximately 75% of GDP, 80% of employment and two-thirds of FDI inflows. The state of the infrastructure, the geographical distance, home market effect, sector regulation and quality of institutions play a role in determining whether these enable or disable the trade of services (Nordas & Rouzet, 2015).

Previous literature has found that trade restrictions have a negative impact on the trade in services (Fiorini & Hoekman, 2017). The countries with a more restrictive trade policy environment were found to have lesser trade in services. In the context of services trade, the trade restrictions predominantly refer to the artificial restriction on the trade of services between two or more countries (Fiorini & Hoekman, 2017).

In the case of professional services, services trade restrictions in a country may be as a result of professional bodies seeking to strengthen oversight and to raise standards, although in certain instances this may result in anti-competitive practices. The role of the professional bodies may extend to the certification of professionals, licensing requirements among firms and determination of standards (Cattaneo, Engman, Saez, & Stern, 2010).

A review of the Services Trade Restrictiveness Index depicts a picture of African countries who are more liberal in terms of cross-border supply (Mode 1) of services as opposed to sales through the establishment by foreign affiliates (Mode 3). The non-existence of reliable data for the supply of services through cross-border mode in many African countries, has made it difficult to analyse the many developments occurring in the services trade on the continent. With the advancement of technology, the options for the providers to provide services without having to establish a physical presence have increased, which is the component of trade that is more difficult to measure (Dihel & Goswami, 2016).

This study explored the impact of economic governance on the trade in accounting and audit services by interviewing senior executives in the accounting and audit profession.

1.3 Institutions and Institutional Theory

Previous literature has been consistent on the contribution of institutions to the economic progress of countries (North, 1990; Rodrik et. al. 2004; Kerekes & Williamson, 2008). To understand how institutions contribute to the economic progress, this study sought to understand what these different institutions are and how they interrelate.

The institutional environment of any country comprises of informal and formal constraints and their specific characteristics of enforcement (North, 2005). At a high level, informal institutions refer to private institutions and formal institutions are institutions within the context of government or states. While informal institutions which are shaped by norms, culture and customs, formal institutions are legal institutions defined by political constraints and operate with the realm of constitutional and statutory rules. For the purposes of this study, the formal institutions referred to those regulatory institutions that interact with the accounting professions, whilst the informal institutions referred to the professional bodies and the accounting and audit firms.

Literature on institutions and institutional theory enabled the exploring of the interaction of the formal and informal institutions using the mimetic, normative and coercive isomorphic pressures in ensuring the legitimacy of these institutions (DiMaggio & Powell, 1983).

Pfeffer and Salancik (1978) and subsequently Deegan (2006) referred to legitimacy as the state where the value system of an institution is consistent with that of the society. In this context, legitimisation refers to a process the institution undertakes towards being considered as being legitimate. It is considered important for firms to identify the relevant organisations, which confer legitimacy in the operational environment. These legitimacy granting institutions occur both at the level of government, where these could be agencies of government, or at the level of professions, where standards of professional competence and accountability are developed and overseen (Meyer & Scott, 1983).

1.4 Research problem

Trade in services is broadly defined as the cross-border exchange through channels such as telecommunications, the movement of service suppliers or consumers on a specified and temporary basis, and the establishment, by foreign affiliates in a host country, also referred to as Foreign Direct Investment (FDI) in the host country. The trade in services has in more recent times featured more prominently as a contributor to economic growth (Hoekman, 2017).

Over time, with the advancements of technology and investments in connectivity infrastructure, trade in services has become more tradeable. Trade liberalisation and some progress in regional integration has contributed to the prominence of the trade in services in Africa. Literature suggests that, with professional services, further legislative and regulatory requirements in the host countries create further complexities for the professional firms (Hoekman, 2017).

Fiorini and Hoekman (2017) found that the dimensions affecting the economic governance institutions differ in the services sector. For policy makers, this necessitates a deeper understanding of these dimensions, and their implications for the trade in services. This study focused specifically on the impact of the rule of law, control of corruption and the quality of institutions on the trade in accounting and audit services.

Few studies have examined the impact of the rule of law, control of corruption and quality of institutions on the economic growth of a country or territory, either individually or collectively (Epaphra & Kombe, 2017). The adherence to the rule of law and the control of corruption are critical components to economic development, and it requires a robust and effective institutional environment to sustain this.

In developed countries, where the adherence to the rule of law and the corruption is under control, a state of peace and security exists, the economic rights are guaranteed and economic growth is enabled to gain momentum (Ozpolat, Guvem, Ozsoy & Bahar, 2016). In is therefore understood that in order to support and sustain Africa’s growth, there is a need for countries to have good institutions in the context of a constitutional order, where the rule of law is strictly observed (Isanga, 2016).

Researchers have also focused on the impact of trade liberalisation on the trade in services, however, the understanding of the drivers of liberalisation of trade in services are complex as compared to the case with the markets for goods (Fiorini & Hoekman, 2017). With the trade in services, the dynamics of host country regulators and legislators and their approach add to this complexity (Fiorini & Hoekman, 2017). For the accounting and audit profession and host countries, the adoption of internationally recognised standards such as International Financial Reporting Standards (IFRS), could open up opportunities for the formal and informal institutions to access global accounting and audit expertise.

This paper explores, through interviews with senior executives of firms, the impact of the rule of law, control of corruption and the quality of institutions on the trade in accounting and audit services. The study explored the systems, processes and procedures of the firms and how these enabled the firms to assess the state of economic governance and formulate strategies to respond to these.

1.5 Research purpose

The study sought to respond to the three questions summarised below.

1.5.1 What is the impact of the rule of law on the trade in accounting and audit services in Africa?

1.5.2 What is the impact of the control of corruption on the trade in accounting and audit services in Africa?

1.5.3 What is the impact of the quality of institutions on the trade in accounting and audit services in Africa?

1.6 Significance of the study for business

The outcomes of the study and the recommendations made, emphasise the role of the accounting and audit profession as being that in the public interest. Accounting and audit firms improve their reputation and that of the profession, by delivering at the prescribed levels of quality. It was evident that firms develop the capability to enable them to assess and respond to the state of economic governance in a country or territory in which they operate or intend to operate. The study has implications for firms, professional bodies and regulators and governments and also makes recommendations for future research.

1.6.1 Implications for firms

This study demonstrates a need for firms to expand the scope and focus on assessment from predominantly being about the client, to a more robust assessment of the operating environment in the host country on a continuous basis. In the current context, the standards, processes and procedures are focused more on the client engagement process.

1.6.3 Implications for the profession

Flowing from the above, it is up to the professional bodies to consider influencing the extension of the scope of the standards. With the improved standards in place, the firms would be better equipped with a framework of making ongoing assessments of the state of economic governance in the host countries.

A recommendation is also made that the professional bodies ought to coordinate efforts to have a centralised research agenda. The impact of this would be to ensure that, irrespective of whether a firm belongs to a global network or not, the firm, being a member of the profession should have access to critical resources to manage risk and uncertainty, which ultimately is in the interest of the profession.

Regulators are well placed to drive the revisions of standards to ensure that these are relevant and that firms are acting in accordance with the professional standards. Because the regulators exert coercive or regulative pressures, they will ensure that firms comply.

Because the reputation of the profession is the sum total of the firms' ability to produce reliable, quality accounting and audit work, this will ultimately bolster the legitimacy of the profession. Failure of the profession to respond to this, has led to many questions around the relevance of the profession and legitimacy of key institutions in the face of corporate failures, sectors and in some instance markets.

1.6.3 Implications for governments

Governments shape the institutional environment. This study seeks to broaden the understanding of many governments of this role and in particular the interaction of the formal and informal institutions, in developing an environment conducive to supporting those activities which encourage economic growth.

1.7 Conclusion

Using semi-structure interviews, the researcher explored the impact of economic governance on the trade in accounting services. Using institutional theory, the critical role of institutions in shaping the institutional environment to create an environment that is conducive to economic activity, ultimately contributing to the economic growth of host countries. The implications for accounting and audit firms centred around the capacity of the firms assess the state of economic governance and to formulate the strategies to respond to the stage of economic governance. This capacity is embedded in the professional standards, systems, processes and procedures. The following chapter explores the literature on economic governance and the trade in services.

CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

This chapter seeks to illustrate a high-level structure and is split into five sections. The chapter commences with a conceptual view of the international political economy (IPE), together with the existing literature on the subject. Countries across the world operate differently and in particular operate within different social, political and economic contexts. It therefore becomes important for firms to understand international political dynamics, especially the impact this has on countries that they operate in, or intend to enter. Because different countries adopt different systems and approaches over time, it becomes critical for firms trading across borders to understand these systems and to establish processes to navigate these complexities in the countries that they operate in or plan to operate. The ability to understand these systems, means an understanding of the institutional environment created under these systems, which define the operating environment, whether they operate effectively or not.

Institutions are a critical enabler in economies across the world and for this reason the chapter also reflects on the existing literature on institutions and the different roles of formal and informal institutions. Literature is explored, which looks at the different roles of formal and informal institutions in economic progress of a country, with an understanding of how formal institutions are shaped by political constraints and the prevailing regulatory context and informal institutions are shaped by the norms, culture and customs. This study further sought to understand why institutions are important to economic progress, why different institutions operate and behave in a particular way, what constitutes good institutions and how do they achieve legitimacy.

The institutional framework, comprising a network of formal and informal institutions within a country shape the institutional environments, patterns and mechanisms. Collectively, this shapes the state of the economic governance in the host countries. The study also explored exiting literature on economic governance and the manner in which it is currently assessed and understood from the perspective of a firm wishing to continue operating or wishing to enter a foreign country or territory.

For firms, it is critical to understand the political environment it wishes to enter and its institutional framework which makes the environment conducive. The study aims to understand the impact this has on the trade in accounting and audit services. The literature on the trade in services provided a useful context as to the significance in the services trade and its context as a significant contributor to economic expansion. Literature revealed a dearth of research and information in the trade in services as compared to that of goods, particularly when it comes to the factors that restrict trade in services. In response to this, the World Bank has over time developed a database of the factors that restrict trade in over 200 countries called the Worldwide Governance Indicators (WGI). Various studies have explored the secondary data pertaining to services restriction, economic governance, productivity and although these studies have provided high-level analysis, based on secondary data, fewer studies have explored the deeper qualitative factors driving trade restrictiveness.

This study uses institutional theory as a framework to understand how the structure of accounting and audit firms, their systems, processes and procedures enable them to assess the state of economic governance in the countries they intend to enter or continue to operate in. The structure of the firm, the systems, processes and procedures are the tools utilized by the firms in arriving at a strategy or a set of decisions regarding entering or continuing in a particular country or territory.

2.2 International Political Economy

Political economy is a study of how a country is managed or governed, taking into consideration of the political and economic factors. Ravenhill (2017) defines International Political Economy as a field, which is focused on the relationship between public and private power in the allocation of resources. The three main bodies of theory of international political economy are economic liberalism, economic nationalism and economic structuralism, which all have a central idea that economic activity creates wealth (Ranchod, 2017).

Economic liberalism refers to an economic system which is structured around individual lines. The broad interpretation of this is that economic decisions are driven by individuals or households as opposed to collective institutions or organisations (Keohane, 2012). Keohane (2012) described liberalism as an ideology that believed in and motivated for the improvement of human condition. This also formed the basis for the rationale of the need to build cooperative institutions that existed to ensure better lives for human beings. Many liberal theorists are of the view that where there is democracy, free trade and membership to international organisations, there will be an increase in international peace and security. Walker & Rousseau (2016) concluded that there was empirical evidence that progress has been made in reducing the levels of violent conflict. The evidence pointed to this reduction being as a result of democratic governance. Thirdly, the opening up of economies, trade and interdependence amongst countries has also contributed to this decline. Lastly, although international institutions can contribute to this decline, their contribution was not at the level of contribution of democracy and interdependence.

Economic nationalism on the other hand lends its focus more towards favouring state interventionism as opposed to market mechanisms. The typical policies involve domestic control of the economy, labour and capital formation (Pryke, 2012). In this context, Pryke (2012) defines economic nationalism as “a set of practices to create, bolster and protect economies in the context of world markets” (p.281). This era saw the institutionalisation of this economic nationalism, which was seen as a product of the financial crisis, nationalists’ movements and enlarged states. It is viewed that this intervention was not a shift away from globalisation, but rather an intervention in support of the continued existence thereof (Pryke, 2012).

Economic structuralism refers to a system, which looked at the macroeconomic system in its entirety, as opposed to the individual components in isolation. To structuralists, concepts such as the balance of payments equilibrium, the state of unemployment, worsening inequality and income distribution are critical in analysis (Chenery, 1975). A new approach to structuralist economics sought to integrate structuralism with a more traditional neoclassical approach (Lin, 2012). Structural economists believe that institutions ought to adjust as the structure of an economy changes. It is also believed that the appropriate institutions will be relevant to the state of the economy in relation to the technology frontier. The closer a country is relative to the technology frontier, the more likely this will create barriers to entry or exit for firms, which in turn has negative consequences for growth (Aghion, Akcigit & Howitt, 2013). A further example is the need for adjustment in educational institutions, where a country finds itself with an economy that is closer to the frontier.

Modern IPE literature has focused more on understanding how things happen, as opposed to the focus being on the policy prescription (Ravenhill, 2017). Because the fundamental structure of an economy is driven by policy, it becomes critical for firms to understand this?

The understanding of institutional differences between the home country and foreign territory will assist in managing the potential difficulties when having to collect, interpret and organise the relevant data to facilitate a successful entry. Where there are strong similarities in the market structure, the political structure and culture, this may reduce the difficulties associated with entering a new territory (Henisz, 2004). It is for this reason that an assessment by a firm cannot be done in isolation of an understanding of the key drivers of a country's economy and consequently the fundamental drivers of the development of key institutions.

The role of theory is to provide an appropriate structure for the identification of meaningful patterns and to bring about some order within the complexities of the international political economy (Cohn, 2016). Institutional Theory has evolved over time, existing across different social, political and economic contexts (Brooke & Buckley, 2016) assisting in the deconstruction of these patterns and also serving as a structure for analysing the interaction of different actors and institutions. Institutions are discussed in the following section.

2.3 Institutions

Constructivism seeks to explain norms, values, beliefs, perceptions, and preferences in relation to how they affect actions and outcomes (Cohn, 2016). In other words, this phenomenon describes a process of acquiring knowledge, developing understanding and possibly an application of the acquired knowledge. Constructivists also examine relationships between structures (in this case institutions and shared meanings making up the international context) and agents (e.g. states operating in the international system) (Fukuyama, 2006). North (1991) describes these institutions as constraints that structure political, economic and social interaction established to create order and reduce uncertainty. These institutions exist both in the public and private sector and the effective interaction of these institutions should create a conducive economic environment for trade.

Institutions are a critical component of economic progress (North, 1990; Rodrik et. al. 2004; Kerekes & Williamson, 2008). In understanding how institutions contribute to the economic progress, it is essential to understand what these different institutions are and how they interrelate. These institutional arrangements comprise of informal and formal constraints and their specific characteristics of enforcement (North, 2005). At a high level, informal institutions refer to private institutions and formal institutions are institutions within the context of government or states. While informal institutions which are shaped by norms, cultures and customs, formal institutions are legal institutions defined by political constraints and operate with the realm of constitutional and statutory rules.

From an institutional perspective, societal (global) institutions exist at the highest level, and it is at this level that models are proposed and enacted. It is these institutions that direct the structures and actions at the lower levels (Judge et al. 2010: 163).

These formal and informal institutions are seen as essential parts of an effective institutional framework. The institutional framework is described as an interdependent web of institutions, and political and economic institutions characterised by massive increasing returns (North, 1991). The key of survival for institutions according to theorists of institutions is legitimacy. The institutions referred to are both public and private sector institutions. This point is critical when understanding and interpreting the interaction between public and private institutions, and how their effectiveness impacts trade (Scott, 2007). Scott (2007) refers to the state and professional bodies as being the primary actors that shape institutional environments, patterns and mechanisms.

Pfeffer and Salancik (1978) and subsequently Deegan (2006) referred to legitimacy as the state where the value system of an institution is consistent with that of the society. In this context, legitimisation refers to a process the institution undertakes towards being considered as being legitimate. It is considered important for firms to identify the relevant organisations, which confer legitimacy in the operational environment. These legitimacy granting institutions occur both at the level of government, where these could be agencies of government, or at the level of professions, where standards of professional competence and accountability are developed and overseen (Meyer & Scott, 1983).

Institutions are structures which achieve legitimacy and a high level of resilience through imitation, or what is referred to as the isomorphic tendencies. Taking guidance from the seminal work of Meyer and Rowan (1977) and DiMaggio and Powell (1983), this study was able to be structured around the pillars of isomorphism, being the coercive, mimetic and normative. Institutions strive to provide stability and meaning to social life through their activities and how they are structured.

Coercive isomorphism is often referred to as regulative isomorphism as it originates from organisational dependence and is generally influenced by politics. These external isomorphic pressures can be from both formal and informal institutions that the organisations are dependent on (DiMaggio & Powell, 1983). Fields and organisations often use the coercive isomorphism as a tool for diffusing institutional effects into a field of organisations. The power and influential nature of the relationship and inducement allows for management practice to be influenced by external parties (DiMaggio & Powell, 1983).

Normative isomorphism is generally associated with pressures from professional, social or moral obligations. This is because at the core of the pressure, is a collective aspiration for legitimacy, which members of an organisational field strive to make their occupational autonomy legitimate (DiMaggio & Powell, 1983).

Mimetic isomorphism on the other hand occurs where organisations imitate the practices of others in order to overcome environmental uncertainty or difficulties. The fundamental condition for this to occur, is a view that the organisation being imitated possesses superior products, functions or products (Scott, 1995).

When looking at institutions, and in particular the behaviour of institutions, it is critical to note that norms and rules drive the activities and behaviours of institutions whether these rules are externally or internally driven. As the rule structure of society evolves, so shall it be expected that the activities and behaviours of institutions will evolve (Markey-Towler, 2019).

In essence, when economists refer to good institutions, they are referring to institutions that create an environment where property rights are enforced, there is an honest government and political stability, a dependable legal system and where competitive and open markets exist. The interaction between institutions and their environment is precisely the phenomenon that shapes the organisation. Meyer and Rowan (1977) argued that the pervasiveness of organisational forms is not only limited to relational and exchange networks, but the rational myths and shared belief systems. Such isomorphism explains how formal organisations adapt to their environments resulting from technical and exchange interdependencies (Meyer & Rowan, 1977). The ability for accounting and audit firms to assess the institutional environment, will ensure that the obstacles associated with entry into the country or territory are understood and strategies are developed to manage these in the event that the firms continue to stay in the country.

A study on African Multinational Enterprises concluded that where formal institutions were not effective, it did not necessarily translate into a universal competitive disadvantage. The firms when faced with ineffective formal institutions built the capability to understand the rules governing informal institutions, which enabled them to respond to the informal institutions in order to derive advantage, not only in the host country but in the region (Daniel, Onaii-Benson & Mbalyohere, 2018)

2.4 The conceptual framework of institutional theory

Institutional theory has contributed to organisational studies for at least four decades. Over this period the theory has evolved, in particular in the manner in which the institutions are conceptualised, this includes the Weberain studies of rationalisation and the comparative studies of institutions. The field has succeeded in clarifying the link between an individual organisation, the broader field and the societal environment (Alvesson & Spicer, 2019). Berger and Luckman (1967) defined Institutionalisation as the process of repeated actions over a period of time, which are assigned meanings by self and others. This refers to an occurrence of reciprocal exemplification of actions which are habitualised by actors.

Over the decades, the focus of economists has been in the deeper understanding of formal laws, rules and regulations (La Porta et al., 2008). Sociologists on the other hand have focused on the aspects of informal cultures, norms and values (DiMaggio & Powell, 1983; Meyer & Rowan, 1977). A further view, which is complimentary, considered the potential impacts of formal and informal components (North, 1990; Scott, 1995).

