University of Essex

SCHOOL OF ACCOUNTING, FINANCE AND MANAGEMENT

A New Institutional Analysis of IFRS Adoption in Egypt: A Case Study of Loosely Coupled Rules and Routines

Ahmed Kholeif
School of Accounting, Finance and Management
University of Essex

Working Paper No. 08/02

Janurary, 2008

A New Institutional Analysis of IFRS Adoption in Egypt: A Case Study of Loosely Coupled Rules and Routines

Ahmed Kholeif
School of Accounting, Finance and Management
University of Essex
Wivenhoe Park
Colchester
Essex CO4 3SQ
UK
Tel: +44 (0) 1206874589
Fax: +44 (0) 1206873429
E-mail: aorkho@essex.ac.uk

2008

Important: this is a first draft – please do not quote without permission

A New Institutional Analysis of IFRS Adoption in Egypt: A Case Study of Loosely Coupled Rules and Routines

Abstract

This paper examines the symbolic use of International Financial Reporting Standards (IFRS) in an Egyptian state-owned company (AQF Co.) that is partially privatised by drawing on new institutional sociology and its extensions. It explains how the ceremonial use of IFRS is shaped by the interplay between institutionalised accounting practices, conflicting institutions, power relations and the use of IT to institutionalizing accounting rules and routines. The research methodology is based on using an intensive case study. Data were collected from multiple sources, including unstructured and semi-structured interviews, direct and participative observations, discussions and documentary analysis. The findings revealed that the company faced conflicting institutional demands from outside. The Central Agency for Accountancy required the company to use the Uniform Accounting System (as a state-owned enterprise) and The Egyptian Capital Market Authority required the company to use IFRS (as a partially private sector company registered in the stock exchange). To meet these conflicting institutional demands, the company adopted loosely coupled accounting rules and routines and IT was used to institutionalizing existing Uniform Accounting System and preserving the status quo.

Key words: International Accounting, Accounting Standards, International Financial Reporting Standards, Developing Countries, Egypt, New Institutional Sociology.

1. Introduction

Key international donor/ lending institutions such the World Bank (WB) and International Monetary Fund (IMF) exert pressures on developing and transitional countries to adopt International Financial Reporting Standards (IFRS) as part of their reform programmes (Points and Cunningham, 1998; Mir and Rahaman, 2005). They argue that the application and implementation of internationally accepted accounting standards is necessary to command the confidence of investors. However, the relevance of IFRS to developing and transitional countries has been questioned by a growing number of scholars (e.g. Mensah, 1981; Ndubizu, 1984; Hove, 1989; Wallace, 1993; Larson and Kenny, 1995; Longden et al., 2001). For example, Wallace and Briston (1993, pp. 216 – 217) argue that:

> Developing countries continue to adopt foreign accounting and educational systems. This is often expensive, and the adopting country has little control over the relevance of imported accounting…The biggest problem developing countries have is that of too many foreign 'experts' marketing half-baked solutions to problems that neither they nor the recipient nations understand. Donor agencies should collaborate more closely with the recipient country to ensure that their assistance is delivered only in accordance with national accounting development plans.

The inappropriateness of IFRS in developing and transitional countries has been reflected in the high level of non-compliance with these standards (Abayo et al., 1993; Hossain et al., 1994; Solas, 1994; Street et al., 1999; Murphy, 1999; Street et al., 2000; Street and Gray, 2001; Abd-Elsalam and Weetman, 2003; Dahawy and Conover, 2007). For example, Solas (1994) examined the extent of financial information disclosure by Jordanian companies according to the requirements of IFRS. He concluded that disclosure was not at an acceptable level. In a world sample of companies, Street and Gray (2001) found a significant extent of non-compliance with IFRS.

In early 1990s Egypt has undertaken a privatization programme due to the external pressures from international donors (the WB and IMF). As part of this programme, Egypt adopted IFRS since 1997. A new Capital Market Law No. 95 of 1992 was issued and Its Executive Regulations required adherence to IFRS in 1993. After issuing an official Arabic translation of the standards by the Minister of Economy in 1997, the requirement to apply IFRS became fully mandatory for the first time. The decision of the Egyptian government to mandate an immediate implementation of IFRS allowed neither the listed companies nor the accounting profession adequate time to adapt to the ‘new’ standards. This results in low or non-compliance with their requirements. Abd-Elsalam and Weetman (2003), for instance, focused on the application of IFRS in the period immediately after they became mandatory in Egypt. They observed a low degree of compliance with IFRS in most listed companies in Egypt. They explained this behaviour in terms of relative unfamiliarity with IFRS requirements and non-availability of an authoritative translation or language effect. Dahawy and Conover (2007) observed the same behaviour and explained it by cultural reasons, especially secrecy. They found that listed companies in Egypt were ‘selective in their choice of what to comply with and what not.’ (P. 5). Both Abd-Elsalam and Weetman (2003) and Dahawy and Conover (2007) are based on analysing the disclosures of the annual financial reports of listed companies in the Egyptian Stock Market.