The institutional theory of organisations as a framework deals with the analysis of an organisation's design and conduct. North (1990) suggested that organisations are responsible for transforming institutions, they are responsible for quantitative changes and this can lead to qualitative changes. The founding of an organisation and the changes of the organisation are driven more by external influences and symbolic actions than the functional considerations (Meyer & Rowan, 1977). Institutional theory thus provides a useful tool when seeking to explain why structures and practices in organisations become entrenched and how and why the changes occur in the institutions (De Jonge, 2015).

Institutional theory has also been defined in the context of a relationship of formal organisational structures and social processes that have played a significant role in the development of these structures (Dillard, Rigsby & Goodman, 2004). The reason that this institutionalisation is viewed as a social process is derived from the quest for legitimacy. In the quest for legitimacy, organisations homogenise practices and organisational structures in order to adopt to changing norms and social influences (Rodrigues & Craig, 2007).

The theory has undergone various enhancements over the years as contributions were made to this body of knowledge. Some of the contributions came from Meyer and Rowan (1977), who suggested the institutional approach of formation of social order by creating a shared value system with the goal of attaining legitimacy. The focus of DiMaggio and Powell (1983) was on adaptation where organisations imitate successful organisations as they escape or manage uncertainty. This process of the organisations undergoing these structural changes and starting to look similar is referred to as Isomorphism. This is considered to be a process of resembling others in a population and adapting them to environmental conditions that are the same (DiMaggio & Powell, 1983).

For the purposes of this study, institutional theory plays a critical role in the rationalisation of accounting and audit firms. In this context, the institutional environment matters, as this is the key driver of the formation of the isomorphic process (Dillard, Rigsby & Goodman, 2004).

Professional accounting and audit firms attach a strong emphasis to the membership of a credible local and international professional body in the quest for legitimacy. This manifests in the professionals being members of a local profession (e.g. SAICA's CA (SA)), the membership to a global firm network (e.g Deloitte), and the adoption of international standards.

The global profession has been involved in efforts to harmonise standards globally, however, this has been a challenge in certain economies. The success of the global profession to harmonise standards will enable global trade in accounting and audit services. However, this is dependent on the adoption at a country level. In spite of this ambition, there remains differences in application, comparability and usefulness when comparing US GAAP and IFRS as an example (Pather-Kinsey & Tanyi, 2014). Legal origin, infrastructure of markets and local culture have also contributed to variances in financial reporting and regulation between legal jurisdictions (Jaggi & Low 2000; Ball, 2006).

In the context of firms belonging to professional bodies, such as accountants and engineers, firms are expected to engage similar processes, according to a unified set of standards, which are often subject to oversight by a regulatory body. DiMaggio and Powell (1983) alluded to the isomorphic processes of coercive (or regulative), mimetic and normative, which result in an outcome where organisations tend to look increasingly similar, as key actors within the organisation seek to change and differentiate the firms. This phenomenon explains the uniformity within professions, whereby standards set by the profession are embedded into the structures and processes of firms, with an aim to deliver a quality product, which is acceptable to the standards of the profession. As these standards are developed by the profession itself, this fits with the definition of the normative isomorphic process.

In South Africa, there is the existence of a regulator of the audit profession called the Independent Regulatory Board of Auditors. The one feature that characterises the independence of IRBA is that no practicing accountants and auditors may be part of the board. The role of a regulator, for example the Independent Regulatory Board of Auditors is viewed as being a regulative (or coercive) factor as per the three pillars of the institutional order (Dacin, Goodstein & Scott, 2002). The elements of the regulative factor focus on rules, adherence to the rules and sanctioning, amongst other things.

In exploring this outcome of homogeneity at the level of the organisational structure, DiMaggio and Powell (1983) refer to the structuration of the organisational fields which arise as a result of the professions (organisational field) providing a context whereby, in dealing with uncertainty and constraints, the actions of the individual professions ought to reflect the standards of the firm and the profession.

A different view exists, whereby rather than expecting firms in a particular field to respond in a similar fashion to common pressure, a further reality of internal outward factors exists whereby there could be varying responses to the law, including the contribution to laws and regulations through defined processes. Put differently, it is common for professional firms to provide inputs into new standards, regulations and laws, in these cases, differences in approach could arise between individual professions and firms. Institutionalisation occurs where the processes achieve normative and cognitive fixity, and therefore considered to have been taken for granted (Meyer, Boli, & Thomas, 1987: 13).

In South Africa, chartered accountants are members of the South African Institute of Chartered Accountants and conform to the standards set by the professional body and are recognised by their accurate and consistent application of the standards. Chartered accountants also subscribe to the profession’s code of conduct, in essence, expected to be uniform in values and application. This phenomenon is referred to as the normative isomorphic processes (DiMaggio & Powell, 19983).

To make this point in the context of the accounting profession, the International Financial Reporting Standards Foundation (IFRS Foundation) has published profiles of 166 jurisdictions representing 99% of the world GDP, of these jurisdictions, the accounting professions in 144 have adopted IFRS as the accounting standard, whilst IFRS is permitted in a further 12 countries. This standardisation not only applies in a particular jurisdiction but is a phenomenon that extends regionally and globally for the accounting and audit profession (IFRS Foundation, 2018).

Institutional Theory aids in understanding the pressures of firms in a sector to become more similar (Meyer, Scott & Deal, 1981). Professional service firms tend to reflect the normative isomorphic tendencies, as the norms, values and ideologies are often articulated in a code of conduct or a set of standards such as the International Financial

Reporting Standards (IFRS). The professional body would set these standards and the firms would adhere to these standards as a means of achieving legitimacy. In reality, even though the firms are competitive, they tend to be very similar in their configuration and how their processes are structured. At the level of a field or a profession, this phenomenon plays itself out with a process whereby professionals progressively construct and develop understanding using experience as a reference.

The audit profession has structured itself regionally into the African Forum of Independent Accounting and Auditing Regulators (AFIAAR). The primary aim of the association is to move towards aligning legislation, regulation and the sharing of information across the region with respect to the oversight of auditors and accountants. This collaboration will harmonise and strengthen accounting and audit oversight on the continent and internationally. The International Forum of International Audit Regulators (IFIAR) was established in 2006 with the objective of enhancing audit oversight globally. The membership of the forum comprises audit oversight bodies and regulators from 55 jurisdictions in Africa, North America, South America, Asia, Oceania, and Europe (IFIAR, 2019).

For the purposes of the study, institutional theory is used as a useful lens as it acknowledges the role of professions in reproduction of isomorphic processes of existing social structures (DiMaggio & Powell, 1983). The growth in prominence of professions in interaction with the state is a primary catalyst of institutional change (DiMaggio, 1991). Institutional theory has over time been a useful tool in understanding the internationalisation patterns of accounting firms, in particular the shape and form of the transnational structures of governance (Suddaby, Cooper & Greenwood, 2007).

Lastly, this theory has been used to understand the development and application of accounting, which has fostered the understanding of the discipline of accounting as discipline for public benefit. These studies enabled a deeper understanding of the impact of the economic, social, political and social environment on the turnover of accounting and audit practices (Aldermir & Uysal, 2017). This theoretical lens affords this study the ability to understand the aspects of economic governance that impact the trade in accounting and audit services, what tools the firms use to identify these and how the firm structure, processes and strategies impact on the trade in accounting and audit services.

2.5 Economic Governance

Drixit (2009) describes governance as a structure and the functioning of the legal and social institutions supporting economic activity and economic transactions. In any setting, the institutional framework of a country and how the institutions function may be reflective of the state of economic governance (Beverelli, Fiorini & Hoekman, 2017).

There has been great difficulty in literature to define governance and there has been very little consensus around the definition thereof (Frederickson, Smith, Larimer & Licari, 2015). Because of an ever-changing world, arriving at a definition of public governance has become more complex (Farazmand, 2012). In the past, governance was seen in the context of a system that was bureaucratic, largely reactive and passive that has moved to a more contemporary view that is post-bureaucratic and proactive. The current context has been broadened to include a more networked, collaborative and market driven model (Farazmand, 2017). The measurement of governance or arriving at a definition that is operational as a concept has proven to be very challenging (Kurtz & Shrank, 2007).

For the purposes of this study, the methodology of the World Bank's Worldwide Governance Indicators (WGI) is used as a framework for unpacking governance, in particular economic governance. Drawing on various definitions (Kauffmann, Kraay and Mastruzzi, 2010) have condensed the definition into a brief definition of "the traditions and institutions by which authority in a country is exercised (Kauffmann, Kraay & Mastruzzi, 2010, p. 222)." From this, six dimensions of governance were developed forming the basis for the WGI. The dimensions are voice and accountability (VA), political stability and absence of violence/terrorism (PV), government effectiveness (GE), regulatory quality (RQ), rule of law (RL) and the control of corruption (CC). Data of these dimensions for 200 countries and territories has been collected since 1996 and updated annually. The data reflects the views of survey respondents with the participation of individuals and organisations from public, private and the NGO sector worldwide (Kauffmann, Kraay & Mastruzzi, 2010).

Mihut (2018) asserted that for the private and public sector of a country to function, there ought to be good economic governance. Taking from the WGI, Fiorinni and Hoekman (2017) in analysing economic governance, narrowed the scope to be understood as the variables that impact the economy widely, in this instance this was rule of law or control of corruption, and the quality of regulatory institutions. The limitation remains the true level of governance of a country that may not be inherently observable, hence, the need for this study to explore the specific tools, systems and procedures firms use to understand these dimensions in the countries they plan to operate in or are operating in (Kauffmann, Kraay & Mastruzzi, 2010).

Governance is effectively seen to be comprising traditions and authorities embedded in the way a country exercises authority (Kaufmann, Kraay & Mastruzzi, 2010). Governance refers to the manner in which rules, norms and actions are either structured, regulated or sustained. Most importantly, it is the manner in which accountability happens. Firms prefer to operate in an environment where uncertainty is kept to a minimum, or at least mechanisms are in place to manage or avoid uncertainty (Drixit, 2009). This assumes a preference of firms to operate in a country that has transparent mechanisms in place to ensure the adherence to the rule of law, accountability, non-discrimination and encourages participation.

Good economic governance is therefore critical in the effective functioning of both public and private sectors and serves as a general framework for public and private economic activities. Where effectively applied, the outcome should be an environment that projects an intolerance to corruption, where projects are well run, institutions are effective and ultimately there is enhanced trade and competitiveness.

Literature suggests that there is a complementary relationship between economic governance (adherence to the rule of law, quality of institutions and the control of corruption) and market access liberalisation. From this it can therefore be inferred that where there is a better quality of economic governance, the positive effects of liberalisation are derived downstream (Fiorini & Hoekman, 2017).

In the book titled “Governance, The World Bank’s Experience”, the World Bank refers to good governance as being epitomised by predictable, open and enlightened policy making, a professional bureaucracy, an accountable government, a civil service which actively participates in public affairs with all citizens adhering to the rule of law (Talvitie, 1996). This sets the tone of engagement across both public and private institutions for the greater good of the country.

Where economic governance is considered to be good, it can be expected that this would create an environment where society achieves its maximum economic potential as individuals specialising in the performance of different tasks transact with one another (Dixit, 2009).

These elements are particularly relevant in the interaction between the public and private sectors in that accountability and transparency by the private sector creates an environment where government agencies are more responsive. The development of institutions occurs in the private and public sectors when the critical components of governance reinforce each other. When this fails to happen, a situation may arise where the institutions lose capacity and decay as a result of the adverse governance conditions. (Talvitie, 1994).

Good economic governance may not only occur as a result of effective government institutions but may thrive where there are effective private sector institutions that complement adherence to societal norms and the rule of law (Dixit, 2009). These institutions (governmental and private) co-exist in the pursuit of good economic governance and it is therefore critical that the interaction of the entire system of governance and transactions is understood where there is an intention to trade.

In demonstrating the interaction of the different institutions and actors in economic governance, a good example is the failure of corporate governance that led to corporate scandals of large organisations. Following the collapse of entities such as Enron and Parmalat globally, responses by professions, governments and regulators albeit reactive were immediate and led to the introduction of legislation such as the Sarbans Oxley Act by the USA in July 2002. The UK published the Higgs and Smith reports in 2003, which sought to provide guidance for role players such as audit committees and non-executive directors in strengthening the governance chain of command (Dibra, 2016). The accounting and audit profession was forced by these circumstances to reflect on their role in the corporate collapses as a profession, and also consider reforms. The accounting and audit professions had been cast into the spotlight for allegedly having failed in preventing or detecting the unfolding crises.

The global financial crisis of the latter part of the 2000's saw the collapse of key institutions, particularly in the financial services and banking industry in particular. This saw the legitimacy of both the private sector institutions and the public institutions charged with oversight being called into question. This was to be referred to as an institutional crisis (Cairns, Roberts & Riaz, 2009). In the US context, the face of the crisis and interplay between the public and private institutions was illustrated by regulative institutions like the Federal Reserve, the Treasury and the Securities Exchange Commission on the one hand and the normative isomorphic tendencies of financial institutions on the other hand, where inappropriate standards were adopted as practice. The key consideration for an accounting and audit practice, is the extent to which the state of economic governance can be assessed and whether sufficient tools exist to manage the risks associated with the level of uncertainty, as this could potentially harm themselves and the profession where these risks materialise.

Individuals and the Accounting and Audit firms are accountable to and are members of a profession or professional bodies. There are global professional bodies and local professional bodies, which the individuals and firms are attached to. As indicated in the previous section, the accounting and audit firms by virtue of the normative factors, which exist in the profession are most likely to be expected to respond in a similar and structured manner to uncertainty, in line with codes and standards which have been institutionalised through the adoption of local and global professional standards. In a global context, operating in different countries for professionals and the professional bodies means operating within varying governance arrangements.

The decision of the firms to continue operating in, or entering a new country or territory impacts the trade in accounting and audit services. The next session explores literature on the trade in accounting and audit services.

2.6 The international trade in services

Research suggests that the improvement of economic governance and regulatory regimes will impact the extent to which open services regimes and regional integration of services benefit. One of the key differentiators between the trade of goods and that of services is the movement of providers in the case of services, resulting in a wider array of policy instruments and public policy concerns (Hoekman, 2017).

North (1991) argues that in the modern urban western societies, the dominance of labour has shifted from manufacturing to services. The areas of specialisation are in trade, finance, banking, insurance and the activities associated with the coordination of economic activity. The two key elements from North (1991) that resonate with the modern economies, relate to the need for organised trade, characterised by an agreement on the “rules of the game” and the increasing need for more sophisticated transactions related capacity (labour) which is consistent with the significant role of the services sector in the current context and the role of policies to agree on the “rules of the game” (Fiorini & Hoekman, 2017).

Using industry-level data in 57 countries, the effect of services trade openness on productivity in downstream manufacturing was found to have been mediated by the quality of domestic economic governance (Fiorini & Hoekman, 2017). The assumption based on this outcome is that good economic governance will result in an increase in the potential gains for an economy from the liberalisation services trade. Fiorini and Hoekman (2017) conclude that there is a need and a consistent effort to focus on economic governance as a necessary condition for sustained growth.

According to World Trade Organisation (WTO) data, services trade for developing and transition economies has grown significantly from having a 25 per cent share of total trade in 1994 (WTO, 2015) to a share of 35 per cent in 2016 (WTO, 2017), whereas the total share of services trade in relation to world trade is 21 per cent (WTO, 2017). Although services trade is considered to be a segment receiving a lot of focus, the reality is that the barriers to services trade are significant and may in some instances be viewed as being higher than barriers for manufacturing trade (Hoekman & Mattoo, 2013).

Research into the international trade trends has been predominantly focused on the trade of products. More recently, the trade in services has played a more significant role. The trade in services constitutes approximately 75% of global GDP, 80% of employment and 2/3rd of FDI inflows (Nordås & Rouzet, 2015). Services comprise of services from any sector except those services that are supplied in the exercise of governmental authority (GATS, note 1, at Article I (3) (b)).

The General Agreement on Trade in Services (GATS) (GATT, 1994f) definition of trade in services is fundamentally dependent on the mode of supply. There are four modes of supply which can be summarised as:

Cross border trade – this is where the service is delivered from one territory to another (GATT, 1994f);

Consumption abroad – this is where the service is consumed in the territory of the provider of the service, e.g., tourism (GATT, 1994f).

Through commercial presence – this is where the service is being provided by the supplier through commercial presence in the consumer's territory (GATT, 1994f);

Through the presence of natural persons – this is where the service is supplied by an individual in the foreign territory who represents the supplier (GATT, 1994f).

The OECD defines the export of services as the exchange of value between residents and non-residents of an economy. This value is measured in million US dollars, expressed as a percentage of GDP for exports, imports and net trade.

The WTO (2019) states that world trade has experienced exceptional growth in the last 70 years. This growth is critical for nations, as it has been a significant contributor to economic expansion, with total exports being 250 times the level they were in 1948 when the General Agreement on Tariffs and Trade (GATT) took effect.

A need to develop a rules-based trading system led to the GATT being founded with an initial membership of 23 countries in 1947. The GATT later evolved into what is today known as the World Trade Organisation (WTO).

It was not until 2000 when the trade in services (together with agriculture) became a point of focus. The trade in services was then incorporated into the work programme of the WTO Ministerial Conference in Doha, Qatar, in November 2011. There are many incentives for developing countries to open up their service markets and derive benefits from the process. Liberalising the trade in services in developing countries can invoke

technological advancement, enhance competition, create employment and also strengthen productivity (Mattoo, Subramanian, & Rathindran, 1999).
The multilateral trade in services is regulated by the WTO through the General Agreement on Trade in Services (GATS), which was established in 1995. Until then, the trade in goods was regulated through the General Agreement on Trade and Tariffs (GATT) at a multinational level. GATS (note 1) at Article V allows for regions to establish preferential trade agreements in order to regulate the trade in services in a region. SADC signed the Protocol on trade in services in August 2012, which set out the obligations for member states as they relate to the treatment of services and service suppliers. Although this protocol does not contain liberalisation obligations, it seeks to progressively negotiate the free movement of services through the removal of barriers.

Trade restrictiveness refers to the extent to which a country's policies restrict the supply of services by a foreign supplier (Fiorini & Hoekman, 2017). When looking to liberalise the trade in services, countries ought to look at measures that enhance market access or reduce the discrimination against which disadvantages foreign service providers, particularly through regulatory reform.

The trade restrictions in services are more difficult to record as opposed to when dealing with tariffs on goods (Nordås & Rouzet, 2015), as a result of the "behind the border" regulations which impede the free flow of trade and investment in services. The barriers to trade are viewed as being more complex than barriers of trade for goods thus requiring more tools to understand these complexities (Sáez, McKenna, & Hoffman, 2015).

The services sector is significant, particularly in the context of the OECD countries, where the sector consists of approximately 75% of GDP, 80% of employment and two-thirds of FDI inflows. The state of the infrastructure, the geographical distance, home market effect, sector regulation and quality of institutions play a role in determining whether these enable or disable the trade of services. These could have a positive or a restrictive impact on the import and export of products and services (Nordås & Rouzet, 2015).

It has been found that there was a negative relationship between trade restrictions and the trade in services. The countries with a more restrictive trade policy environment were found to have lesser trade in services. In the context of services trade, the trade restrictions predominantly refer to the artificial restriction on the trade of services between two or more countries (Nordås & Rouzet, 2015). Crozet, Milet, and Mirza, (2016), when researching French firms, analysed the impact of non-discriminatory domestic regulations on the international trade of professional services and concluded that there ought to exist a presence of high trade barriers, as very few firms were able to enter the export market. Furthermore, foreign firms tended to be more sensitive to the non-discriminatory domestic regulations as opposed to local firms, which played a major consideration in the export decision.

Analysts have found that many trade agreements signed since the mid-1990's have done little to liberalise trade in services (Miroudot, Savage & Sudreau, 2010). Fiorini and Hoekman (2018) suggest a number of reasons for the perceived difficulty in improving regulations to support trade liberalisation for services, e.g. the complexity of negotiating this. The study, however, does not explore the underlying reasons for this. The conclusion is that trade agreements generally focus on market access issues, and less attention has been paid on the economic regulations (Fiorini & Hoekman, 2018).

In the case of professional services, services trade restrictions in a country may be as a result of professional bodies seeking to strengthen oversight and to raise standards, although in certain instances this may result in anti-competitive practices. The role of the professional bodies may extend to the certification of professionals, licensing requirements among firms and determination of standards (Cattaneo, Engman, Saez, & Stern, 2010).

A review of the Services Trade Restrictiveness Index depicts a picture of African countries who are more liberal in terms of cross-border supply (Mode 1) of services as opposed to sales through the establishment by foreign affiliates (Mode 3). The non-existence of reliable data for the supply of services through cross-border mode in many African countries, has made it difficult to analyse the many developments occurring in the services trade on the continent. With the advancement of technology, the options for the providers to provide services without having to establish a physical presence have increased, which is the component of trade that is more difficult to measure (Dihel & Goswami, 2016).

Issues such as restrictive trade policies, regulatory heterogeneity, capacity to train professions that is considered to be limited and to an extent immigration rules viewed as being rigid have contributed collectively to the underdevelopment of the trade in services in Africa, particularly in Sub-Saharan Africa. Of interest is that the most constraining regulations relate to qualification requirements and procedures for licensing in both the domestic and foreign markets. Restrictions pertaining to foreign ownership and foreign suppliers' operations impact mostly the accounting firms as a result of the varying regulatory requirements (Dihel & Goswami, 2016).

Focusing on the role of institutions reveals that well-functioning institutions are well positioned to influence the consequential effects of services trade policy in the short and medium term. Where the quality of institutions is low, the reduction of cross-border trade is ineffective, possibly resulting in economic uncertainty and insecurity for investors and traders, particularly in an environment of widespread corruption, weak rule of law and the absence of effective regulation (Beverelli, Fiorini & Hoekman, 2016).

Lungu, Caracaiani and Dascalu (2017) inferred that the adoption of accounting regulatory frameworks made the host country more attractive to foreign direct investment (FDI). The study by Lungu, Caracaiani and Dascalu (2017) focused on the impact the adoption of the International Financial Reporting Standards (IFRS) had on the attraction of FDI. The adoption of international standards could be achieved through effective lobbying by the professional bodies and regulatory institutions.

2.7 Conclusion

With the support of existing literature, this study sought to understand the impact of economic governance on the trade in accounting and audit services. Using the narrow scope for analysing economic governance proposed by Fiorinni and Hoekman (2017), for the purposes of this study, economic governance refers to the adherence to the rule of law or control of corruption, and the quality of regulatory institutions in the host country.

The accounting and audit firms in the study are members of professional bodies and are all part of a global network of firms. These firms were also subjected to regulatory oversight of the profession in the home country and also in the host countries. Using institutional theory, the study explored the role that the structure of the firm, it's systems, processes and procedures served as useful tools for the firms to be able to assess the state of economic governance in the host countries and also to understand the firms strategies aimed at responding to the state of economic governance. The firm strategies ultimately involves decisions that are related to whether the firm continues operating in or enters a country or territory, thus impacting trade in accounting and audit services.

In this regard, the following chapter explores the research problem and articulates the research questions and propositions aimed at exploring the impact of economic governance on the trade in accounting and audit services.

CHAPTER 3: RESEARCH QUESTIONS & PROPOSITIONS

3.1 Introduction

In seeking to understand the impact of economic governance on the trade in accounting and audit services, using institutional theory, this study explored the systems, processes and procedures used by the firms to assess and respond to the state of economic governance. This chapter provides the research questions and propositions that were formulated.

At the level of policy, the role of economic governance quality is considered as playing an important role in the magnitude of gains a country receives from services liberalisation (Beverelli et al. 2017). However, at a firm level, in determining what role economic governance quality plays in the trade in accounting and audit services, it is critical to determine the standards, systems and processes that accounting and audit firms use to assess the economic governance quality in foreign countries, in particular in Africa. Once the level of economic governance quality has been assessed, it is also important to understand tools these firms then use to arrive at a decision to continue with an assignment in a particular territory or not. Lastly, it is key to explore the tools at these firms' disposal to manage the risks associated with low economic governance quality in a territory in which they operate.

Hoekman and Njinkeu (2017) assert that the tools which enable analysis on the importance of governance quality, in determining the effectiveness of trade policy are available, however, what remains unknown is the extent to which country-level governance impacts sector-specific policies. Saez, McKenna and Hoffman (2015) corroborate the dearth of research in the trade of services in Africa and have emphasised the need for further research to focus into the specific areas of trade restrictiveness that negatively impact trade in services, with the aim of empowering policy makers to design the necessary reforms. The Saez, McKenna & Hoffman (2015) study revealed evidence of the host countries that did not realise their expected benefits as a result of the failure to implement reforms, put differently, where the host country environment was restrictive to services trade, the host country did not realise these benefits. In some instances, the barriers to services trade were the lack of regulation, which needs to be identified (Saez, McKenna & Hoffman, 2015).

3.2 Research questions:

Fiorinni and Hoekman (2017) limited the scope of economic governance to the variables that impact the economy widely, in this instance this was rule of law or control of corruption, and the quality of regulatory institutions. The three questions below sought to probe the impact these have on the trade in accounting and audit services. The definitions contained in the Worldwide Governance Index (WGI) assisted in providing a framework for the research questions below.

Research Question 1 (RQ1): What is the impact of the level of adherence to the rule of law on the trade in accounting and audit services in Africa?

In the World Bank's Worldwide Governance Index, when measuring the Rule of Law in a particular country, the methodology sought to capture the perceptions of the extent of confidence in the adherence to the rules of society by agents in a particular country. The areas looked at related mainly to the enforcement of contracts, upholding of property rights, the effectiveness of policing, the courts and the likelihood of crime and violence (Kaufmann, Kraay & Mastruzzi, 2010).

By asking this question, this study sought to obtain deeper insights into the role of firm structure, standards, system, policies, processes and procedures in equipping the firms to identify, assess and to deal with the restrictions in the host country or territory.

Research Question 2 (RQ2): What is the impact of the control of corruption on the trade in accounting and audit services in Africa?

The WGI measure of the control of corruption, aimed to capture the perceptions in a country on how public power is used for furthering private interests, including all forms of corruption, which would include the "capture" of the state by the elite in society (Kaufmann, Kraay & Mastruzzi, 2010). The study's aim was to understand how firms' structure, systems, processes and procedures informed the firm strategies to assess and respond to the existence of corruption in the host countries.

Having considered literature and arriving at the research questions above, the following propositions have been formulated.

Research Question 3 (RQ3): What is the impact of the quality of regulatory institutions on the trade in accounting and audit services in Africa?

North (1991) defined formal institutions as legal institutions defined by political constraints and operating within the realm of constitutional and statutory rules. This means that they are a creation of statute and exist to ensure order. The WGI captures perceptions of how these regulatory institutions aid governments to formulate and implement policies and procedures that promote private sector development (Kaufmann, Kraay & Mastruzzi, 2010).

The WGI captures perceptions and records these into an index annually, however, the key insights the study aims to extract at a firm level pertain to how the structure of the firm, the standards, systems, policies, processes and procedures assist the firms to identify, assess and to deal with the restrictions in the host country or territory.

3.3 Propositions

Accountants and auditors are members of professional bodies. The role of professional bodies is to ensure that the legitimacy of the profession is enhanced by setting standards which the members abide by. The role of these standards is to assist accountants and auditors to ensure that they are able to navigate a variety of risks in ensuring that a quality product is delivered.

The Economic governance variables of the rule of law, regulatory quality and the control of corruption have an economy-wide impact for countries. Fiorinni and Hoekman (2017) conclude that the lower the quality of governance, the lower the productivity effect on the services trade liberalisation. Their study further indicated that a strategy by host countries of removing restrictions on foreign firms may fail where the host country has a weak institutional and business environment (Fiorinni & Hoekman, 2017). The inference here is that a bad state of economic governance may result in firms choosing not to enter the host country market, or where they do, they are not able to operate optimally (Fiorinni & Hoekman, 2017).

Beverelli, Fiorini and Hoekman (2016) show that it was likely that in a situation where there was widespread corruption, weak rule of law and the lack of effective regulation, it was as a result of the quality of institutions being low. This situation would have the impact of economic uncertainty and insecurity for investors and traders.

The following research propositions have been formulated in line with the context described above:

Proposition 1:
Where accounting and audit firms identify a low adherence to the rule of law as a risk in a host country, they will utilise the procedures set out in the accounting and audit standards to mitigate the impact of this on their ability to deliver on their work. Where this risk cannot be mitigated, the firms will either decline a new appointment, or resign as accountants or auditors in that country.

Proposition 2:
Where accounting and audit firms identify that in a host country, the control of corruption is low, they will utilise the procedures set out in the accounting and audit standards to mitigate the impact of this on their ability to deliver on their work. Where this risk cannot be mitigated, the firms will either decline a new appointment, or resign as accountants or auditors in that country.

Proposition 3:
Where accounting and audit firms identify that in a host country, the quality of regulatory institutions is low, they will utilise the procedures set out in the accounting and audit standards to mitigate the impact of this on their ability to deliver on their work. Where this risk cannot be mitigated, the firms will either decline a new appointment, or resign as accountants or auditors in that country.

3.4 Conclusion

Having arrived at a research problem, this chapter formulated the research questions guided by literature and concludes with a set of propositions which will form the structure of the qualitative study. The following chapter elaborates on the research design and methodology.

CHAPTER 4: RESEARCH METHODOLOGY

4.1 Introduction

In this chapter, the methodology and design applied sought to answer the research questions posed in Chapter 3. A qualitative approach was used to explore the impact that economic governance has on the trade in accounting and audit services exported by South Africa to African countries. The data was collected using semi-structured interviews. Senior firm executives of accounting and audit multinational firms in South Africa were interviewed. The results were recorded, and the data was categorised and analysed in line with the themes identified in Chapter 2, the literature review.

Where the potential concerns around reliability and validity of data were identified in the process of designing the research methodology, data collection and analysis, appropriate strategies were formulated and executed to mitigate these concerns. In developing the mitigating strategies, the availability of time and resources available were considered. Ethical considerations, together with the identified limitations are also presented in this chapter.

4.2 Research methodology and design

The study sought to clarify the nature of an issue, problem or phenomenon and aimed to explore and enhance the understanding of a phenomenon, therefore, the qualitative research study was considered to be most appropriate (Saunders et al., 2016). There are three key theoretical perspectives that are the foundation of research, namely, positivism, interpretivism and critical inquiry. The research question was explored using the philosophy of interpretivism. The reason is that the study was able to obtain a deeper understanding of the key tools utilised by the firms to assess the state of economic governance in a country or region, the reasons why the firms used these tools and the decisions firms took following the assessment of the state of economic governance. These decisions consequently would impact the exporting of accounting and audit services. With this perspective, the study was able to understand the complexities associated with phenomenon without attempting to generalise this understanding for the entire population (Cresswell, 2007)

The study explored the tools the accounting and audit firms utilise in assessing how the economic governance of a country affected them, and also explored the rationale for the decisions taken by the firms. In addition, the study assessed the overall impact this has had on the trade in accounting and auditing services.

As a method of investigating and prompting the kind of insights that cannot be extracted from indices and other methods, the interactive interviews were conducted, which probed the interviewee's thoughts, values, prejudices, perceptions, views, feelings and perspectives (Wellington & Szczerbinski, 2007). In order to gain a deeper understanding of people's motives, reasons, actions and the context for their beliefs and actions, qualitative research is effective (Myers, 2019). During the study, the researcher ensured that the study remained open to the acquisition of new knowledge throughout the duration of the study.

It is strongly suggested by research methodologists that qualitative methods are suitable where the research is exploratory and where the questions are revolved around the "what", "how" and "why" (Yin, 1994). The acquisition of an in-depth understanding was obtained through an exploratory, qualitative study. The study covered participants from the accounting and audit firms and executives from the regulator. Qualitative research method was particularly useful as it sought to uncover the participant's behaviour and role in the assessment of economic governance and the key drivers to determining the impact on the trade in accounting and audit services.

The researcher chose semi-structured interviews, which allowed the participants an element of freedom to illustrate their thoughts, provide insights into particular areas of interest based on their experience and expertise. This approach provided the researcher an ability to question certain responses in greater depth and reveal deeper insights or contradictions. During the qualitative data analysis, the inductive approach was adopted in order to understand the themes that emerged during the study. The inductive approach, allowed for the exploration of deeper insights into the research context and the meanings of actions and decisions in the field (Yin, 2016).

With the permission of the participants, the interviews were all recorded for the purposes of transcription and detailed notes were taken during the interviews. This increased the transparency and the trustworthiness of the data collected.

4.3 Population

The entire population for the study is all accounting and audit firms who operate in various countries in Africa. The accounting and audit firms should be involved in exporting their services into various countries and territories on the continent. The population comprises large and mid-tier multinational firms, who operate as a global network.

4.4 Unit of analysis

The study focuses on understanding the decisions of firms and the tools they utilise to make the decisions; therefore the unit of analysis was the individual firms.

4.5 Level of analysis

The research analysed responses from the “Big Four” firms and also the “Mid-tier” firms.

4.6 Sampling method and size

A sampling frame comprises of a comprehensive list of all cases in a population and it from this population that a sample ought to be selected (Saunders et.al, 2009). The researcher identified the large multinationals often referred to as the “Big Four”, together with the mid-tier multinational firms operating in Africa.

There is no specific guidance or set rules when determining sample sizes for qualitative research (Patton, 2002). An analysis of the presence of these firms in Africa gave the research confidence that they would provide sufficient saturation in the understanding of the phenomenon. This approach was used in structuring the purposive sample.

The entire population for this research comprised accounting and audit firms operating in Africa, a market which is dominated by the big four, Deloitte, PWC, EY and KPMG, plus a number of mid-tier accounting and audit firms. Seven senior executives from five firms and two senior executives from the regulator were interviewed. One firm did not respond to the request for an interview. Senior executives were purposefully interviewed, as these are the people that drive and understand the firm’s strategy.

Non-probability sampling method through purposive sampling was utilised to select participants. Purposive sampling is “a method of sampling where the researcher deliberately chooses who to include in the study based on their ability to provide necessary data” (Parahoo, 1997, p. 232). The rationale for choosing this approach is that the market for accounting and audit firms is effectively dominated by the “Big Four” firms, which are PwC, Deloitte, EY and KPMG. The South African regulator, the Independent Regulatory Board of Auditors (IRBA), was selected on the basis that they provided useful insights into the regulative nature of their oversight function over the profession and provided an understanding of the expected responses from the accounting and auditing firms. The inclusion of the regulator also contributed in strengthening the reducing research bias and thus strengthening the validity of the research.

With the exception of the firm that did not respond, obtaining access to the firm CEOs proved not to be a problem. In some instances, the CEOs delegated a senior executive to participate in the study.

Table 1 below provides a profile of the senior executives that were interviewed during the research. The executives are all qualified chartered accountants (CA), and those involved with the execution of audits are registered auditors (RA). Due to the sensitivity involved with confidentiality for professional reasons, the names of the executives are replaced with pseudo names with the aim of protecting confidentiality by providing anonymity to the executives.

Table 1: Pseudonyms

Name *	**Organisation type**	**Professional Qualifications**	**Experience**
Adam	Big Four	CA (SA), RA	26 years
Bavumile	Big Four	CA (SA), RA	21 years
Craig	Big Four	CA (SA), RA	21 years
David	Big Four	CA (SA), RA	25 years
Emile	Big Four	CA (SA), RA	20 years
Freddy	Mid-tier	CA (SA), RA	25 years
Gareth	Mid-tier	CA (SA), RA	21 years
Hatlane	Regulator	CA (SA)	25 years
Ian	Regulator	CA (SA)	32 years

Note: In keeping with confidentiality principles, the firm names and executive's names have been replaced with pseudonyms.

4.7 Data collection techniques

The fieldwork commenced with the identification of the participants as per the table above. The participants were contacted by telephone and followed up with an email. A follow-up email was sent where no response was received. Only one firm did not respond to the invitation to participate.

Location: Eight interviews were conducted face-to-face, with one interview being conducted telephonically. In all instances, the face-to-face interviews were conducted at the offices of the participant. The formal environment enabled good quality of the audio recording and consequently good quality of transcripts.

Duration: The interviews lasted approximately 45 minutes each, with the shortest interview lasting 37:11 and the longest interview lasting 68:48.

Semi-structured interviews were conducted with senior executives at five accounting firms. Open-ended questions, in a semi-structured fashion, served as a framework for the interviewer.

The face-to-face interviews enabled the collection of deeper insights and participant perspectives and experiences. This enabled a deeper understanding of the phenomenon being studied. The data from the secondary data sources provided the high-level insights and the perspective, which prompted the interviewer to direct questions aimed at drawing on the participant insights. The interviews were on average 45 minutes.

In order to aid the harmonisation of the data and to reduce bias, all executives were asked the same set of question, with the exception of the follow up questions, where specific responses needed further probing.

The review of literature aided the researcher in developing an appropriately themed discussion guide. The literature assisted in providing a framework for how institutions and professions, in this case the accounting and audit profession attain legitimacy through the standardisation of processes and quality standards. The study showed that this standardisation was critical in managing risk associated with economic governance.

The researcher prepared data for analysis during the data collection phase. This involved the transcription of the recorded interviews shortly after the interviews took place. Following the transcription of the interviews, the data was closely appraised for the purposes of getting a general meaning (Creswell, 2017). This process was repeated until the researcher was familiar with the contents and understood the general themes that have been covered in the test (Thomas, 2006). The data was then downloaded onto ATLAS.ti.

The following steps were undertaken in order to perform a thematic analysis of the qualitative data across all the interviews (Braun & Clarke, 2006):

Step 1: This step in the process involved the researcher familiarising himself with the data and gaining an understanding thereof. The researcher derived deeper meaning in line with the interpretivism philosophy (Sauders et. al, 2009) applied throughout the study.

Step 2: Here, the researcher generated codes and code interview data on the software.

Step 3: Further analysis enabled the researcher to categorise the codes and develop themes which are in line with those observed in the literature.

Step 4: Using ATLAS.ti., the themes were reviewed, and a thematic map of analysis was developed. Starks and Trinidad (2007) inferred that saturation occurred when all the data collected is representative of the range of constructs making up the theory. In this study, saturation occurred when there were mounting instances of the same codes, without new codes or emergent themes (Given, 2016).

Step 5: Through an iterative process, the themes were reviewed through ongoing analysis.

Step 6: An appropriate design framework was developed for the purposes of this study.

4.8 Ethical considerations

The accounting and audit profession is highly regulated and requires that the individual members and member firms adhere to strict ethical standards. The interviewer was careful not to place the interviewee in breach of their confidentiality responsibilities to their clients. The following measures were taken to minimise the risk of ethical breaches.

- Respondents were briefed about the purpose and objectives of the research prior to conducting the in-depth interviews and completing the questionnaire.
- Clarification of certain concepts was provided to participants to ensure understanding and alignment.
- Participants were assured of anonymity as well as confidentiality of their participation in the research.
- They were reminded that their participation in the research is voluntary and that they could opt out at any stage without penalty.
- Respondents were informed of the no incentive principle for participation.

Following the process set out by the university, the researcher obtained ethical clearance (Appendix XX) from the Ethics Committee prior to commencing the process of data collection. Participants completed a consent form (Appendix XX) after the process was explained to them in detail. The names of the participants were altered to pseudonyms to protect the identities of those interviewed.