Seeking to provide an alternative explanation to the low or non-compliance with IFRS requirements in Egypt, this study draws on new institutional sociology (NIS) theory and its extensions (DiMaggio and Powell, 1983; Modell, 2002) to interpret a case study of an Egyptian state-owned company (AQF Co.[1]) that is partially privatised and became subject to the requirements of the Egyptian Capital Market Authority to adopt IFRS. However, state-owned companies are required to follow a Uniform Accounting System introduced since 1966 and closely monitored by the Central Agency for Accountancy[2]. As a state-owned company, AQF Co. has to apply the Uniform Accounting System. So, AQF Co. faced with conflicting extra-organizational institutional pressures. How has the company responded? The company has responded by adopting loosely coupled structures[3]. This means that change and stability in accounting systems (rules) and practices (routines) co-exist (Lukka, 2007). This refers to the symbolic use of IFRS.

In this paper, the NIS theory and its extensions are used to interpret the response of the case organization. The NIS perspective explores the role of macro economic, political and social institutions in shaping organizational structures, policies and procedures (Scott, 2001). Organizations respond to such external, macro pressures in order to receive support and legitimacy (Modell, 2002). NIS has been adopted to explain homogeneity and persistence (Granlund and Lukka, 1998; Dacin et al., 2002), conflicting institutional demands (Meyer and Rowan, 1977; D' Aunno et al., 1991), the interplay between institutional pressures and intra-organizational power relations (Burns and Scapens, 2000; Modell, 2002; Tsamenyi et al., 2006), and the use of information technology (IT) in institutionalizing organizational practices (Orlikowski, 1992; Soh and Sia, 2004). This paper draws on these recent developments in NIS to address the following research questions: how is the symbolic use of IFRS in the case organization (AQF Co.) shaped by the interplay between institutionalized accounting practices, conflicting institutions and power relations? And what is the role of IT in supporting this ceremonial use of IFRS in AQF Co.?

The remainder of this paper is organised in sex sections. In the next section, we articulate the theoretical framework based on NIS and its extensions. This is followed by a background about the case organization and details of the research method employed in this study. The paper then discusses how the symbolic use of IFRS is shaped by the interplay between institutionalised accounting practices, conflicting institutions, power relations and the use of IT. The final section provides a summary of the paper and some conclusions.

2. Theoretical Framework: New Institutional Sociology and its Extensions

In this section, we propose new institutional sociology and its extensions as the theoretical framework informing our analysis of the case study. Initially, the concept of institutional isomorphism and its relationship with the symbolic use of IFRS (loosely coupled accounting rules and routines) is discussed. Then, we examine the implications of the interplay between intra-organizational power relation, conflicting institutions and de-institutionalization as well as IT for loosely coupled accounting rules and routines. As mentioned in the previous section, this examination is necessary because the symbolic use of IFRS was shaped by the institutional forces (institutionalized accounting practices), intra-organizational power relations, conflicting institutions and IT.

2.1. Institutional Pressures and the Symbolic Use of IFRS

The NIS perspective explores the role of extra-organizational institutions (the State, professionals and public opinion) in shaping organisational structures, policies and procedures (Scott, 2001). Organisations respond to such external, macro pressures in order to receive support and legitimacy (Covaleski, et al., 1996; Modell, 2002). Early institutionalists (e.g. Weick, 1976; Meyer and Bowan, 1977) argue that formal structures which are used to secure the legitimacy of extra-organizational institutions can become decoupled or loosely coupled from the technical aspects of organizations. This refers to minimal adoption of formal structures, i.e. implementation without internalization. In the opposite case, when formal structures are tightly coupled to the technical aspects of organizations, this means active adoption of formal structures, i.e. implementation (in behaviours and actions) and internalization are completed (Dambrin et al., 2007).