4.9 Reliability and validity

The accounting and audit profession is dominated by the large multinational firms. The ability to access the strategies of these firms enabled the study to access information which is representative of the population of firms operating in the sector. Furthermore, the interview of the two mid-tier accounting and audit firms has made the exercise more representative, so as to ensure the quality of the research is achieved by ensuring that the information gathered is reliable and is valid (Saunders et al., 2016).

4.10 Limitations

Although the methods deployed by interpretivists assist in the acquisition of deeper knowledge and understanding of the phenomena, this understanding is confined to the complexities of the context, rather than a generalisation to other people and contexts (Cohen, Manion & Marison, 2011). This is so because qualitative research by its nature does not offer measurable statistical robustness. A further criticism of the interpretivist approach is the ontological view that it is more subjective than objective (Mack, 2010).

4.11 Conclusion

In this chapter, the research design and the methodology were clearly articulated. In summary, the study sought to understand the impact of economic governance on the trade in accounting and audit services. The qualitative process consisted of nine face-to-face semi-structured interviews with senior executives from three large firms, two mid-tier firms and the regulator. Using Atlas.ti, the results were coded and analysed thematically. The results are presented in the following chapter.

CHAPTER 5: RESULTS

5.1 Introduction

Chapter 5 presents the key findings of interviews held with senior executives at multinational accounting and audit firms. In addition, interviews were conducted with two executives from the regulator, IRBA. The accounting firms comprised three large multinationals, often referred to as "The Big Four" and two mid-tier firms.

The interviewees were each requested to provide a high-level structure of the firm, with a particular emphasis on explaining the structure of the local firm, the regional structure and also the global structure of the firm. In the case of the regulator, the participant was asked to elaborate on the structure of the regulator's office in South Africa. The interviewees were requested to respond to three research questions, together with their sub-questions. The interviews were conducted in a semi-structured fashion. All firms were expected to provide a firm perspective, whilst the regulator provided a deeper understanding from a perspective of a regulator.

This chapter begins with a profile of the interviewed participants (informants) and then proceeds to provide information that aids in the understanding of the background and context of the interviews conducted. A qualitative analysis of the results is then performed of each research question, key themes that emerged from the informants' responses were identified and these were supported by insightful quotations.

5.2 Interview participants and context

The objective was to interview senior executives from accounting and audit firms. The firms are firms, who also have offices across Africa. Three of the big four firms and two mid-tier firms were represented by senior partners, and in two cases, by the firm's Chief Executive Officer. The Independent Regulatory Board's CEO and a Director were also interviewed so as to get the regulatory perspective.

5.2.1 Africa presence of firms interviewed

Table 2 below provides a brief overview of the firms represented and their presence on the continent.

Table 2: Indication of presence of the firms in Africa

Country	Deloitte	PWC	KPMG	Grant Thornton	Mazars
1. South Africa	Yes	Yes	Yes	Yes	Yes
2. Mozambique	Yes	Yes	Yes	Yes	Yes
3. Namibia	Yes	Yes	Yes	Yes	No
4. Botswana	Yes	Yes	Yes	Yes	Yes
5. Malawi	Yes	Yes	No	Yes	Yes
6. Zimbabwe	Yes	Yes	Yes	Yes	Yes
7. Zambia	Yes	Yes	Yes	Yes	No
8. Nigeria	Yes	Yes	Yes	Yes	Yes
9. Ghana	Yes	Yes	Yes	No	Yes
10. Kenya	Yes	Yes	Yes	Yes	Yes
11. Algeria	Yes	Yes	Yes	Yes	Yes
12. Angola	Yes	Yes	Yes	No	Yes
13. Cape Verde	No	Yes	No	No	No
14. Equatorial Guinea	Yes	Yes	No	No	No
15. Madagascar	No	Yes	No	No	Yes
16. Mauritius	Yes	Yes	Yes	Yes	Yes
17. Rwanda	Yes	Yes	Yes	Yes	Yes
18. Senegal	Yes	Yes	Yes	Yes	Yes
19. Swaziland	Yes	Yes	Yes	No	No
20. Tanzania	Yes	Yes	Yes	No	Yes
21. Tunisia	Yes	Yes	Yes	Yes	Yes
22. Uganda	Yes	Yes	Yes	Yes	Yes
23. Cameroon	Yes	No	Yes	Yes	No
24. Congo	Yes	No	Yes	Yes	No
25. Cote d'Ivoire	Yes	No	Yes	Yes	No
26. Morocco	Yes	No	Yes	Yes	Yes
27. Togo	Yes	No	Yes	Yes	No
28. Chad	Yes	No	No	No	No
29. Gabon	Yes	No	No	Yes	No
30. Guinea	No	No	No	Yes	No
31. Burundi	Yes	No	No	No	No
32. DRC	Yes	Yes	Yes	No	No
33. Benin	Yes	No	Yes	No	Yes
34. Ethiopia	No	No	Yes	Yes	Yes
35. South Sudan	No	No	Yes	No	No
36. Egypt	Yes	Yes	Yes	Yes	Yes

Source: Author's own compilation

The accounting and auditing services sector on the continent is dominated by the large multinational firms and a number of mid-tier firms. The dominant mid-tier firms generally comprise of local firms, which are members of a larger network. The firms that participated in the study were:

Big four firms:

i. Deloitte
ii. PWC
iii. KPMG

The mid-tier firms that participated in the study were:

i. SNG Grant Thornton
ii. Mazars

The South African audit regulator that participated in this study was:

i. Independent Regulatory Board of Auditors (IRBA)

5.2.2 About the firms

Deloitte has been in existence for more than 150 years and describes itself as a leading global service provider. The services provided are audit and assurance, consulting, financial advisory, risk advisory, tax and related services. The firm employs over 285,000 people operating in 150 countries and territories (Deloitte, n.d.).

PWC has offices in 157 countries and employs more than 276,000 people. PWC prides itself as being one of the leading professional services networks in the world. The core aim of the organisation is value creation for clients through the quality delivery of audit, tax and advisory services (PWC, n.d.).

KPMG is also a network firm operating in 154 countries. The network employs over 207,000 people and provides audit, tax and advisory services (KPMG, n.d.).

Grant Thornton is the seventh largest network of professional service providers. The network is represented in 130 countries and employs over 53,000 people across the globe. Grant Thornton South Africa operates under the brand SNG-Grant Thornton (Grant Thornton, n.d.).

Mazars is not a network, but describes itself as an integrated partnership. The integrated partnership has over 40,000 professionals in the 89 countries and territories in which they operate. The partnership also offers audit, advisory and tax services among other services (Mazars, n.d.).

5.2.3 About the regulator

IRBA is a body created by statute, whose primary function is to control the segment of the accountancy profession involved with public accountancy in South Africa. The body aims to protect the financial interests of the public. The body seeks to ensure that only appropriately qualified persons are admitted to the profession delivering high quality services to the highest ethical standards (IRBA, n.d.).

5.2.4 About the interviewees

Due to the constraints of professionalism and confidentiality, the names of the interviewees will not be specified, nor will the name of the firm they represent be mentioned. The information provided below serves to inform the high-level profile of the respondent for contextual purposes.

Interview 1: Adam
Title: Quality and Risk Management Partner
Profession: CA (SA), RA
Professional experience: 26 years

Interview 2: Bavumile
Title: Partner
Profession: CA (SA), RA
Professional experience: 21 Years
Interview 3: Craig

Title: Partner

Profession: CA (SA), RA

Professional experience: 21 years

Interview 4: David

Title: Chief Executive Officer

Profession: CA (SA), RA

Professional experience: 25 years

Interview 5: Emile

Title: Chief Executive Officer

Profession: CA (SA), RA

Professional experience: 20 years

Interview 6: Freddy

Title: Chief Executive Officer

Profession: CA (SA), RA

Professional experience: 25 years

Interview 7: Gareth

Title: Partner

Profession: CA (SA), RA

Professional experience: 21 years

Interview 8: Hatlane

Title: Director

Profession: CA (SA)

Professional experience: 25 years

Interview 9: Ian

Title: Chief Executive Officer

Profession: CA (SA)

Professional experience: 32 years

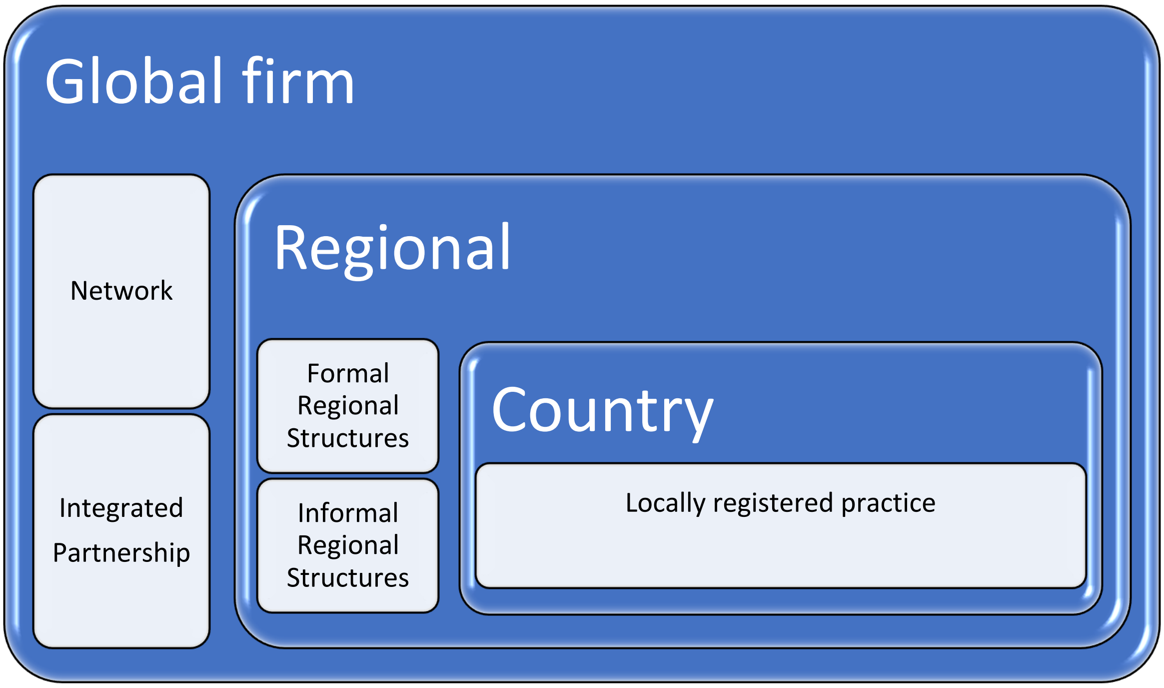
As can be seen above, the respondents are not only senior in the profession, but they hold key strategic positions. In targeting the respondent for the research, it was critical that the respondents had global experience and in particular, experience in Africa. The respondents had also been previously experienced in performing assignments in Africa.

The interviews were conducted in English and were conducted face-to-face, with only one of the nine interviews conducted telephonically.

5.3 Results: Institutional environment

With each interview, the opening question requested the interviewee to describe the structure of the firm, or institution in the case of the regulator. The aim of the question was to gain an understanding of the way in which the firm is structured globally, regionally and locally, as illustrated in Figure 1.

Figure 1: Structure of the network firm



Source: Author's summary of interviews

From the interviews it became apparent that most firms had a network structure, which managed the brand and the development and implementation of quality standards across the globe. It was also apparent that there existed formal and informal structures at the regional level, which served to navigate the regional dynamics unique to the region, but common to firms operating in those regions. In all instances, the firms operating in countries and territories were locally registered practices.

5.3.1 Global firm structure

The understanding of the firm structure provided a useful context of how a firm fits into a global network, or has structured its operations in the region and also provides insights into the firm processes, standards and decision-making processes. These insights are critical in understanding how then the firms develop tools to manage their practices effectively.

In the global context, although the firms may have differing arrangements and relationships with the licence owner, the impact on implementation is similar across all firms. In effect, standards and processes are defined, driven and overseen from the centre. The global brand is also managed at this level.

The most common global structure amongst the firms is a network structure, where the licence is owned by the global practice, which sets out the methodology for firm operations, processes, standards for all member firms across the globe. With one firm, Mazars, the global operates on the basis of an integrated partnership, which means all partners in all countries and territories where Mazars operates are also partners in the global firm.

One firm is a member of a global network, headquartered in the United Kingdom (UK).

> “the licence is owned by a company that is registered in the UK, DDTL, that’s Deloitte Touche Tohmatsu Limited. That is the [unclear 00:01:50], we refer to it as the [unclear 00:01:53] and that company is then the company that is entitled to issue licences in different regions.”

Another firm, also a member of a global network, has its headquarters in the Netherlands.

> "KPMG is a worldwide brand and it is managed by KPMG International, which doesn't employ anybody, but is just the statutory legal entity that holds all the various sub-licensing agreements, of which we as South Africa would be one. KPMGI then determines our global policies, the global governance structures etcetera, which we then as member firms need to comply and adhere to."

The third Big Four firm interviewed is headquartered in the United States of America.

> "What you see as being PwC as a brand, a global brand, is basically a network of member firms that pay for a licence to operate under the PwC brand. It is a brand that is owned by PwC Incorporated, an entity that is registered and headquartered in the US, based in New York City."

Insignificant differences in structure and approach are observed for mid-tier firms. Of interest, is that in both cases, the operating model was similar to that of a global network of the "Big Four" firm.

Mazars, a mid-tier accounting and audit firm, offering similar services to the large firms, operates along the same lines, but prides itself with one major differentiator, the fact that all partners across the globe are also partners of the global firm.

> "Mazars is known as what we call an independent partnership. We are not a franchise operator."

> "We are individually members of the Mazar international partnership and we are also individual in the sense of our South African partnership. We are two kind of separate legal entities and there is a cooperation agreement between the local partnership and the South African representative and international partnership, of which we are all members."

SNG Grant Thornton operated more along the lines of the generally adopted network model.

> "The way the global network firms work is each member firm within a country is independent and operates independently, but working under the framework, a

> common framework from a governance point of view, a common framework from an audit methodology, consulting methodology, a common framework from a risk management point of view."

The firm structures for all the firms are similar in that they have adopted a network firm operating model. The global network consists of individual firms in different countries making up the global network. The individual firms operate independently with independent members in the countries in which the network firms operate. The network firms operate under a single brand and the same set of quality standards as a means of enhancing their competitive advantage. It is understood that standards applied consistently reduce risk for the individual firms and the network.

5.3.2 Regional firm structure

A further dynamic emerges when analysing the manner in which the firms are structured in Africa. It is of interest that the firms are seen to be following the regional clustering mainly along language for practical reasons. In fact, broad similarities are noted around the firms' responses to the regional dynamics influenced by the impact of the continent's colonial past. The firms' presence on the continent is structured around language, for instance English-speaking countries, French-speaking countries, Portuguese-speaking countries, etc.

> "Another level of complexity are the languages. We have particularly French, English, in the main. We have Portuguese to a lesser extent. And there are complications, simply because of practicalities involved there and the way that the member firms originated, their historical backgrounds as well."

> "The history of colonisation has a number of players that play in it. You have the Francophone, which is run out of France, you have the Portuguese that have an impact on Angola, you have India and the Middle East that have an impact on the Arab Africa, all within the continent. So, the South African firm has an oversight, which has consolidated all the English-speaking firms, plus Mozambique, into one firm. We refer to that as Deloitte Africa."

Based on the regional dynamics of the continent, the firms opted for operating structures, which are responsive to this dynamic. Only one firm, KPMG is in the process of implementing a revised structure for Africa, which will be similar to their peers.

> "In terms of the bigger southern African context, we as South Africa also have sub-licensees for seven southern African countries. So, similarly to what global has oversight over us, we would have oversight over their operations, but they also operate independently."

> "In 2012, the countries operating on the African continent, particularly those below sub-Saharan Africa, decided to get together to form what is called a PwC Africa JV. So, before then, there was nothing that bound these countries, other than the ability to service common clients across borders."

> "The Francophone countries decided that they are not going to form part of this PwC Africa JV and they threw their lot in with the French. So, the Francophone countries report into PwC France."

With respect to the mid-tier firms there is a clear distinction relative to the "Big four" firms in that the individual firms on the continent do not follow a regional structure whereby the South African firm would oversee the operations of the firms in the case of English speaking countries. The individual firms operate independently and have their respective governance arrangements, however, the firms have formal and informal cooperation arrangements for matters of common interest.

> "Each country member firm would have its own governance, would have its own board and would have its own CEO, would have its own executives that govern the countries. What we've got is we have original formations. We've got the Africa team which is made up of member firms in Africa."

> "The business model is very much the same as that indicated in Africa and the rest of the Mazars group. Each country has their own partnership as a legal entity."

The complexity of the regional clusters along language lines in Africa has also been considered by the mid-tier firms when considering their structures of cooperation.

> "Africa Middle East is one region, but from a practical perspective, we also have what we call sub regions in Africa because of the size of the continent and also the language issues that we have to deal with."

All firms operating under the banner of a global network often respond to the regional dynamics by ensuring their processes allow for the registration and running of a practice by locals. In many instances, the local firm is registered in line with the local requirements, however, they operate under license from the network firm.

> "I think almost all the regulations are structured that way, but the practice becomes different. So in every country, in Nigeria, we operate as Deloitte, we are registered as Deloitte, but the regulators do not see Deloitte. They see the individual partners who need to be registered per their standards. So, as I said earlier, I can't just go and operate in Nigeria, because I would need the professional body to recognise me."

The common thread amongst all these firms is that under the banner of a global brand, firm structure is designed to ensure the adherence to the global standards as developed by the owner of the brand. From the above, it can also be seen that although there are some differences in firm structure, the strategies are influenced by the local and regional dynamics, primarily the official business languages in the different regions.

5.3.3 Structure of the profession

The analysis of the profession and the regulatory institutions as per 5.4.4. Below is looked at from a perspective of a firm operating in South Africa as compared to operating in the rest of Africa.

The firms are strengthened by the effect of knowledge sharing through common accounting and audit standards which have evolved over time. These standards assist the firms in developing processes to assess risk areas, including the assessment of the state of economic governance in territories where their clients operate. Furthermore, the role of the regulator provides a useful tool in ensuring development of standards and the consistent application thereof.

> "There is a publication called the Audit Quality Framework. So the Audit Quality Framework is the highest level description issued by IFAC about the context in which the audit profession must exercise itself."

> "The second thing is that one of the successes of audit regulation around the world over the last decade has been the embedding of this thing called ISQC1. Okay, the Internal Standard of Quality Control 1."

The relevant standards serve as a framework for the assessment of economic governance and also as a tool for the firms to design procedures to navigate the outcome. The standards ensure the processes are not only about a country level assessment, but are specific to the evaluation of the actual client where for whom the work is to be performed, but also the evaluation of the sector amongst other processes.

> "Our risk does not sit in the country, but it sits in every client we choose do to."

> "And it's driven by policy as well. So in a broad sense it would be client evaluation. Client evaluation is designed to achieve the following objectives: Is it going to jeopardise our reputation, is there a commercial risk, is there an association risk? So those would be the objectives."

In performing the assessment, some key questions are asked that seek to provide key insights, which ultimately contribute to a decision the firm takes.

> "On one end, it would be do we enter a market, do we enter a country? And the other one would be do we remain in a country or do we remain in a sector. So all of those have similar answers, but just the level of emphasis."

Other questions that were asked related to relationships and assessments within the industry or with government. The standards require an interrogation of these relationships as a means of identifying the risk that there may be corrupt relationships between companies (clients of firms) and government.

> "You then look at its own operations. Is it highly dependent on government, or is it not? Is government particularly risky? So you then have what you call politically exposed persons."

> "So if you have a lot of politically exposed persons and the company is heavily reliant on government and it's been mentioned in a number of reports around corruption and it's been mentioned in a number of reports around not delivering the services they committed to, all of a sudden you are saying actually, do I want to be associated with this company or not."

The client evaluation process may conclude that there are issues regarding adherence to the rule of law and the control of contraption in a particular country or territory. This may not always result in a decision to decline an appointment, avoid a particular country or discontinue operations where a firm has already been established. The firm may in certain instances apply alternative procedures to arrive at a conclusion to continue with an appointment to service a client. For instances, a combination of mitigating controls, including the evaluation of the firm's client procedures may support a decision to continue with an appointment.

The adoption of standards and the regulation of the accounting profession is fairly standardised across the world, but not fully implemented in many countries. In some countries, the regulation is more localised and stringent.

> "They are obsessed with their sovereignty. In addition, you then have local accounting audit regulators and professional bodies that would determine that in order to operate within a particular jurisdiction, you need to have met their qualification standards, their professional competency standards, and there is no… there's very little collaboration and reciprocity between the various bodies. So as a South African auditor, you can't just pick up a pen and go and operate in Nigeria, because when you get there, you would need to still be qualified or registered in terms of the accounting bodies there."

One of the areas of focus for the firms that directly affects the adherence to the rule of law, is with respect to tax compliance at the point of client evaluation.

> "So when we do our detailed due diligence, we specifically look out for, for example, what kind of tax files do they keep, what sort of correspondence is on the files, and is there a good enough trail to substantiate the kind of advice that we would give to the client."

On the issue of clients, whose business operations are in countries that are perceived to reflect high inherent levels of risk, where the resources (product or raw materials) which are critical to their operations occur, different strategies were observed for the firms. Of particular interest was that this was not necessary a reason to conclude on whether to decline or exit a country or territory, but most firms placed reliance in alternative procedures.

> "The complexity of this is if you take a company like XXX1, a massive, massive global company, a very good example, it operates in really dodgy territories and again, I say dodgy from the cushy office in Sandton. There are many people who live in those economies and they live successfully, ethically and kind of well. So when you look at XXX1, you can't say XXX1 is risky without going into the territories and saying how are you navigating the legislative landscape in those countries? How are you managing the risk? If every other company is coming out, why are you staying, how can you operate and operate well, how are you answering these questions."

One participant pointed out that from the fact that the profession had been in existence for over 100 years, one could place some reliance on the robustness of standards, which the profession has developed over a long period of time.

> "So what we would do in the process of combining or integrating these firms that have been developed over the 100 years, is to assess the level of risk."

The participants agreed that the state of the profession was one of the elements embedded in the process of evaluating the state of economic governance. To the participants, this served to also inform the quality of the professionals in the country and territory. This is an important point for most firms especially considering the preference to partner with local professionals.

> "As part of our quality assessment processes etcetera, we do find from time to time [unclear 00:33:53] you will find that there has been some sort of due diligence in the accounting profession in a particular country."

5.3.4 Structure of Regulatory Institutions

The regulator considers the role of the accountants and auditors as being of public interest, and hence, the need for the profession to be held to high standards of quality.

> "It's a public role, it's a public interest role and therefore, in the protection of the public, they need to be regulated, and somebody has to have oversight over the quality of the services they deliver and to ensure that they can be reliant on the product that they deliver."

An example of the public interest is the reliance placed by investors on the accuracy of financial statements.

> "The ultimate objective of the audit is to express the correct opinion in a set of financial statements, because investors make very important decisions based on that. So when there is confidence in the financial statements and the auditor's opinion on those financial statements obviously will impact and attract investment, and investment will stimulate the economy and create employment."

All the firms were consistent in their view that the role of accountants and auditors went a long way in building public trust. The emphasis on reliability, accuracy and quality according to the interviewees are the elements that build public trust.

> "Because you have different segments of society that represent the public that are both custodians and beneficiaries of the outcomes of corporate citizens. So if we are the custodians of public trust, our responsibility is to say how do we navigate the tension between the demands that are, in certain cases, contracted to each other of the different stakeholders who have called on us or who rely on us to call out things that need to be called out."

Although the firms have developed tools to assess the economic governance, either within the existing standards, or as additional firm processes put into place as part of the local or international network standards, the regulator perspective on these matters is captured below.

> "There is an implicit understanding that a strong profession in any one of the countries is good for business, whether it's a strong accounting body or a strong regulator, it's better for them, and also, it helps manage their local risk properly. If they know that there is a great inspection framework in Malawi, then it's much easier for them."

Interestingly, a firm was clear that one of the things they would look out for on entering a country or territory is the existence of a strong regulator of the profession.

> "Number two is we then look at what the profession looks like, and there we look at exactly that kind of thing – is there a regulator, is there an institute, what is the size of the profession, what's the size of the Big Four in relation to the other firms etcetera."

A point made by one of the mid-tier firms suggested that the existence of the regulator and the functioning of the regulator of the profession was a key consideration when looking to enter a foreign territory.

The regulator's perspective was very interesting in setting out the expected actions of the accounting and audit firms in evaluating the state of the economic governance in a foreign country or territory. In fact, this view was informed by the standards and the expectation is that the standards would have applied and the firms would conform to the standards.

> "Besides following the standard to say know your client before you take on the client, they should also have better awareness of what is happening around them. We find that the firms do not have sufficient market intelligence about what is happening around them. So we were surprised to see that this firm had taken on that client, or this firm didn't know that what they read in the press

> about…because media and social media is so powerful, surely they should have known."

Interestingly, most probably influenced by the fact that all the respondents are South African, a direct comparison was made to the South African context in most of the examples they made. The example below not only highlights the need to evaluate adherence to legislation, but also a need to evaluate the quality of the legislation.

> "I don't think that other countries have the same quality of laws and regulations. And even when it comes to the compliance of those laws and regulations, South Africans don't always comply. So we've got very strong Acts, but there's not a lot of compliance. And the problems we have, when you talk about corruption and fraud in the country, it's not because of weak legislation, it's because of non-compliance with that legislation. In other countries, they don't even have good legislation. They must first get their legislation in place. So there's still a lot of work to be done on the continent to get their legislation in place and then to ensure compliance with it. But the culture in Africa generally is not really to comply with legislation. It's very different to other jurisdictions."

The ability to craft the role of the regulator into legislation assists the profession to not only ensure consistency in a local context, but also, in some cases ensures compatibility with global standards, the result of which could potentially mean an enabler for the trade in accounting and audit services.

> "All these regulators in these other countries have audit quality and that they comply with a common set of standards. Most of them have adopted international standards like South Africa. We also have a mandate to share information amongst ourselves and obviously to increase our membership."

Both the firms and the regulator expressed a common view for the need to have the regulating institution independent from the profession. This varied from country to country, however, the principle remained that the desired model was one where these were independent.

> "So those are the structures and in each of the countries that we operate in, you would have similar structures. So you would have an institute, which is a professional body which serves to set the benchmark for qualification. And in some cases, it isn't a chartered accountancy qualification, it can be ACCA, for instance but again, it is a similar kind of process. It sets the standards and monitors the compliance with the standards. In some of the countries outside of Africa, there is still a dual role that the professional body plays. So the professional body acts both as a professional body but also as a regulator. We used to be like that in South Africa. We separated the two. Eventually, I think that is the proper model; that you need to separate the professional body from the regulator. So in a few of our jurisdictions, that is still lacking and that needs to be maintained."

According to a participant, one of the key objectives of having the regulators separate from the profession is to ensure that the profession does not reach a point where it develops standards and regulates itself. This contradicts the core principles of the profession of objectivity and impartiality.

> "If you don't separate, what you run the risk of is that you run the risk of self-review as members of the profession, that you regulate yourself. And I guess it is a model that is adopted somewhere, for self-governance, but as a country, we've moved away. In almost every industry, we are moving away from self-governance."

The above results confirm the existence of both formal and informal institutions in the various countries in Africa. Largely the professions in the different countries create uniformity by setting standards and exercising oversight over its membership. On the other hand, there is an ambition to enhance legitimacy of the regulatory institutions by ensuring their independence from the profession and also by ensuring the roles of the regulators are legislated, thus making them formal institutions.

5.4 Results: Economic governance

5.4.1 Adherence to the rule of law and control of corruption

This section summarises the outcome of the semi-structured interviews of the participants. Using Atlas.ti, the transcripts were coded and during analysis, the themes were captured. In trying to understand the impact of the state of economic governance on the trade in accounting and audit services, the firm executives were asked how they assessed the adherence to the rule of law and the control of corruption in a host country in which they operate, or intend to operate. A further question asked what tools the firms used to make this assessment. Lastly, the respondents were asked to provide examples, where possible.

When analysing the transcripts of the interviews for coding, it was evident that the executives did not differentiate the process of analysis and the tools of analysis when assessing the rule of law and the control of corruption. The process followed for both was in line with the professional standards. Interestingly, this suggested that the processes and tools were the same. In so doing, the respondents provided insights for both RQ1 and RQ2.

For the purposes of analysis and for the reasons set out above, the results have been combined in both adherence to the rule of law and the control of corruption.

Research Question 1 (RQ1): What is the impact of the level of adherence to the rule of law on the trade in accounting and audit services in Africa? Research Question 2 (RQ2): What is the impact of the control of corruption on the trade in accounting and audit services?

In the interviews there was a common view that in certain countries, there are laws in place, however, the ambiguity of the laws created opportunities for different interpretation. Variations in the interpretations of those laws by the citizens and the authorities themselves provide an incentive for deviant behaviour.

> "You have the spirit of the law and you have the letter of the law. And interpretations that follow the letter of the law typically get you to those ethical and judgement areas, where you are saying I'm so close to the line I'm not quite sure whether the interpretation is too aggressive, or it's adequately aggressive."

Although the study focused on the accounting and audit firm, of interest was a comment by one of the firms that the assessment of the state of economic governance was not only about evaluating this in the context of the profession, but also other professions and institutions.

> "And then typically, we will access our broader business network, the attorneys that we know, the bankers that we know, etcetera, in a particular country, etcetera."

One participant went on further to explain the interaction of these institutions with the evaluation process of the state of economic governance.

> "The economy drives how the business relationships are done, etcetera is a big part of assessing the quality and risks and the way you communicate with people etcetera, it's quite important to understand the local culture and dynamics and nuances and a lot of our assessment processes."

In detailing the tools they utilise to assess and also manage the extent and impact of the adherence to the rule of law, quality of institutions and the control of corruption in the areas that they are either operating or plan to operate in, provided responses that were similar for all three questions and in particular, to the extent that the combination of tools they utilise are designed to respond to all the three areas of economic governance. This is so, because the uniformity in the profession, the regulation of the profession, the structure of the firms is achieved through the development of standards that assists firms to manage risk within a framework. In this instance, the firms assess the state of economic governance, as an input to client acceptance and review procedures, which ultimately have a direct impact on the revenue of the firm in that territory. Furthermore, the tools are embedded in the standards, firm methodology and the processes that govern the operations at an individual firm level.

The formal and informal regional structures play an important role in the management of risks associated with the evaluation of the components of economic governance. The firms optimise the local presence through these formal (e.g. a network member firm) structures or the informal structures (cooperation bodies) to gain insights relevant to the region or the country. With all firms, this tool was the one the firm executives emphasised.

> "In going into new territories, you do need to understand how that environment is governed, and that's why the regional representatives become quite important, because they give you a sense of what that country's territory is like, what is the regulatory environment."

> "And that's why we will always work with member firms as a global strategy, because they understand the local context better than anyone can. The newspapers and their perspectives always bring a jaundiced view based on the selection of the interviews, as you indicated, or the perspective that is used in doing the research."

Where there is no local presence, or the presence of network member firm, the ISA 600 standard provides a framework for the engagement and cooperation with an auditor of a component within a group. This enables the firm to gain knowledge and perspectives of the local dynamics.

> "There is an ISA 600 standard that you use for evaluating what is called component auditors, so firstly it's determining their level of competency and they are in compliance with, they are a professional body in-country."

A mid-tier firm tended to reduce their risks by either utilising the services of a network member firm in the foreign territory, or tended to target assignments linked to donor funded agencies or institutions such as the audit of central banks in order to reduce the risks associated with assignments.

> "Then that type of work would be largely with government and/or government agencies, and also would be the work that is donor-funded. For instance, we were in Malawi a few years ago on a donor-funded project, assisting the Auditor

> General of Malawi with catching up with backlog. So in that instance, we looked from a client acceptance point of view, we looked at the profile of the client, is it government or government-related, but also the profile of the donor. It was a German donor agency, so we accepted the project on that basis."

One particular firm contradicted the approach of the mid-tier firms in that the use of a local firm which is not part of their network is not a preferred option. In fact, it would lend itself towards a decision not to accept an appointment in that country or territory.

> "And on that, philosophically, and as one of our risk management mechanisms, the firm frowns upon using other people and relying on their work and the primary reason for that is quality standards. If something goes wrong with that work, we can't point to whoever did that work. The user of whatever piece of work or outcome looks at PwC for quality assurance, and for that reason, we, as a rule of thumb, we don't like to rely on work performed by a firm that is not part of the PwC network."

> "There is no way you would be allowed to perform services in a country where there is no rule of law or any demonstrable evidence of there being a rule of law."

The firms also considered the physical security of their people as critical in evaluating the adherence to law and the control of corruption in a country or territory, and in arriving at the decision to continue with an assignment in a particular territory.

> "If we had a country where we felt, for instance, there was a physical security risk that we were unable to mitigate, then we would only work if we could do it remotely. And it happens. You could do a lot of it like that. If we felt that the overall level of political stability was such that it was too unpredictable to invest the time and resources to have a local presence, we would visit the country in order to perform the work, and then we would exit the country. And that happens a lot around the world as well. So you would react differently to the different challenges. So a particular challenge doesn't mean you do nothing. You would look for solutions."

Ultimately, the global network drives the evaluation processes through development of network standards, which then ensure that the firms in the network have processes which ensure adherence to these standards over and above the standards of the profession. Put differently, the network standards at a minimum are reflective of the standards of the profession.

> "Because particularly as a firm operating in this continent, South Africa - corruption is rife, Nigeria - corruption is rife, Kenya - corruption is rife. Those are my three largest regions as Territory Senior Partner. Ultimately, Paul, what matters is that my primary responsibility is to make sure that we adhere to our network standards."

A key feature in the profession, particularly as it relates to the global firms is the concept of the network practice. Interestingly, the global standards are being developed to incorporate this concept, as it has become a key feature of how the profession operates across the globe.

> "And in terms of our global membership, we have various global monitoring initiatives in place. We refer to, for example, a risk compliance programme, which each member firm has to undergo, and it's done by independent reviewers. So they would test each and every member firm against the same criteria, against the same standards. You have a global compliance review every three years. You have audit quality reviews, file reviews, you know where they select engagements and they go and see is it in compliance with our global methodology, is it in compliance with the standards?"

The networks, or international firms, have created firm processes to be replicated across the global practices, which are designed to ensure adherence to the professional standards and the quality of product, which provides a competitive advantage for the network.

> "For example, we as KPMG are rolling out a new order methodology called Clara, which is much more aligned with the standards, again it's global but the big change is that all audit files will be on one central server and you can interrogate

> any audit file at any stage of the audit through data analytic tools to go and determine."

The functioning of the global network goes beyond just the standards and methodology, it also extends to the sharing of resources based on location/footprint advantages and expertise in specific sectors.

> "If we need to service a XXX Bank, for example, and we feel we don't have the resources, we go global. We tap them in and we bring them on board. So that is one of the advantages of being part of a big member firm."

> "The network standard seeks to take this entire universe and positions it from a point of view of a firm, to say for you to be able to attain and achieve the standard, you must aspire to have a certain culture. You must build certain competencies and processes and you must have a certain quality of people that are operating, amongst other things, to make sure that you are able to be consistent in terms of your approach, wherever you may be on the continent. I am putting it like that so that I make sure that I understand."

In effect, the network firm, through the network standards, seeks to develop a set of standards, which provide a platform to create a competitive advantage.

> "That is how as a network you try and give yourself maximum protection as to your sustainability as a professional services firm built on the bedrock of auditing. So, not only do we make sure that in everything we do how we are structured, we meet the requirements of all these external frameworks, we take it a notch higher."

> "Every year we have an online quality assessment process that every firm has to complete. For every service line we have one for audit, one for tax, one for accounting, one for financial advisory services, and then every three years they did a set with a quality review team to assess them both against their questionnaires and against their files in terms of how they have answered etcetera, and for each assessment, they have to develop their action plans, their

> [unclear 00:36:12] timelines and all of that, which a lot of the firms that we work with appreciate."

It became evident that the effort placed by the global firm in ensuring that the network standards they develop and enforce are integral to the building of a reputation, which ultimately is reflective of the global brand. This is what contributes to the competitive advantage of the firms in the network.

> "So the lever that we have is the use of our brand, the use of our systems. In order for that group of partners who have decided to operate under a Deloitte brand, in order for them to be able to continue operating, they need to meet our standards and as a firm, part of what our standards are is that you comply with the local regulations. So you need to make sure that your people are properly qualified, you need to make sure that you comply with the local laws and regulations and if there is a local regulator that reviews you, you need to make sure that you are meeting the standards set by that local regulator. That's part of our standard. But in addition, you need to operate in a way that determines that you are a Deloitte."

5.4.2 Quality of Institutions

This section aims to understand the role the quality of institutions plays in the evaluation of the accounting and audit firm's decision to enter a country or territory. The firms all pointed to a number of different institutions, which they considered critical for the evaluation related to a decision to enter or exit a particular country or territory. The interviews with the participants sought to answer the following research question.

Research Question 3 (RQ3): What is the impact of the quality of institutions on the trade in accounting and audit services in Africa?

The majority of participants viewed institutions from a different perspective. These institutions ranged from the quality of educational institutions producing professionals to the institutions of states such as the central banks.

In making that assessment, a participant considered the quality of institutions in South Africa as a benchmark in evaluating the institutions in some of the countries they were looking to enter.

> "If you look at the World Economic Forum Report every year, you will see that we have been rated, well, we've dropped in a lot of rankings recently, but we also dropped I think, in the quality of our institutions and the legislation that governs those institutions. But South Africa has strong financial institutions governed by strong legislation. The FSCA, the JSE, FICA, SARS – we have strong legislation in South Africa, we just have a problem with compliance of the legislation."

The institutions that were central to this evaluation, were those linked to the profession, such as the regulator of the profession. A strong regulator was often seen as a positive consideration when looking to enter a country or territory.

> "But again, when you talk about coercing the profession and that interaction between the profession and the regulator, my philosophy is we don't believe in under-, or over-regulation. Under-regulation is self-regulation, over-regulation is also not good. We believe in what we call balanced or right touch regulation. Right touch regulation means that we must create an environment for auditors in which they can deliver their services at the highest quality without us issuing too many rules to do so. But the situation and the environment will dictate to us where on that pendulum we should be. At the moment, we appear to be over-regulating. You must rotate every ten years. Here's our code of ethics."

The perspective of the participants from the regulator assisted in the appreciation for the interaction that occurs between the profession and the lawmakers in the country to ensure that the function of the regulator is legislated. In other words, it becomes a key institution in law.

> "When I talk about audit legislation, we understand the importance of establishing independent audit regulators, focusing on audit quality. That has to start with it being written into legislation."

The regulators on the continent have shown an interest in developing their offices with the assistance of IRBA. The process to develop the regulatory function to a point where its role is drafted into law is very involved.

> "What we have done in South Africa is we have been invited by these other jurisdictions to go and speak to their legislators and to their politicians, because again, to get legislation passed, you need the buy-in from the politicians, and I believe that the first place to start then is to get the buy-in from the politicians."

One of the critical enablers to achieving this was the quality of the institutions charged with the responsibility of processing legislation, e.g. parliament.