DiMaggio and Powell (1983) introduce the concept of organizational fields as a kind of extra-organizational institutions. They define it as the organizations that constitute a recognized area of institutional life such as suppliers, customers and regulatory agencies. They argue that the organizations within the field tend to make organizational changes and adopt similar formal structures in the search for legitimacy. There are three mechanisms through which institutional isomorphic change occurs: coercive isomorphism, normative isomorphism and mimetic isomorphism. *Coercive isomorphism* is primarily related to the political influence exerted by institutions on which organizations depend for critical resources and long-term survival, such as the State laws and regulations. *Normative isomorphism* is the institutionalisation of social practices as a result of professionalisation by means of professional groups such as accounting associations. *Mimetic isomorphism* stems from the tendency of organizations to imitate each other in response to symbolic uncertainty.

Generally accepted accounting principles, such as IFRS, are a kind of formal structure coming from outside the organization. Organizations adopt similar formal structures such as IFRS under the pressures of extra-organizational institutions such as the State laws and regulations, the stock exchanges and the accounting professions. IFRS are often symbolically used for purposes of legitimization (Mir and Rahaman, 2005; Touron, 2005). This means that IFRS are used because they are socially legitimized, independently of consequences in terms of efficiency. A number of accounting studies has documented the symbolic use of IFRS in different countries. Cairns (2000) gives some evidence of the loose coupling between the spirit of the standards and the actual accounting practices of organizations in a number of countries. Mir and Rahaman (2005) find that the decision to adopt IFRS in Bangladesh is driven by the pressure exerted by the WB and IMF on the Bangladeshi Government and professional accounting bodies. They argue that the perceived undemocratic nature of the IFRS adoption process in Bangladesh creates and enhances conflict among various constituencies, resulting in a very low level of compliance with these standards. Dahawy and Conover (2007) argue that the imposition of IFRS in Egypt creates resistance that is reflected in the selective compliance with the requirements of these standards.

Our case organization, AQF Co., has symbolically adopted IFRS in response to new macro institutional pressures (the requirements of new privatization laws and the Egyptian Stock Exchange). The outcome of the IFRS adoption process is loosely coupled accounting systems and practices. The NIS perspective gives little attention to how the process of institutionalization occurs or does not occur inside organizations (Tolbert and Zucker, 1996). To understand this outcome we need to examine intra-organizational dynamics and processes of accounting change and stability. Next sub-section addresses this issue.

2.2. Institutional Pressures and Intra-Organizational Power Relations

A major criticism of NIS is related to its relative inattention to the role of pro-active agency in constructing institutions (Carruthers, 1995). For example, Barley and Tolbert (1997) argue that NIS has largely focused on the role of institutions in shaping and constraining the actions of actors. This criticism has been addressed in recent institutional studies that focus on the ability of actors to respond to institutional pressures (Oliver, 1991; Greenwood and Hinings, 1996; Barley and Tolbert, 1997; Burns and Scapens, 2000; Collier, 2001; Modell, 2002; Tsamenyi et al., 2006; Dambrin et al., 2007). These studies have broadened NIS to include power relations.

In this paper we draw on the work of Burns and Scapens (2000) to study how institutions interact with the actions of organizational actors and the role of power relations in their interaction. Based on Giddens' (1984) structuration theory, Burns and Scapens (2000) describe the relationship between actions and institutions as the agency-structure relationship. They argue that although institutions constrain and shape action at a specific point in time, actions produce and reproduce institutions through their cumulative influence over time. They use such notions as 'encoded', 'enacted', 'reproduced' and 'institutionalized' to analyse both the synchronic and diachronic linkages of the major elements of their framework.

Burns and Scapens (2000) distinguish between accounting systems as rules and accounting practices as routines. The former refers to the formalised statement of procedures, whereas the latter refers to the procedures actually in use. Then, Burns and Scapens (2000) use the concept of rule-based behaviour to link accounting rules to accounting routines. They argue that recursively following the rules may lead to a programmatic rule-based conduct. This programmatic behaviour is what Burns and Scapens (2000) called routines. As such, accounting routines may not actually replicate the accounting rules, as there are different deliberate or unconscious modifications that could be introduced during implementing and using the rules in guiding day-to-day behaviour. So, an organization's accounting routines might be largely ceremonial, and thereby preserve existing power structures.