> "I have been invited by various countries to talk to their politicians, their finance ministers and interestingly, the person I met with in Zimbabwe is now currently the President, but he was the Vice-President at the time, to talk to him about the importance of having strong audit legislation, having a strong independent auditing regulator and how that can impact on confidence in the country and confidence in investment. And once you get the buy-in from the political level and from government and they get the legislation passed, everything becomes so much easier. So we are trying to assist these other countries by getting their legislation amended in the first place."

In terms of the contribution regulatory institutions make, it is apparent that there is a drive to strengthen these institutions through cooperation amongst institutions on the continent. Furthermore, the institutions engage with governments in order to strengthen legislation.

The accounting standards that apply to the clients of the accountants and the accountants and auditors effectively become the experts that ensure that these standards are complied with. On the other hand, the audit profession has developed the International Standards on Auditing, which serve as a framework for audit professionals to carry out their work. The teaching of these frameworks and standards and consequently the development of the professionals occurs at the level of the universities and other educational institutions. This then becomes a critical component of evaluation for accounting and audit firms.

> "Firstly, in South Africa, what we have in the educational institutions is that the educational institutions that provide accounting education need to be accredited by the Institute of Chartered Accountants. So, the Institute of Chartered Accountants, which is a professional body, determines the levels of competence that are expected of a chartered accountant and educational institutions are then graded and assessed on their ability to deliver on that competency. And once they are accredited, they then are able to produce people who will go into the CA stream, who potentially could be CAs."

Other institutions considered when performing this evaluation include the stock exchange of the country.

> "They have a bias to say that if the country has a great stock exchange, somehow that is going to work. And we don't think that that's how it is. And our own South African lesson is that this is a value chain, it's an equal system and these things have to fit together. And I'm not only describing to you another South African product - the Audit Quality Framework is a global product."

5.4.3 Tools utilised in assessing and dealing with state of economic governance

The participants indicated that the standards provided clear guidance in terms of the process to be followed when evaluating the state of economic governance in the host country. Furthermore, the influence of the professional standards into the firm environment created a level of consistency. The other prominent capability was the access to intelligence through research, indices, media reports and intelligence through partners based in the host country.

5.4.3.1. Standards, systems, processes and procedures

The accounting standards applied ensure a level of consistency throughout the process of delivery a product of quality.

> "If you were to leave to Johannesburg and go to Cape Town and work in an audit office in Cape Town, other than the complexion of the people in the office, from the Deloitte office in Joburg to the Deloitte office in Cape Town, and maybe the view out of the window, the way of work in the office should be pretty much the same."

The participant from the regulator submitted that irrespective of the firm, a professional faced with having to perform the same task, the process they would follow would be exactly the same.

> "If you went across the road from the Deloitte office to the KPMG office, the way of work will also be the same. There may be some terminology differences, but you will fit in, as a professional. And, if you made the same transition to London or Stockholm or Tokyo, and you walked into an audit office there, of course - different scenery, but same methods"

In pursuit of consistency and processes to ensure that the firms align to the standards and ultimately a quality deliverable, the firms have developed tools to ensure compliance to own policies and the relevant global standards.

> "There are global policies. So we have one audit platform, one audit methodology, which is compliant with international standards on auditing. So our policies will direct what we do and how we use those methodologies and tools, and then there will be global programmes to monitor, measure compliance with that."

Although at the level of standards, there are consistencies across the globe, there seem to be inconsistent levels of maturing when one looks at the regulators of the profession.

> "Not all the regulatory bodies are as sophisticated across the continent. The regulators for auditors, even the South African one, is quite aggressive but not advanced in terms of the manner in which they engage with the profession. It is quite a bit stick rather than a constructive developmental approach to saying how do we make sure that we provide a service that is reliable that can actually serve the purpose which it was intended to serve."

In the journey of the profession to drive harmonisation of standards across the globe, larger economies are seen to be having a stronger influence in the direction of the standards.

> "Because I guess if anyone is dealing with US, I don't think there is any economy, not one, that compares from a scale perspective, to the US. That's why the US can sustain its own standards for a very long time. But when you also look at the UK, some of this, like, the scale of some of the companies in the UK are big. So if the big voices that articulate in the development and progression of standards are coming from first world lenses, there are certain limitations, whether it's a function of access to skills, or the development of the policy framework, whether a whole range of things then say certain articulation of standards don't make sense in their role, kind of a literal interpretation in a particular environment. So you then have to almost localise it. But as soon as you localise it, they are tensions of interpretation. Other people will then go to some extremes in localising their interpretation, which leaves you with ethical boundaries that are so tight. Other people will go to extreme conservatism."

An interesting perspective is one which reflects on the balance between the global priorities and the standards. The profession is occasionally faced with having standards that are relevant to global priorities.

> "A very simple example, if you look at emissions. When your primary issue is hunger, emissions are secondary. But if the standards are that if you had to serve the economy, you've got to have this level of emissions, all of a sudden, you've added a baton. Is that a good standard? Yes, it is, but is it a practical standard for the economy? Maybe it's not. So that's an example that I think I can use that can almost drive the point home, even on accounting and auditing."

The coercive tendencies of the regulator are illustrated in the manner in which they execute their work. They set the quality standards and enforce the compliance thereto.

> "We set the competencies for auditors to ensure that they are competent to go out and do their work, we issue standards, auditing and ethics for auditors, we monitor compliance to those standards and the code of ethics through our

> inspections, if auditors don't comply we send them for investigation and we can then send them for disciplinary action, which means that there has to be some consequences if you don't comply."

In addition to this, the regulators share knowledge and experience with other regulators on the continent and with regulators across the globe. This is done through the establishment of informal and formal network platforms. The regulators also exercise normative tendencies when it comes to establishing standards for regulation amongst their peers.

> "What we have established about two years ago is a forum called AFIAAR, which is the African Forum of Audit and Accounting Regulators. And this AFIAAR is based on the international forum, which is called the International Forum of Independent Audit Regulators and the IFIAR consists of about 54 countries worldwide, where we share best practices and talk about our challenges in regulation of the auditing profession."

5.4.3.2. Research, indices and media reports

All firms that participated in the study placed a strong emphasis on the research function as a means to gather information about the countries within which they operate or intend to operate. The research in most cases is situated at the global headquarters of the network. The research then forms part of a global database, which builds the research capacity of the firm.

> "We have what we call a sentinel database. And that is a global database, which lists all entities that we do business with globally. So before you can start doing work on any client, they would input that information into the central database, which goes and measures, are we auditors, have we done other work, is it SEC, are we allowed to do those services, are we conflicted - yes or no. That also gets taken into account as part of this evaluation."

A participant spoke of the use of external service providers to perform country-level assessments which would then form a critical part of the evaluation process.

> "We also take into account…we get what we refer to as quarterly in-country assessment updates. So we use an external service provider, who is very close to the economic, the political situation within South Africa, for example, and they would give us a report of their view as to what is happening in the country. What are the industries that are at risk, for example, the construction industry. So we take those factors into account."

The research not only focused on the country level issues, but the research process would also focus on the firm's client and sector.

> "So we would have a central research, sorry, a global research team and they would gather data that is publicly known. So, many of the institutions that you've already referred to, they will gather information. There will be an evaluation done by… So if we are already in the country, there will be an evaluation done by the quality and risk teams in that country, so there are many examples, you would have ranging from political to economic to regulatory to physical."

> "We would take a company like XXX and run it through a very, very intensive research process, to say, okay, XXX operates in so many countries, and a lot of these countries bring a different kind of complexity. Some of them are sanctioned countries, some of them are not sanctioned countries. Some of them are English-speaking, some are not."

Part of the role of the research function is to access information from media sources, that are in one way or another linked to the operations of the firm in a particular country or territory.

> "One of the things that is good is that the media is relatively accessible, so we get a whole heap of information from the media, in most of the geographies. So media scraping becomes relatively easy and it allows you to get more information, but that information is jaundiced because the lens of the reporter is not necessarily a balanced lens."

The analysis from research, indices and the media is not sufficient to conclude on a decision to enter a territory, accept or decline an appointment. Localised knowledge and understanding of the risks in the foreign territory are critical tools in assessing and navigating the risks in the territory.

> "The next source is actually cases, legal cases that have been completed. We have a system called Oculus. Oculus, actually, if I put Paul Serote, I don't even have to put your ID. It will tell me how many Paul Serote's are there, who of them have actually appeared in the Panama Papers, what they did appear for and what companies they are linked to. A whole range of information that I can get through that."

> "When last did I look at the newspaper on Tanzania? It means nothing. But if I give it to the partner in Tanzania who understands the context, the meaning of that report is a lot deeper. Their ability to either defend or tell me to say stay away is a lot more insightful. And that's why you need the member firm structure, saying how do people bring in the global capabilities and all these sophisticated tools to bring the appropriate information to the person with the appropriate context who can make a sound decision."

As part of the process of evaluating the state of economic governance in a particular country, the firms used various tools available to assess the levels and the control of corruption. The participants also emphasised the fact that these tools were not used in isolation, but were used as part of an integrated evaluation process in line with professional standards and firm processes.

> "So you are looking at the corruption index, and that corruption index gives you an assessment of the level of enhancing your process, your client acceptance process, because how we manage risk is down to an entity level. You say does this entity operate in an industry that is highly exposed to corruption? Has this entity been faced with a litigation, how have they fared? Is the governance…are the people that are charged with governance people of stature, people of integrity that you can rely on?"

> "So the corruption index are contributors but we don't use them as the ultimate judge of whether we go in or not."

Various indices of the World Bank and other agencies are also utilised as part of the research process, which feeds into the process of evaluation.

> "Generally, there would be sources of information, so you would look at Transparency International and you would look at their reports for instance, you would look at the World Bank, you would look at the ratings agencies."

A particular participant went to great lengths to describe the process involved in the research and how this filtered down to the client evaluation. This process highlighted the need for the person doing the evaluation to reflect on the information provided for the purposes of making an informed evaluation.

> "So, the people who are doing the initial evaluation - and that is extremely important, the most important part of it - they will be provided with the research and they will have to respond, evaluate, compare, corroborate. They would have to do that and say, well, a broad comment that the level of white-collar crime is eighty percent of all transactions. Well, what does that mean? What does it mean for me? How does it manifest itself? What were they measuring? Where is this an indication of a money laundering issue, and therefore we are getting red flags from financial institutions. Well, what does that mean? Who is perpetrating this? What does it mean for our clients and our sectors and our industry? So they would have to look at the research they get and then apply it to their local conditions. And then they need to be challenged on it as well. But the further away the levels are, the more generic would be the questions, because they are not on the ground so they would be informed by more strategic issues."

5.5 Impact on Trade in Accounting and Audit Services: Reasons to exit or decline appointment

The opportunity to provide an accounting or audit service is with the assessment of a client, either at acceptance or at any other time in the relationship. This decision is also affected by the environmental factors, which could also be the state of economic governance in the country. Following the assessment of economic governance, the firms may decide to exit or decline an appointment. Most firms focus on the client acceptance procedures as a framework of assessing the risks associated with the acceptance of an engagement. A participant was clear that evidence of fraud and corruption was a reason to immediately decline appointment or withdraw from a client.

> "So that is fraud and corruption that relates to us and how we do business in any particular country. When it comes to assessing fraud and corruption being perpetrated by our clients and prospective clients, before we undertake any new piece of work, we perform what is called a client acceptance and continuance assessment, and in that assessment, evidence of such activity - fraud and corruption - would result in us simply refusing to take on that client. So we would respectfully decline and walk away."

The issue of sanctions was a prominent matter in the process of evaluation, as a result of the firm being of US origin. In some instances, there could be international sanctions against the country, in this case, the audit firm would not accept any appointment. A further dynamic affecting this area would be the impact of the country where the global license is held. E.g. in the case of one "Big Four" firm, the fact that the owner of the global license is resident in the US forbids any firm in the network from operating in countries sanctioned by the US.

> "So, in Ethiopia we had to pull out because we couldn't pass the second test, the regulations did not protect us adequately as a multinational or as a global firm, because they do not allow multinationals to own or to practise in that space. You need to practise to a local entity. And that just created a distance for us and it was not adequate for us to supervise the quality of the firm, the systems of the firm, and give us the power to do something with it if we felt the standards were not being met. So we pulled out."

In certain instances, the client acceptance procedures could conclude a risk of ethical lapses with the management of the client, which would translate in a risk for the provision of accounting and audit services. In this event, the firm would decline appointment.

> "And there are some specific questions, like, you know, where do they obtain their funding from, for example. If it is linked to a sanctioned country like Russia, which you've seen in numerous occasions - money's gone from a Russian bank account to Mauritius into South Africa, you know. That needs to be evaluated.

> That could be a deal breaker, when we say, well, that association risk has now gone above what we are prepared to accept and we will make the decision not to accept the firm."

The impact of a fragile political situation in Pakistan and its impact on the state of economic governance has resulted in a decision of one firm to withdraw its operations from the country. The firm will not consider new accounting and audit assignments in the future.

> "In Pakistan things have reached a level in a country where it's unacceptable and the following requirements and rights do not exist in the country, so we had to exit."

A further reason to decline appointment, which is linked to politics, is where there are sanctions in a country. Again, this could have been linked to the country of origin of the firm, in that the global firm is headquartered in the US and therefore no firm in the network may perform work in a country subjected to US sanctions.

> "So it depends on the firm you are dealing with and the specific network standards of that particular firm. So we are a global firm registered in the US, a combination of US sanctions, so US sanctions preclude us from doing work there."

One particular firm was clear that the network standards would not allow work to be performed in a country where there was no rule of law.

> "There is no way you would be allowed to perform services in a country where there is no rule of law or any demonstrable evidence of there being a rule of law."

For all the firms, except one of the "Big Four" firms, examples were cited where the clients led the firms into foreign territories, they would not ordinarily enter.

> "So maybe just make it practical. As far as I know, there is no rule of law or judicial system in a country like Somalia. So the country closest to Somalia again, it happens to be Kenya. The Kenyan practice will not perform any work in Somalia, nor do they have any desire to do so."

After following all processes and procedures, the firms ought to make an evaluation and decide whether to continue or withdraw from an assignment. The evaluation may conclude that the regulatory risk is too high or that their assessment is that there is a general culture of non-adherence, almost a state of anarchy.

> "We need to understand their own response to their regulatory risk, how are they managing it, why did it happen, was it valid, was it invalid, is it the law evolving and them not evolving fast enough with the law, or is a culture of them caring less about the law."

5.6 Conclusion

The purpose of this chapter was to present the research findings from the research questions posed in Chapter 3. The research findings suggest that the firms consider the state of economic governance in determining whether to continue operating in or entering a host country. The firms placed reliance on the guidance provided by the professional standards, global firm standards and the firm's own systems, processes and procedures in performing the assessment of economic governance and developing strategies to deal with the outcome of the assessment.

The decision to accept an engagement or to continue with an assignment is performed following an assessment at a client level. Periodically, country level assessments are performed as part of a global or regional strategy. Where there were issues identified in the assessment of economic governance, this did not automatically translate into a decision not to enter, or to discontinue in the country or territory, however, depending on the gravity of the issue identified, this could be addressed with the deployment of a different approach.

The results confirm that the assessment of the rule of law, control of corruption and the quality of institutions formed part of the ongoing assessment of risk and the management of uncertainty relating to the operations in a host country or territory.

The results are discussed in detail in the following chapter.

CHAPTER 6: DISCUSSION OF RESULTS

6.1 Introduction

Following the presentation of the results collected from semi-structured interviews in the previous chapter, the results are discussed below. The structure of the discussions are in line with the research questions posed. The purpose of this section is to discuss the insights into the impact of economic governance on the trade in accounting and audit services. The results are compared to the existing literature with the aim of extending the body of knowledge pertaining to the trade in accounting services and the impact economic governance has on it.

6.2 Discussion: Economic Governance

In order to understand the impact that economic governance has on the trade in services, it was necessary to understand how the firms would assess these in the first place, secondly, it was critical to understand how the firm structure, professional standards, systems, processes and procedures assisted the firms in assessing and responding to the state of governance in a host country.

This section will discuss how the institutional environment assists the firms in developing systems, processes and procedures. The discussion will focus on the roles of the firm structure at a global and regional level, the structure of the profession and also the structure of the regulatory institutions.

This section will also discuss the impact of the specific components of economic governance, being the rule of law, control of corruption and the quality of institutions. The rule of law and control of corruption has been discussed in one section due to the similarities in the firm approaches to these, whilst the impact of the quality of institutions is discussed separately.

The last discussion pertains to the impact these factors have on the trade in accounting and audit services followed by the conclusion.

6.2.1 Discussion: Institutional environment

The institutional frameworks in any country comprises both formal and informal institutions, also describe by North (1991) as a web of institutions that are interdependent. For these institutions to survive, they need to demonstrate legitimacy (Scott, 1995). Ultimately, the primary actors that shape the institutional environments are the state and the professional bodies (Scott, 1995).

This study was about accounting and audit services, therefore, the institutions of focus within the institutional environment were those institutions that interacted with accounting and audit firms. These institutions were the global firms which were the owners of the network brand, the professional bodies that set standards and oversee the profession, the regulatory bodies which regulate the profession and any other institutions of state that interact with the accounting and audit firms.

All firms who participated in this study belong to local professional bodies such as SAICA, and the key engagement professionals are members of the professional bodies. These professional bodies, or informal institutions as referred to by North (1991), exert professional and moral pressures on the members of the profession, which contribute to the legitimacy of the profession (DiMaggio & Powell, 1983). The profession has a code of conduct, which provides a framework for the members with respect to the moral obligations and adopts a set of standards, which in turn imposes the professional obligations on individual and member firms. The professional bodies also set the criteria for the minimum educational requirements for individuals aspiring to be members of the profession. DiMaggio & Powell (1983) referred to these tendencies as normative isomorphic pressures.

The firms were also part of a global network. Global network firms are headquartered in the US and Europe. The global head office manages the issuing of network licences to firms across the world. The head office manages the reputation of the global firm through a set of standards that the network member firms comply with. In return, the network member firm attains the legitimacy of being a part of a global brand with a reputation world-wide. The association with this brand provided the firms with a set of systems, processes and procedures to abide with to ensure that that the operations and deliverables throughout the world are to a standard aligned to the reputational aspirations of the global network. It can be argued that prior to being a member of a global network, because these firms aspire to achieve the superior products and functions of global network firms, these tendencies can be referred to a mimetic isomorphic pressures (Scott, 1995), however, once the firm becomes a member of the global network, the pressures shift to being normative isomorphic pressures.

Africa's regional dynamics, which are mainly influenced by the continent's colonial past has led to a situation where many of the firms and the professional bodies on the continent cluster regional cooperation along these lines, particularly languages such as English, French and Portuguese. This introduces a different dynamic to professional cooperation, where it can be argued that the isomorphic pressures are a combination of mimetic and normative isomorphic pressures. Mimetic, because there is a desire among some professionals in some countries to achieve the professional standards of the more advanced economies, whilst there are regional professional bodies, which instil their own standards and exercise oversight over the profession in the region (DiMaggio & Powell, 1983).

Coercive isomorphism, or regulative isomorphism originates from organisational dependence and is generally influenced by the politics in the country or the region (DiMaggio & Powell, 1983). These external pressures are also referred to as coercive isomorphic pressures, and these can be from both formal and informal institutions that the organisations are dependent on (DiMaggio & Powell, 1983). Where the professional body also plays the role of the regulator, this fits within the definition of the coercive isomorphic pressures. The role of the regulator of the profession is also independent, legislated in many countries and there is consensus that this is the preferred approach to regulation, so as to prevent the profession from self-regulation. Regulators cooperate with other regulators with an objective of achieving a regional standard for the regulation of the profession on the continent, the pressures to be like more advanced regulators is mimetic.