Burns and Scapens (2000) adopted the concept of power as articulated by Giddens (1984). In this regard, there are two main perspectives of power (Macintosh and Scapens, 1990). The first perspective is that power is best conceptualised as the transformative capacity of an actor to achieve his or her will, even at the expense of others who might resist him or her (power in the broad sense). It can be used to introduce new organizational rules or may be mobilised to resist such new rules. The second perspective is that power should be seen as a property of the society or social institutions or the medium for domination (power in the narrow sense). It is the power embedded in the institutionalised routines, which shape the actions and thoughts of organizational members. In Burns and Scapens' framework, the two perspectives of power are connected together as features of the duality of structure.

Both perspectives of power are of particular interest to this paper to interpret the loose coupled rules and routines adopted by AQF Co. In our case organization the decision to adopt IFRS was mainly a response of the company to the requirements of the Egyptian Stock Exchange. Organizational members of AQF Co., especially accountants, resisted these requirements through mobilizing another power. This refers to the first perspective of power. Accountants draw on the power embedded in institutionalized accounting practices (the Uniform Accounting Systems). This refers to the second perspective of power. In the end, loose coupled accounting systems (rules) and practices (routines) were the outcome of these processes of resistance to accounting change. In this paper the loose coupled rules and routines are not simply a specific organisational response to extra-organizational institutional pressures but, as described by Siti-Nabiha and Scapens (2005: 46), they 'can arise through the working out of resistance to accounting change by the different groups within the organisation'. This process view of loosely coupled rules and routines increases our understanding on how accounting change and stability can occur simultaneously (Lukka, 2007).

2.3. The Role of Information Technology in Institutionalizing Accounting Rules and Routines

IT creators inscribe their view of the world in the technology that they create (Latour, 1992; Orlikowski, 1992; Soh and Sia, 2004). For instance, Hedberg and Jonsson (1978, p. 56) argue that:

> The way in which organizations' information (and accounting) systems reflect the world depends on the designers' assumptions about important characteristics of organizations and their environments.

Orlikowski (1992) has proposed a model, called ‘structurational model of technology’, extending the concept of the ‘duality of structure’ to the ‘duality of technology’. She argues that ‘technology is created and changed by human action, yet it is also used by humans to accomplish some action’ (p.405). According to this view, technology is both the outcome and the medium of human action. The technology, on the one hand, is the product of human action as it is both physically constructed by designers and socially constructed by users at a certain time and organisational context. On the other hand, technology is the medium of human action, containing rules and resources that both enable and constrain different sorts of use.

Although defining technology as ‘material artefacts (various configurations of hardware and software)’, Orlikowski (1992:403) claimed that this does not imply an ‘exclusive focus on technology as a physical object’. Rather, she argued that technology should be seen as ‘interpretively flexible’. Orlikowski (1992) argues that the interpretive flexibility of technology works in both design and use stages. In design stage, designers build into technology certain interpretive schemes, certain facilities and certain norms. In use stage, users interpret, appropriate and manipulate the technology’s embedded rules and resources to execute their tasks. This means that technology is potentially modifiable at any time, both through deliberate redesign and through use that, accidentally or otherwise, deviates from ways intended by the developers.

Orlikowski’s (1992) model has some similarity to Burns and Scapens’ (2000) model. It consists of four stages. The first stage describes the influence of institutional properties on humans’ interactions with information technology (encoding stage in Burns and Scapens’ model). The second stage considers information technology as a medium for human action, where IT facilitates and constrains human actions (enacting stage in Burns and Scapens’ model). The third stage views information technology as a product of human action (reproduction stage in Burns and Scapens’ model). The final stage reflects the influence of interaction with technology on institutional properties (institutionalisation stage in Burns and Scapens’ model).

Of particular importance to this paper is the Orlikowski's (1992) interpretive flexibility view of technology that is equivalent to the two-way relationship between rules and routines in Burns and Scapens' model. For example, according to Orlikowski (1992), custom software tends to reflect existing institutional properties of the organisation and is easily modifiable during design and use stages. In Burns and Scapens' (2000) words, this means that the 'new' IT-based rules could be a formalisation of existing routines and reinforce the institutional status quo. Our case organization, AQF Co., introduced custom developed accounting software in 1998/1999. This software was customized to meet the requirements of the Uniform Accounting Systems used by the company since its establishment in 1976 but the company claims that it does apply the IFRS required by the Egyptian Stock Exchange.

2.4. Conflicting Institutions and De-institutionalization

The use of power in this paper is related to the issue of conflicting institutions. When organizations face conflicting extra-organizational institutional pressures, how they should respond? Meyer and Rowan (1977) argue that organizations adopt inconsistent, even conflicting, practice to gain legitimacy. However, D' Aunno et al. (1991) argue that organizations have limited ability to respond to conflicting institutional pressures and thus will confirm to them only partially. Our case company faced such conflicting institutional demands from the Egyptian Stock Exchange to adopt IFRS and the Central Agency for Accountability to use the Uniform Accounting System. As will be explained later, the company used the requirements of one institution to resist the requirements of the other.

Conflicting institutions exist because de-institutionalization of 'old' institutions does not occur. Deinstitutionalisation[4] refers to 'the processes by which institutions weaken and disappear… the weakening and disappearance of one set of beliefs and practices is likely to be associated with the arrival of new beliefs and practices' (Scott, 2001: 182 & 184). Oliver (1992) identifies three major sources of pressures for deinstitutionalisation: functional, political and social sources. Functional pressures arise from perceived problems in performance levels or the perceived utility associated with institutionalised practices. Political pressures result primarily from shifts in the interests and underlying power distributions that have supported and legitimated existing institutional arrangements. Finally, social pressures are associated with the differentiation of groups, the existence of heterogeneous divergent or discordant beliefs and practices, and change in laws or social expectations that might hinder the continuation of a practice.

In our case organization, AQF Co., change in laws (the requirements of new privatization laws and the Egyptian Stock Exchange) has not able to overcome institutionalised accounting practices, the Uniform Accounting System that is closely monitored by the Central Agency for Accountability. Institutions supporting the Uniform Accounting System have not disappeared. They are still in operation. This creates different conflicting institutional demands that the company should meet to continue gaining the support of the government, the public and shareholders.

3. The Case Organization: *AQF Co.*

AQF Co. is a leading company in nitrogenous fertiliser production based in Egypt. It was established by the Ministerial Decree No. 374 of 1976 as one of the public sector companies. It manufactures and sells a full line of nitrogenous fertilisers including Prilled Urea, Granular Urea, and Ammonium Nitrate. Currently, the AQF's local market share is 71% Urea in both forms and 54% Ammonium Nitrate. As for the export market share, it has become 69% Urea in both forms and 89% Ammonium Nitrate. However, the company started to perceive local competition from newly established local companies such as AlexF Co. and other possible competitors that planned to enter the local market as a result of implementing GATT agreement in 2006. Sales and operating income of AQF have increased in recent years. In 2002/2003, AQF reported sales of L.E.1, 082.7 million and operating income of L.E. 421.5 million. Total assets of the company at June 30, 2003 were L.E.3, 756.6 million. AQF has about 2,992 employees as chemical engineers, technicians and administrative staff. The organisational structure is shown in Figure 1.