Finally, when looking at the behaviour of institutions, it is critical to note that norms and rules drive the activities and behaviours of institutions whether these rules are externally or internally driven. It is to be expected that the activities and behaviours of institutions will evolve as the rule structure of society evolves (Markey-Towler, 2019). This is true in that at the local level the firm arrives at a set of policies, systems and procedures adjusted for the external influences mentioned above in order to achieve legitimacy. These are the very systems, processes and procedures that enable the firms to assess and respond to the state of economic governance in a country or territory.

Beverelli, Fiorini and Hoekman (2017) inferred that the institutional framework of a country and how the institutions function may be reflective of the state of economic governance. The following section discusses how the firms' systems, processes and procedures enable them to assess and respond to the state of economic governance in the host country.

6.2.2 Discussion: Research Question 1 and 2

Research Question 1 (RQ1): What is the impact of the level of adherence to the rule of law on the trade in accounting and audit services in Africa? Research Question 2 (RQ2): What is the impact of the control of corruption on the trade in accounting and audit services in Africa?

Recently literature reflects consensus that for the private and public sectors of a country to work, there must be good economic governance (Mihut, 2018). For the purposes of this study, the World Bank's scope of economic governance was utilised as a framework to analyse the impact of economic governance on the trade in accounting and audit services. The components, as captured in the World Bank's Worldwide Governance Index methodology are the adherence to the rule of law, the control of corruption and the quality of institutions (Fiorini & Hoekman, 2017).

When approaching foreign countries or territories, firms try by all means to avoid uncertainty, or ensure that mechanisms exist in the host country to uncertainty to a minimum (Drixit, 2009). For accounting and audit firms the fundamental mechanisms relate to having a methodology which informs the firm's approach to accounting and audit assignments. This methodology is informed by a set of professional standards, which are common to accountants and auditors in the profession.

All the firms that participated in this study belong to a global network, which, over and above the relevant professional standards, sets standards, which all member firms have to comply with. These network standards provide input into the firm structure, systems, processes and procedures aimed at ensuring that all the firms in the network are adequately capacitated to manage uncertainty, in this instance are able to assess the state of the rule of law and control of corruption in the host territories. The network standards of the global firm create an environment of consistency across all member firms, drive a specific culture representative of the global brand, and ensures that all member firms in the network develop competencies, people and processes to produce quality deliverables for clients.

In the case of the specific procedures for assessing the state of the rule of law and the control of corruption, the methodology and standards incorporate the broad approach, particularly in the client acceptance procedures. For all firms, these procedures ensure that the firms are able to have at their disposal information about the host country and their client. These procedures are also aimed at assessing the client's capacity to respond to the factors that could potentially point to a low state of economic governance. Of interest, where the assessment points to the existence of a low adherence to the rule of law or the control of corruption in a country or territory, this was not reason alone to decline an appointment, or to exit a country or territory. For most firms, an assessment of the client's procedures to mitigate this risk or uncertainty was taken into account.

The formal and informal regional structures assisted all firms in gaining deeper insights about a region, country or territory. The information gathered through the research capacity of the firm is complemented with the insights of firms operating in the region, including the firms from other professions, such as legal firms. In this regard, a standard such as ISA 600, provides the auditor of a group of companies with a set of procedures relating to the audit of a component of the group performed by another auditor. The standards also provide a framework for engaging specialists as part of an audit.

All the firms have invested in tools and the research capability to access information pertaining to industries, sectors and countries across the world. This research capability exists as a combination of resources at the local level or at the global firm. This platform provides the global firm with an ability to manage risks from a central point, and also inform the member firms in the network of potential risks and areas of concern. This came out particularly strong in areas where, for example, where the global firm issues a directive that no firm in the network may perform assignments in countries and territories subjected to sanctions by the United States.

The research capability and systems of the firms enable them to access information from a number of media sources on a real time basis, information about their clients, information about sectors and industries and also country level data. This information is critical, as a situation in a particular sector, country or region could change as a result of a political event or any other significant event. The firms should be adequately equipped to respond to this.

The approach of all firms was to ensure that all procedures are compliant with professional and network standards, and in so doing, ensure the integration of the relevant information from various sources, including research and indices published by organisations such as the World Bank and Transparency International.

For all the firms, it was critical to understand the state of the adherence to the rule of law and the levels of corruption and the control of corruption in a particular country or territory. A critical component in managing risk and uncertainty for the firms is a condition that there ought to exist an environment that is stable and predictable. Isanga (2016) in defining the existence of the rule of law in a country in the context of an environment that promoted and enforced protection over private property and freedom that is stable and predictable, promotes entrepreneurship, investment and capital formation.

The inference of Isanga (2016) which states that the existence of a strong rule of law in a country or territory is not the only condition for the promotion of conducive economic climate, is supported by this study in that the firms, guided by their systems, processes and procedures, considered other factors in responding to state of economic governance. It should also be noted that the firms were reluctant to operate in a country or territory, where the rule of law was considered to be absent.

One of the key components of economic governance, is in understanding the critical role of institutions in not only protecting the design and implementation of the laws, but in sustaining an environment of economic governance (Epaphra & Kombe, 2017). The following section deals with the role of formal and informal institutions in the quality of economic governance.

6.2.3 Discussion: Research Question 3

Research Question 3 (RQ3): What is the impact of the quality of institutions on the trade in accounting and audit services in Africa?

In any country or territory, the institutional arrangements that contribute to economic growth comprise of formal and informal constraints and specific characters of enforcement (North, 2005). Where formal institutions are referred to in the context of government or states, informal institutions are referred to in the context of the private sector (North, 2005). From an African perspective, Epophra and Kombe (2017) emphasised the critical role of institutions and how institutions are critical in the economic growth agenda of African countries.

In this study, the formal institutions, which are in most cases statutory bodies refers to regulators of the accounting and other professions, regulators of sectors such as financial services regulators and education institutions. The informal institutions, in the context of this study refers to the professional bodies and other bodies established for the purposes of cooperation at a country level, regional level, or international level. The informal bodies extend to the cooperation of regulators in different countries and territories.

These institutional arrangements comprise of informal and formal constraints and their specific characteristics of enforcement (North, 2005). At a high level, informal institutions refer to private institutions and formal institutions are institutions within the context of government or states. While informal institutions which are shaped by norms, culture and customs, formal institutions are legal institutions defined by political constraints and operate with the realm of constitutional and statutory rules.

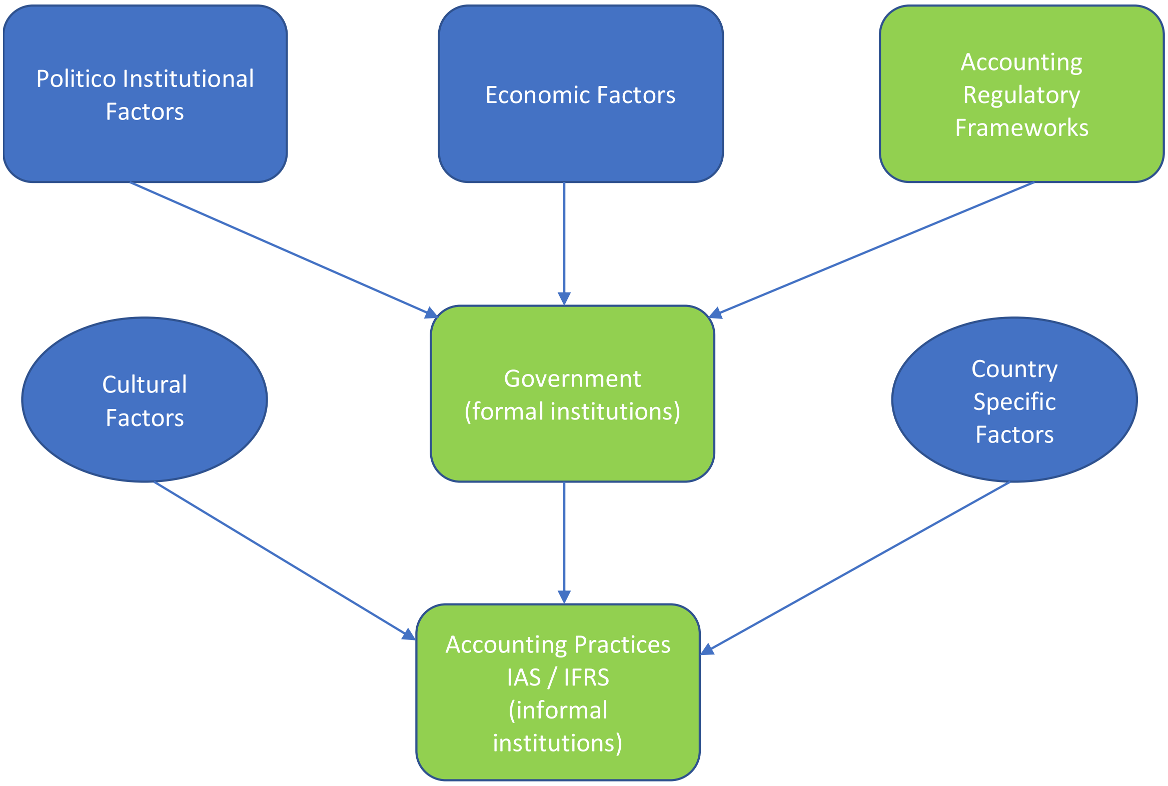


Figure 1: Institutional effects n accounting practices. Adapted from "Factors affecting development of accounting practices in Jordan: an institutional perspective (Tahat, Omran & AbuGhazaleh, 2018)

The results indicated that for the firms to develop strategies and arrive at appropriate decisions, they needed to develop an understanding of the institutional framework in the host countries or territories. With all firms, the South African institutional framework was used as a benchmark in evaluating the quality of the institutions. Furthermore, there was a need to understand the underlying drivers for the shape and form of the institutional framework and how the institutions are influenced by external forces .

As can be seen in Figure 2 above, both the formal and informal institutions are influenced by external forces. The formal institutions can be influenced by a number of factors, which are broadly summarised as politico-institutional factors, economic factors and accounting regulator frameworks. The external influences of informal institutions on the other hand comprise of cultural factors, formal institutions and country specific factors.

The primary actors that shape the institutional environment are the state and the professional bodies (Scott, 2007). This study focused on the regulatory institutions, the professional bodies, the global network firms and the local firms.

The majority of participants viewed institutions from a different perspective. These institutions ranged from the quality of educational institutions producing professionals to the institutions of states such as the central banks.

In making that assessment, a participant considered the quality of institutions in South Africa as a benchmark in evaluating the institutions in some of the countries they were looking to enter. The results confirmed that once the institutional framework was understood, the key institutions that played a role were evaluated against South African and global standards. The focus within the formal institutions was the quality of regulator and the quality of the educational institutions. The regulators of the profession are ideally a legislated function, i.e. created in law, and exercise oversight of the profession and enforcement, where there are instances of non-compliance.

From a firm perspective, these external pressures are the coercive isomorphic pressures (DiMaggio & Powell, 1983) from the regulators to the firms. Of interest, is that the from a regulator perspective, there is a desire to achieve legitimacy through mimicking the regional and global standards of regulation of regulators in other countries. These pressures are referred to as the mimetic pressures of regulators (DiMaggio & Powell, 1983). Informal institutions seeking to institutionalise the support and cooperation of regulators have emerged at a regional and international level.

Lungu, Caracaiani and Dascalu (2017) inferred that the adoption of accounting regulatory frameworks had an impact on foreign direct investment (FDI). The study by Lungu, Caracaiani and Dascalu (2017) focused on the impact the adoption of the International Financial Reporting Standards (IFRS) had on the attraction of FDI. From our results, the firms which are members of a global network are trained in IFRS, and where IFRS is the adopted methodology, they are most likely to adapt and function better. For this reason, it can be inferred that the accounting regulatory framework would influence the formal institutions to adopt the international frameworks, which would be pressures referred to as mimetic isomorphic tendencies (DiMaggio & Powell, 1983).

Once adopted, the regulatory institutions would in turn coerce the private sector to adopt the accounting frameworks.

The institutions that were central to this evaluation, were those linked to the profession, such as the regulator of the profession. A strong regulator was often seen as a positive consideration when looking to enter a country or territory. Other influencing factors would be the state of the country's economy and the need for the country to attract funding. Donors would also influence the structure of institutions that are expected to be in place and the accounting practices that ought to be in place (Tahat, Omran, & AbuGhazaleh, 2018).

The existence of a strong professional body of accountants and auditors in a country or territory also contributes to the perceptions of a robust institutional framework. The reason for this is that the profession sets standards, influences and accredits institutions in the value chain, e.g. universities to produce graduates and are eligible to write the professional entrance examinations. In countries like South Africa, the professional body, South African Institute of Chartered Accountants (SAICA), would set the professional examinations, including setting the minimum academic qualifications to be eligible to sit for the examination.

In turn, professional bodies at a country level aspire to achieve standards recognised internationally. These pressures are a combination of mimetic and normative. The pressures are mimetic in that there is a desire by the body to achieve legitimacy through international recognition. For them to retain that status, the professional bodies have to be structured in a particular way and manage their influence over the profession in a manner consistent with the international body. These would then be the normative isomorphic pressures.

In performing the assessment of the quality of institutions, the firms in this study also considered the existence of other institutions and the strength of the institutions. Other institutions considered when performing this evaluation include the existence and functioning of the stock exchange of the country. From an accountant and auditors perspective, this is important, as these institutions raise the standards of reporting and also improves the perceptions of transparency.

The results of this study corroborate the outcomes of the study on African Multinational Enterprises that concluded that where formal institutions were not effective, it did not necessarily translate into a universal competitive disadvantage for the host country. The firms when faced with ineffective formal institutions built the capability to understand the rules governing informal institutions, which enabled them to respond to the informal institutions in order to derive advantage not only in the host country but in the region (Daniel, Onaii-Benson & Mbalyohere, 2018). The next section discusses the impact the state of economic governance has on the trade in accounting and audit services.

Although in the ECOWAS region, research showed that where countries had strong institutions, they were more likely to attract foreign direct investment (Ajide & Raheem, 2016), this study confirmed the assertion of Apophra and Kombe (2017) that an assessment of the quality of institutions in a country or territory was not the only criteria of assessment to arrive at an overall conclusion. The role of the other factors needed to be assessed in the context of the country or territory to arrive at a comprehensive assessment. The other factors that would need to be assessed, relate to the policy mix, trade liberalisation, governments' efforts to promote foreign direct investment and measures in place to improve the quality of the labour force.

6.2.4 Impact on Trade in Accounting and Audit Services: Reasons to exit or decline appointment

Having assessed the state of the economic governance in a particular country, the firms were faced with a decision, as to whether to continue operating in a particular country or territory, or whether to enter a country or territory. From a firm perspective, the practical consideration is at a client acceptance level. In other words, the evaluation is part of the procedures set out in the standards, which assist the firm to accept or decline an engagement.

For professional firms, the key consideration in the evaluation is closely related to the firms approach to risk and the avoidance of uncertainty. The firms set out specific instances, which if they exist are considered to be sufficient to decline an engagement. Where there is an assessment that there is the existence of fraud, particularly in an environment where, there is a pervasive non-adherence to the rule of law and the instances of corruption are high. The outcome of a process which is a combination of the client evaluation and the evaluation of the institutional environment would inform the approach of the firms in this instance.

Following the assessment of economic governance, the firms may decide to exit or decline an appointment. Most firms focus on the client acceptance procedures as a framework of assessing the risks associated with the acceptance of an engagement. A participant was clear that evidence of fraud and corruption was a reason to immediately decline an appointment or withdraw from a client.

There are countries where the combined factors of economic governance are considered to be low. In some of these countries, there are also economic sanctions imposed. The firms were specific that in these countries, they would not enter, nor accept any engagements under any circumstances. Any involvement in these territories would be considered a violation of the global network licence conditions, which could ultimately result in the revocation of the licence to operate under the global brand.

There are instances where the country's own legislation and regulations restrict the entrance of foreign professional firms. In some instances, entry into those countries would not be considered, however, some of the firms would work in collaboration with firms in the country, or partner firms operating in the region.

The client acceptance procedures place strong emphasis on the evaluation of the ethical conduct of the management of their clients. An evaluation of a risk of ethical lapses with the management of the client, is also an indicator of the risk of corruption, which would translate in a risk for the provision of accounting and audit services. In this event, the firm would decline appointment.

In conclusion, the firms have sufficient systems, processes and procedures to evaluate the state of economic governance in a country or territory they wish to enter, or continue operating in. The systems, processes and procedures are influenced by the professional standards and standards of the global network firm. Following the evaluation of the economic governance and depending on the issues identified, the firms would look at whether there are alternative procedures, which would enable them to accept an engagement and enter a country or territory. However, in instances of high risk of the presence of fraud and corruption and where there are economic sanctions, the firms would not consider operating in that country or territory.

There is a complementary relationship between economic governance (adherence to the rule of law, quality of institutions and the control of corruption) and market access liberalisation. From this study it can therefore be concluded that where there is a better quality of economic governance, the positive effects of liberalisation are derived downstream (Fiorini & Hoekman, 2017).

6.3 Conclusion

Similar to firms in other professions or industries, accounting and audit firms consider economic governance in the host country, when deciding whether to enter the territory or continue to operating in the country or territory. The adherence to the rule of law, the control of corruption and the quality of institutions were considered to be critical in assessing the state of economic governance in the host country. For the firms understanding of the level of uncertainty or risk in the host country environment was critical as, like all firms, it is important to operate in a stable and predictable environment, or where uncertainty can be avoided or managed.

This study considered how the structure of the firms, their systems, processes and procedures assisted the firms in assessing and formulating strategies to respond to the state of economic governance in a host country. For the firms, being part of a global network provides access to systems, processes and procedures that enhance their capacity to assess and respond to the state of economic governance in a host country.

The assessment of economic governance was not the only set of factors for firms to consider in whether to enter or continue operating in a territory, but all firms considered this a critical component. When it came to the rule of law, in particular, firms would not enter or continue operating in countries or territories where the rule of law is considered as being totally absent.

CHAPTER 7: CONCLUSION

7.1 Introduction

This study sought to understand the of impact economic governance on the trade in accounting and audit services in Africa. This study focused on three large and two mid-tier accounting firms who are part of a global network. The regulator's perspective was also obtained with the participation of the Independent Regulatory Board of Auditors of South Africa.

Institutional theory was used as a useful lens as it acknowledges the role of professions in reproduction of isomorphic processes of existing social structures (DiMaggio & Powell, 1983). The context of this, is that within a country, there is an institutional framework comprising of formal and informal institutions. These formal institutions are usually statutory institutions established for the purposes of supporting governments in implementing the legislative and regulatory framework. Formal institutions interact with informal institutions, which are those institutions that are in the private sector and they include institutions established by professions such as accounting and auditing.

The growth in prominence of professions interacting with the state is a primary catalyst of institutional change (DiMaggio, 1991). Institutional theory has over time been a useful tool in understanding the internationalisation patterns of accounting firms, in particular the shape and form of the transnational structures of governance (Suddaby, Cooper & Greenwood, 2007). The accounting and audit firms were members of a global network of firms operating under a single brand. This revealed the mimetic and normative isomorphic pressures of this arrangement, which manifested in the design of the firm's structure, systems, processes and procedures. Put differently, the study showed how the firms, enhanced their legitimacy by being members of a global network, which in turn afforded them access to the systems, processes and procedures to enable them to adhere to professional standards and a competitive advantage.

This theoretical lens afforded this study the ability to understand the aspects of economic governance that impact the trade in accounting and audit services, what tools the firms use to identify these and how the firm structure, processes and strategies impact on the trade in accounting and audit services.

7.2. Research findings

7.2.1. Rule of law and corruption

The adherence to the rule of law and the control of corruption are critical components to economic development. In developed countries, where the adherence to the rule of law and the corruption is under control, a state of peace and security exists, the economic rights are guaranteed and economic growth is enabled to gain momentum (Ozpolat, Guvem, Ozsoy & Bahar, 2016). The study confirmed the critical role of the adherence to the rule of law and the control of corruption.