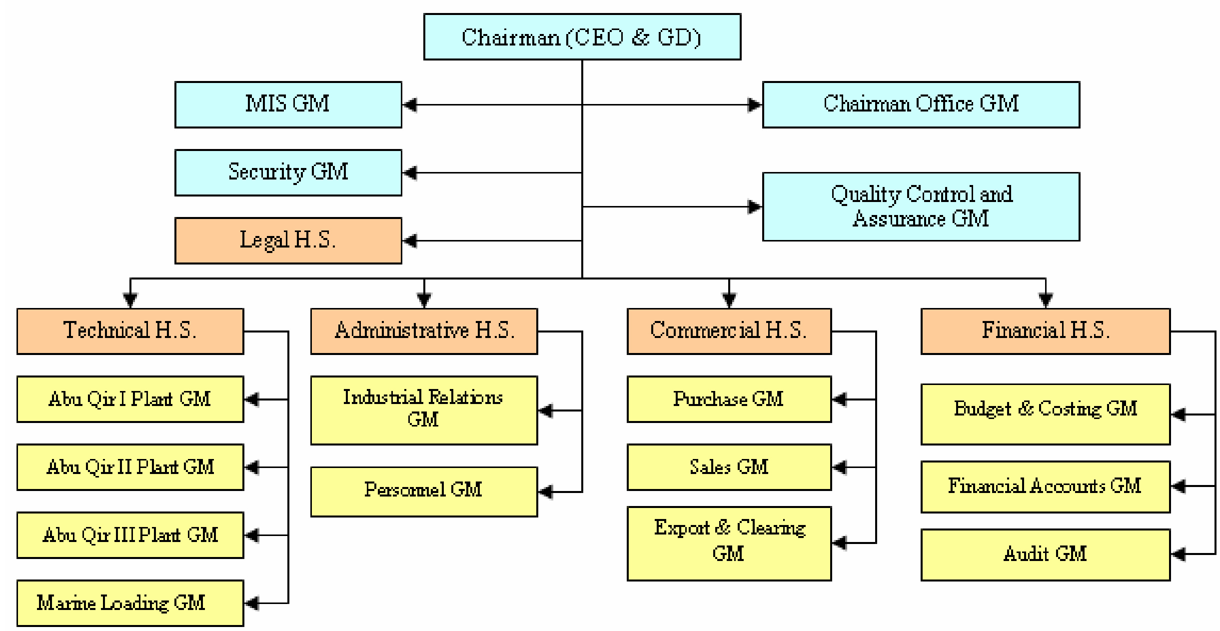

Figure 1: The Management Structure of AQF

Currently, AQF operates in three factories: AQ I Plant, AQ II Plant, and AQ III Plant. AQ I Plant started manufacturing Ammonia and Urea in two production lines in September 1979. Its production capacity is 1100 tons/day of Ammonia and 1550 tons/day of Urea. In December 1990, AQF introduced marine loading to export its products to international markets. AQ II Plant was established in August 1991 to produce Ammonia, Nitric Acid and Ammonium Nitrate with capacity of 1000 tons/day, 1800 tons/day and 2400 tons/day respectively. AQF continued its expansion and established AQ III Plant in October 1998. The capacity of this plant is 1200 tons/day of Ammonia and 2000 tons/day of Granular Urea. In 2001, AQF introduced its most recent extension project, AQ IV, to be established on a private free zone basis. However, in 2003, the Egyptian Government decided to establish this new project as a separate company known as AlexF Co., which started its production at the beginning of 2006.

According to Law No. 203 of 1991, AQF Co. has been supervised by the Holding Company for Chemical Industries to organise its gradual sale. In 1996, the Government started the partial privatization of AQF by selling about 18% of its shares. Following its partial privatisation in 1996, AQF started to improve its information systems. The company adopted the IFRS and was awarded ISO 9001: 2000 certificate for the quality management system in 2001 as well as ISO 14001 certificate for the environment management system in 1999. As part of the preparation for ISO 9001: 2000 certificate, the company renewed its IT infrastructure and introduced custom developed accounting software in 1998/1999.

4. Research Method

The case study method was used to obtain a rich set of data surrounding the specific research issues and to capture the contextual complexity (Yin, 1994). Case study materials were gathered in 2001 and during 2003-2004. In 2001, the researcher was a member of a consultancy team to help the company in establishing an accounting system into the new plant, AQ IV. During 2003-2004, the researcher visited the company for research purposes only. The materials collected included unstructured and semi-structured interviews, direct and participative observations, site visits and the collection of documentary evidence. To facilitate access to some confidential information, a formal written permission was obtained from the Central Agency for Public Mobilization and Statistics, the official source of providing and authorizing the collection of data from state-owned enterprises in Egypt.

Unstructured and semi-structured interviews were the main data collection method to find out what participants do, think or feel. The interviews were conducted with cost and financial accountants, IT staff and line-managers. Although the majority of interviews were individual interviews, a small number of group interviews were conducted as well. 18 individual interviews[5] were face-to-face and lasted up to 2 hours. Five meetings were attended in AQF with groups of about ten. In this regard, Hedges (1985: 89) noticed that '[t]he distinctive analysis dimension which arises with groups but not individual interviews is the identification of who said what'. In fact, this problem was at a minimum in this research because most of the interviewees in these meetings were known to the researcher. In addition, extensive notes were taken and reviewed as soon as possible, directly after each meeting.

In addition to the interviews, other data collection methods were used. These methods include background questionnaires, documentary evidence, direct and participative observations, published accounts and budgets. These multiple methods are deliberately selected as one method can complement others. This triangulation tends to improve the validity of evidence (Scapens, 1990). In interpretive research the validity of evidence can be assessed only in the context of the particular case, what Scapens (1990) calls 'contextual validity'. In this regard, Scapens (1990) suggests the triangulation of evidence by collecting different pieces of evidence on the same research issue, collecting other evidence from the same source and working in teams in order to reach an agreed interpretation of a particular case. As a consequence, the use of multiple sources of evidence in this case study is justifiable on the grounds of increasing the contextual validity of research evidence.

The case study materials were collected from AQF Co. This company was chosen because it demonstrates a case of the symbolic use of IFRS in a highly conflicting institutional environment in a developing country (Egypt). There is a lack of research on the impact of highly conflicting institutional environments on the symbolic use of IFRS. In addition, by comparison with previous research in developed countries intensive case study research on IFRS adoption in developing countries can aid our understanding of the contextual and national differences on IFRS implementations.

5. Institutional Interpretation of Loosely Coupled Accounting Rules and Routines:

In this section we analyse the symbolic use of IFRS in AQF Co. Based on the theoretical framework, we identify two separate, but related, reasons for these loosely coupled accounting rules and routines, knitting them together through the new institutional perspective of the paper. We first focus on conflicting coercive pressures exerted on AQF Co. from the regulatory environment, the Central Agency for Accountancy and the Egyptian Stock Exchange. Then, we address the intra-organizational power relations and the use of IT to institutionalizing the Uniform Accounting System in AQF Co.

5.1. Conflicting Coercive Pressures: Introducing New Institutions without De-Institutionalising Old Ones:

5.1.1. The Nationalization Laws and the Central Agency for Accountancy (1952-1990)

The defining period of modern Egypt is still the revolutionary socialist regime under President Nasser (1952-1970). After the revolution of 1952, the Egyptian Government made a break with the past and moved the Egyptian economy from a free market-oriented economy to a massively state-controlled economy in few years. The nationalisation laws and expropriation of various private enterprises became the expression of change in Egypt after the July Revolution in 1952. A series of nationalisation decrees was issued in 1956, 1961, and 1963 to eliminate the dominant role of both foreign and large-scale, local private capital. In 1952, the private sector made about 76% of the total investment in the economy. The public sector very quickly established its dominance in the economy and for the next three decades was making between 80-90% of the investment in the economy and constituted around 37% of GDP annually (PCSU, 2002).

To control the finances of the public sector and auditing the books of public enterprises and government departments, the Egyptian government established the Central Agency for Accountancy with the Law No. 129 of 1964. In describing the power of the Central Agency for Accountancy, Kayed (1990, p. 262) states that:

> Because of the Central Agency for Accountancy wide authority and responsibilities it is in a unique position to influence developments in accounting. Its influence arises from the nature of its activities, its size, and its role in the economy. Under the control of the Vice-President of the country, the Central Agency for Accountancy has the authority to issue accounting and auditing instructions, which must be followed by organizations, whose financial statements and accounts have been audited by its members.

In view of the state's dependence on accounting information to prepare the National Plan, the Uniform Accounting System was introduced by the Central Agency for Accountancy in 1966. It was compulsory for all state-owned enterprises in the public sector, with the exception of banks and insurance companies. In such accounting system, accounts are classified in homogeneous classes in a manner that assists in preparing national accounts, as well as satisfying the needs of the traditional financial and cost accounting[6].

Since its early beginnings in 1976, AQF Co. has adopted the Uniform Accounting System to both financial accounting and cost accounting because it has been owned by non-manufacturing public enterprises. It also prepares traditional planning budgets such as a sales budget, a production budget and a commodity and service requirements budget. The Government's contributions in the ownership have been the main factor for using the Uniform Accounting System. In this regard, the Uniform Accounting System and planning budgets are imposed organisational formal structures. They are imposed and monitored by the coercive authority of the state agencies (the Central Agency for Accountancy). The use of the Uniform Accounting System and planning budgets in AQF Co. has been routinized and institutionalised. They became part of day-to-day life and the way of doing things (Burns and Scapens, 2000). Accountants use the account codes as a way of communication with other organizational members in day-to-day interactions.

5.1.2. The Privatization Laws and the Egyptian Capital Market Authority (1991 –Present)

In the early 1990s, a privatisation programme was undertaken because of the Egyptian government's dissatisfaction with the failure and loses of public sector enterprises and the external pressures from international donors (WB and IMF) in favour of privatisation. The Egyptian government launched the privatisation programme with the Public Enterprise Law No. 203 of 1991 and its regulations, establishing the legal framework for sale of 314 public enterprises that earmarked for privatisation. This law marked the start of public enterprise reform. It was designed to eliminate the difference in treatment between public and private enterprises.