The capacitation of the firms to be able to assess this and develop strategies to respond to the state of economic governance in a country or territory had an impact on the decision of the firm to accept an engagement to enter a country or territory or to continue operating in the country or territory. The firms also confirmed that although the state of adherence to the rule of law and the control of corruption were critical elements, with the exception of where a country had sanctions imposed, these factors were to be assessed in the context of all factors reflecting of the governance in a country, an assessment of the policy environment, particularly policies on trade liberalisation. In the case of economic sanctions, firms were discouraged from entering or continuing to operate in the country or territory sanctioned.

The role and importance of institutions and the impact on the trade in accounting and audit services is discussed in the next section.

7.2.2. Institutions

A key success factor of economic growth is the existence of an institutional framework, which is enabled by effective, well-functioning institutions. Institutions, both formal and informal are seen by firms as being critical in creating an environment conducive to economic activity that encourages economic growth.

Firm structure plays an interesting role in not only enhancing the legitimacy of firms, but in strengthening their capacity to have systems, processes and procedures that ensure that they adhere to professional standards of quality. Embedded in the professional standards and the standards of the global network firm, are processes and procedures to assess risk and develop strategies to mitigate the risks. In the context of this study, these are the processes that provide the firms with the ability to assess the state of the host country's institutional framework and the effectiveness of the institutions.

Accounting standards are generally driven by the global accounting profession. The most common set of accounting standards adopted across many countries is the International Financial Reporting Standards (IFRS). Because the reporting entities are the companies, which are operating in the host country's economy, it is these companies, which ultimately are the clients of the accounting and audit firms that need to adopt the standards. The project of the global accounting profession to drive global harmonisation of accounting standards, meant that the profession had to lobby different countries to adopt these standards. In practical terms, the firms are of the view that the harmonisation of accounting standards aids trade. The interconnectedness of this to the trade in accounting and audit services, is that where there is a professional body, complemented by the country's adoption of international standards, this reduces uncertainty and makes the environment in the host country more conducive to entry and continuation of operations.

The firms are members of the local professional bodies. The professional bodies set the standards, accredit professionals and firms, and set out minimum criteria for membership to the professions. The professional bodies also set education standards for the profession, and in turn influence the educational institutions in the countries which ultimately results in the quality of training to be received by graduates entering or seeking to enter the profession. The influence over the members of the profession, including the firms is referred to as the normative isomorphic tendencies. These pressure centre around ensuring that the individuals and firms adhere to a code of conduct and a set of standards that give the profession legitimacy.

Most countries and territories have a regulatory function over the accounting and audit profession. Although the function of the regulator is legislated in some countries in Africa, in most countries the regulatory function is neither independent of the profession, not is it legislated. In considering the role of regulators in the context of an institutional framework, formal institutions carry more legitimacy than informal institutions, even though informal institutions play an important role in the institutional framework. As institutions, these regulatory bodies play this oversight role by exerting coercive isomorphic tendencies to ensure compliance with regulations and standards.

Perhaps a more comprehensive approach is the ability of the firms to perform a country level assessment taking into account the existence of a set of policies aimed at improving the quality of institutions as well as reducing trade restrictions, whilst enhancing both domestic and foreign investment and improving the quality of labour force. Armed with the understanding, the firms would be able to better reduce risk and manage uncertainty. The firms will then be better empowered to make sustainable decisions.

7.3. Implications for business

The outcomes of this study provide a contribution to the approaches of the firms, the professional bodies, regulators and governments, particularly when considering the implications of their policies.

7.3.1. Implications for firms

In a complex, dynamic and ever changing world, the firms need to expand the scope and focus from predominantly being about the client, to a more robust assessment of the operating environment in the host country on a continuous basis. Put differently, the standards, processes and procedures are focused more on the client engagement process. The firms ought to build the internal capacity to further reduce risk by ensuring that the key factors in the host country environment are taken into consideration.

7.3.2. Implications for the profession

Professional bodies need to consider influencing an extension to the scope of the standards to look at the continuous evaluation of the state of economic governance in countries they operate or intend to enter. This will assist in ensuring that, in turn, there is pressure on the firms to ensure that they perform this function adequately.

The professional body should also consider playing a role of coordinating the outcomes of the assessment of the firms as part of their own country research agenda. This, in particular will assist the profession to lobby critical positions with governments, such as the global harmonisation of standards. At the level of the firms, the research by the professional bodies would assist in ensuring that firms have access to relevant information that assists them in developing appropriate strategies pertaining to their involvement in host countries.

Regulators on the other hand, have a responsibility to ensure that standards are relevant and that firms are acting in accordance with the professional standards. Furthermore, because the regulators have coercive or regulative pressures, they are well positioned to consider changes the profession makes in the development of standards that elevate the focus of the client evaluation process, to a wider and more structured appreciation for the drivers of the economic governance in countries, the role of formal and informal institutions and the policy implications of governments.

Because the reputation of the profession is the sum total of the firms' ability to produce reliable, quality accounting and audit work, this will ultimately bolster the legitimacy of the profession. Failure of the profession to respond to this, has led to many questions around the relevance of the profession and legitimacy of key institutions in the face of corporate failures, sectors and in some instance markets.

7.3.3. Implications for governments

The importance of the role of institutions other than formal institutions is often overlooked by governments. This study sought to broaden the understanding of many governments of this role and in particular the interaction of the formal and informal institutions, in developing an environment conducive to economic growth. An example is in establishing formal channels of communication with professional bodies and regulators to discuss the adoption and implementation of leading global standards and understanding the implications of such for the economy. Currently, the processes of lobbying are not necessarily formalised, and therefore may not be integrated or coordinated with the developments in the policy or legislative environment.

7.4. Limitations of the study

The study was an exploratory, qualitative research study. With this type of study, there are limitations to the generalisability of the results. Other identified limitations identified are as follows:

7.4.1. Researcher bias:

One of challenges of qualitative research is the risk of biases and assumptions introduced by the researcher, which may affect the results. The researcher recognised this possibility and managed to mitigate the effect somewhat by introducing an element of variation in the design of the research. Firms that participated consisted not only of large firms, but also mid-tier firms. The inclusion of the senior executives from a regulatory body assisted in mitigating this risk.

7.4.2. Participation of firms not belonging to a global network

The firms belonging to a global network are clearly endowed with the capacity to access resources, advanced systems, research capacity, methodologies, processes and procedures, which could possibly limit the true internationalisation experience of a firm seeking to enter a foreign country or territory, who may not have access to this capability. For example, there could be significant differences in the mode of entry into a country or territory.

7.4.3. Limitation of economic governance in informing firm strategy

The major limitation of this study is the fact that an assessment of economic guidance may not be sufficient to inform the decision to enter or exit a host country or territory, without looking at other aspects such as political stability, policies on trade liberalisation, quality of labour available and the host country's attitude and approach to driving domestic and foreign investment.

7.5. Suggestions for future research

Researchers should consider researching the implications of economic governance on emerging accounting and audit firms, who are not members of a global network. These firms do not have access to the centralised resources developed by the global firm at their disposal. Because these firms are developing many of these as they grow, their experience of the impact of the state of economic governance in host countries may be different.

The adoption of international accounting and audit standards by countries is a prerogative of the country and a function of the decisions of its institutions. It is inferred that harmonisation of international standards facilitates trade and economic growth, is this true? Further research could be performed in Africa to assess the impact of the adoption of international standards in countries or territories on trade in accounting and audit services.

7.6. Conclusion

The results of the study and the recommendations made in this chapter further endorse the role of the accounting and audit profession as being that in the interests of a broader community, which is dependent on the quality of work performed by the professionals. In order to achieve the levels of quality, the firms create capacity to enable them to deal with the state of economic governance in a country or territory in which they operate or intend to operate. The study has implications for firms, professional bodies and regulators and governments and also makes recommendations for future research.

REFERENCES

Aghion, P., Akcigit, U., & Howitt, P. (2014). What do we learn from Schumpeterian growth theory? *In Handbook of economic growth*, *2*, 515-563.

Ajide, K. B., & Raheem, I. D. (2016). Institutions-FDI nexus in ECOWAS countries. *Journal of African Business, 17*(3), 319-341.

Alvesson, M., & Spicer, A. (2019). Neo-institutional theory and organization studies: A mid-life crisis? *Organization Studies, 40*(2), 199-218.

Ball, R. (2006). International Financial Reporting Standards (IFRS): pros and cons for investors. *Accounting and Business Research, 36*(sup1), 5-27.

Berger, P. L. & Luckmann, T. (1967). *The Social Construction of Reality.* Garden City, NY: Anchor Books.

Beverelli, C., Fiorini, M., & Hoekman, B. (2017). Services trade policy and manufacturing productivity: The role of institutions. *Journal of International Economics, 104,* 166-182.

Braun, V., & Clarke, V. (2006). Using thematic analysis in psychology. *Qualitative research in psychology, 3*(2), 77-101.

Brooke, M. Z., & Buckley, P. J. (2016). *Handbook of international trade.* Springer.

Cairns, G., Roberts, J., & Riaz, S. (2009). The global financial crisis: an institutional theory analysis. *Critical perspectives on international business.*

Cattaneo, O., Engman, M., Saez, S., & Stern, R. (Eds.). (2010). *International trade in services: new trends and opportunities for developing countries.* The World Bank.

Chenery, H. B. (1975). The structuralist approach to development policy. *The American Economic Review, 65*(2), 310-316.

Cohn, T. H. (2016). *Global political economy: Theory and practice.* Routledge.

Creswell, J. W., & Creswell, J. D. (2017). Research design: Qualitative, quantitative, and mixed methods approaches. Sage publications.

Crozet, M., Milet, E., & Mirza, D. (2016). The impact of domestic regulations on international trade in services: Evidence from firm-level data. *Journal of Comparative Economics, 44*(3), 585-607.

Dacin, M., Goodstein, J., & Richard Scott, W. (2002). Institutional theory and institutional change: Introduction to the special research forum. *Academy of Management Journal, 45*(1), 45-56.

Daniel, G. O., Onaji-Benson, T., & Mbalyohere, C. (2018). Navigating Institutional Differences in Africa: Moving Beyond the Institutional Voids Perspective. *AIB Insights, 18*(4), 15-19.

Deegan, C. (2006). *Financial accounting theory.* Australia: McGraw-Hill.

Deloitte (n.d.). Retrieved from https://www2.deloitte.com/za/en.html

De Jonge, A. (2015). *The glass ceiling in Chinese and Indian boardrooms: Women directors in listed firms in China and India.* Elsevier.

DiMaggio, P. J., & Powell, W. W. (1983). The iron cage revisited: Institutional isomorphism and collective rationality in organizational fields. *American sociological review,* 147-160.

Dihel, Nora; Goswami, Arti Grover. (2016). The Unexplored Potential of Trade in Services in Africa : From Hair Stylists and Teachers to Accountants and Doctors. World Bank, Washington, DC. © World Bank. https://openknowledge.worldbank.org/handle/10986/24968 License: CC BY 3.0 IGO.

Dibra, R. (2016). Corporate Governance failure: the case of Enron and Parmalat. *European Scientific Journal, 12*(16).

Dillard, J. F, Rigsby, J. T., Goodman, C. (2004). The making and remarking of organisation context-duality and the institutional context. *Accounting, Auditing & Accountability Journal, 17*(4), 506-542.

Dixit, A. (2009). Governance institutions and economic activity. *American Economic Review, 99*(1), 5-24.

Epaphra, M., & Kombe, A. H. (2017). Institutions and economic growth in Africa: Evidence from panel estimation. *Business and Economic Horizons (BEH), 13*(1232-2019-723), 570-590.

Farazmand, A. (Ed.). (2004). *Sound governance: Policy and administrative innovations*. Westport, CT: Praeger Publishers.

Farazmand, A. (2012). The future of public administration: Challenges and opportunities—A critical perspective. Administration & Society, 44(4), 487-517.

Farazmand, A. (2017). Governance reforms: The good, the bad, and the ugly; and the sound: Examining the past and exploring the future of public organizations. *Public Organization Review, 17*(4), 595–617. https://doi-org.uplib.idm.oclc.org/10.1007/s11115-017-0398-y.

Fiorini, M., & Hoekman, B. (2017). Economic Governance, Regulation and Services Trade Liberalization. Robert Schuman Centre for Advanced Studies Research Paper No. RSCAS, 27.

Fiorini, M., & Hoekman, B. M. (2017). Services trade policy: domestic regulation and economic governance.

Fiorini, M., & Hoekman, B. (2018). Trade agreements, regulatory institutions and services liberalization. *Global Policy, 9*(4), 441-450.

Frederickson, H. G., Smith, K. B., Larimer, C. W., & Licari, M. (2015). *The public administration theory primer*. Boulder, CO: Westview Press.

Fukuyama, F. (2006). *The end of history and the last man.* Simon and Schuster.

GATT. (1994f). General Agreement on Trade in Services. Geneva: GATT Secretariat.

Given, L. M. (2016). 100 Questions (and Answers) About Qualitative Research. Thousand Oaks: Sage.

Grant Thornton (n.d.). Retrieved from https://www.grantthornton.global/en/locations/

Henisz, W. J. (2004). The institutional environment for international business. *What is International Business,* 85-109.

Hoekman, B., & Braga, C. A. P. (1997). Protection and trade in services: a survey. *Open Economies Review, 8*(3), 285-308.

Hoekman, B., & Njinkeu, D. (2017). Integrating Africa: some trade policy research priorities and challenges. *Journal of African Economies, 26*(suppl_2), ii12-ii39.

Hoekman, B., & Mattoo, A. (2013). “Liberalizing trade in services: lessons from regional and WTO negotiations”, *International Negotiation, 18*(1), 131-151.

Independent Regulatory Board of Auditors. (n.d.) Retrieved from https://www.irba.co.za/

Isanga, J. M. (2017). Rule of Law and African Development. North Carolina Journal of International Law & Commercial Regulation, 42(3), 729–790.

Jaggi, B., & Low, P. Y. (2000). Impact of culture, market forces, and legal system on financial disclosures. *The international journal of accounting, 35*(4), 495-519.

Judge, W., Li, S., & Pinsker, R. (2010). National adoption of international accounting standards: An institutional perspective. *Corporate Governance: An International Review, 18*(3), 161-174.

Kaufmann, D., Kraay, A., & Mastruzzi, M. (2010). Response to 'What do the worldwide governance indicators measure?' *The European Journal of Development Research, 22*(1), 55-58.

Kerekes, C. B., & Williamson, C. R. (2008). Unveiling de Soto's mystery: property rights, capital, and development. *Journal of Institutional Economics, 4*(3), 299–325.

La Porta, R., Lopez-de-Silanes, F., & Shleifer, A. (2008). The economic consequences of legal origins. *Journal of Economic Literature, 46*(2), 285-332.

KPMG. (n.d.). Retrieved from https://home.kpmg/xx/en/home.html

Mack, L. (2010). The philosophical underpinnings of educational research.

Markey-Towler, B. (2019). The competition and evolution of ideas in the public sphere: a new foundation for institutional theory. *Journal of Institutional Economics, 15*(1), 27-48.

Mazars. (n.d.). Retrieved from https://www.mazars.co.za

Meyer, J. W., & Rowan, B. (1977). Institutionalized organizations: Formal structure as myth and ceremony. *American Journal of Sociology, 83*(2), 340-363.

Meyer, John W., W. Richard Scott, and Terrence E. Deal. (1981). "Institutional and technical sources of organizational structure: Explaining the structure of educational organizations." In *Organization and the Human Services,* 151-78, ed. Herman D. Stein. Philadelphia: Temple University Press.

Meyer, J. W., Boli, J., & Thomas, G. M. (1987). Ontology and rationalization in the Western cultural account. *Institutional structure: Constituting state, society, and the individual,* 12-37.

Mattoo, A., Subramanian, A., & Rathindran, R. (1999). *Measuring services trade liberalization and its impact on economic growth: An illustration.* The World Bank.

Mihuţ, I. S. (2018). New Implications of the Economic Governance Process across the European Union Member States. *The Annals of the University of Oradea,* 324.

Miroudot, S., Sauvage, J., & Sudreau, M. (2010). *Multilateralising regionalism: How preferential are services commitments in regional trade agreements?*

Myers, M. D. (2019). Qualitative research in business and management. Sage Publications Limited.

Nordås, H. K., & Rouzet, D. (2015). *The impact of services trade restrictiveness on trade flows.*

North, D. C. (1990). *Institutions, institutional change, and economic performance.* Cambridge: University Press.

North, D. C. (2005). *Understanding the process of economic change.* Princeton: Princeton University Press.

Ozpolat, A., Guven, G. G., Ozsoy, F. N., & Bahar, A. (2016). Does rule of law affect economic growth positively? *Research in World Economy, 7*(1), 107.

Patton, M. Q. (2002). Two decades of developments in qualitative inquiry: A personal, experiential perspective. *Qualitative Social Work, 1*(3), 261-283.

Parahoo, K. (1997). *Nursing research: Principles, process and issues.* London: MacMillan Press.

Pfeffer, J., & Gerald, R. (1978). Salancik. *The external control of organizations: A resource dependence perspective.*

Pryke, S. (2012). Economic nationalism: Theory, history and prospects. *Global Policy, 3*(3), 281-291.

PWC. (n.d.). Retrieved from https://www.pwc.com

Ranchod, M. (2017). *Theoretical perspectives in international political economy.*

Ravenhill, J. (Ed.). (2017). *Global political economy.* Oxford University Press.

Rodrik, D., Subramanian, A., & Trebbi, F. (2004). Institutions rule: the primacy of institutions over geography and integration in economic development. *Journal of Economic Growth, 9,* 131–165.

Rodrigues, L. L., & Craig, R. (2007). Assessing international accounting harmonisation using Hegelian dialectic, isomorphism and Foucault. *Critical Perspectives on Accounting, 18*: 739-757.

Sáez, S., McKenna, M., & Hoffman, B. (2015). Valuing Trade in Services in Africa. *The Africa Competitiveness Report 2015,* 53.

Saunders, M., Lewis, P., & Thornhill, A. (2009). *Research Methods for Business Students (5th ed.).* India: Pearson Education.

Scott, R. W. (1995). *Institutions and Organizations.* London: Sage Publications.

Suddaby, R., Cooper, D. J., & Greenwood, R. (2007). Transnational regulation of professional services: Governance dynamics of field level organizational change. *Accounting, Organizations and Society, 32*(4-5), 333-362.

Starks, H., & Brown Trinidad, S. (2007). Choose your method: A comparison of phenomenology, discourse analysis, and grounded theory. Qualitative health research, 17(10), 1372-1380.

Tahat, Y., Omran, M. A., & AbuGhazaleh, N. M. (2018). Factors affecting the development of accounting practices in Jordan: an institutional perspective. *Asian Review of Accounting, 26*(4), 464-486.

Talvitie, A. (1996). Governance-the World Bank's experience. The World Bank.

Thomas, D. R. (2006). A general inductive approach for analyzing qualitative evaluation data. *American Journal of Evaluation, 27*(2), 237-246.

Walker, T. C., & Rousseau, D. L. (2016). Liberalism: a theoretical and empirical assessment.

Wellington, J., & Szczerbinski, M. (2007). Research methods for the social sciences. A&C Black.

Williamson, C. R. (2009). Informal institutions rule: institutional arrangements and economic performance. *Public Choice, 139*(3-4), 371-387.

World Trade Organisation. (2019). WTO in brief. Retrieved from https://www.wto.org/english/thewto_e/whatis_e/inbrief_e/inbr_e.htm

Yin, R. (1994). Case study research: Design and methods (2nd ed.). Beverly Hills, CA: Sage Publishing.