Public holding companies were established in 1991. The ownership and management of 314 public enterprises, subjected to Law 203 of 1991, were transferred from the various ministries to 17 holding companies, which are held accountable to the Ministry of Public Enterprises. Holding companies are primarily responsible for organising the sale of their constituent SOEs known as affiliated companies, with a mandate to maximise the present value of their affiliated companies on behalf of the state. According to this law, AQF Co.

has been supervised by the Holding Company for Chemical Industries to organize its gradual sale.

Law No. 203 of 1991 solved several legal and institutional constraints that could have hindered the privatization programme. Nonetheless, the legal and institutional frameworks were still incomplete even after Law No. 203 of 1991 was issued. The build up of the necessary legal and institutional frameworks demanded the enhancement of the capital market and its institutions. Historically, the Egyptian Capital Market has two locations: Alexandria and Cairo. The Alexandria Stock Exchange was officially established in 1888 followed by Cairo in 1903. The two stock exchanges were very active till the 1940s. However, the central planning and socialist policies, adopted since the 1950s, led to a drastic reduction in activity on the Egyptian stock exchanges for four decades. The Egyptian stock market till the late 1980s was not prepared to execute privatisation transactions.

In the 1990s, capital market reform became mandatory with the move towards a free market economy and the privatisation programme. The Capital Market Law No. 95 of 1992 was promulgated in 1992 and came into effect in 1993 through the issuance of its Executive Regulations. The Law No. 95 of 1992 encourages establishing service institutions, intermediary companies such as brokerage companies, underwriters, portfolio managers and depositories. It also introduced the idea of employee shareholders associations for public and private enterprises. Furthermore, all restrictions, which hinder easy entry to the market of foreign investors, were removed. International investors can easily invest in securities without limitations on capital no mobility or foreign exchange restrictions. Furthermore, the listing rules governing the exchange allow for foreign securities to be listed and traded, meeting the same requirements as applicable to local securities.

According to Law No. 95 of 1992, the Capital Market Authority (CMA) was given sole control over supervising the securities market, including Alexandria and Cairo Stock Exchanges. It is charged with market development, supervision of trading, broker licensing, and market surveillance. The CMA, a government organisation that reports to the Minister of Foreign Trade, was established in 1979. However, the Capital Market Law introduced new roles and functions for the CMA. These include monitoring the performance of exchanges and enforcement of listing and trading regulations. The CMA also monitors compliance by listed companies, and directs exchanges to de-list securities and to suspend listing or trading for non-compliance if the exchange fails to act promptly.

The Capital Market Law stipulates that listed companies comply with full disclosure of financial statements and all other relevant information requirements according to IFRS, which were issued in September 1997. The law also requires that any prospectus must be approved by the CMA for both content and format prior to any public offering. In addition to the disclosure of information from the issuer's side, the stock exchange publishes daily bulletins containing market quotations, daily transactions, and other details of trading activities. The privatisation programme has stimulated the stock market activities.

The pace of privatization up to 1993 was slow because time was needed to introduce the necessary legislative and regulatory arrangements. Once the enabling mechanisms were in place the privatization programme gained momentum in the second half of 1990s, after a favourable ruling by the constitutional court upholding the Government's right to privatize the public sector. Early 1996, a list of 120 companies ripe for privatisation was published and two of 120 others were released in 1997 (Khattab, 2002). They covered a wide range of activities – cement, metallurgy, textiles, pharmaceuticals, food processing, maritime transport and tourism.

In 1996, the Government started the partial privatization of AQF. In May 1996, 2.80% of the company' shares was sold to private sector for L.E. 20 million through the stock market. As from August 1996, AQF becomes one of the joint stock companies running under the Companies Law No. 159 of 1981, which organizes the establishment of private sector companies. In 2002/2003, the company's shares that were sold to the public and employee share associations became 18.1%. The remaining shares are still owned by non-manufacturing public enterprises; including National Banks Sector (39.4%), National

Petroleum Authority (19.1%), General Organization for Industrialization (12.7%), and Insurance Sector (10.7%).

As the majority of the company's ownership (more than 80%) is still owned by public enterprises, the company continued using the Uniform Accounting System despite the registration in the stock exchange, which requires registered companies to adopt the Egyptian Accounting Standards, an Arabic translation of IFRS. The General Manager of Financial Accounts explained this apparent conflict as follows:

> We use the account chart (account codes and names) from the Uniform Accounting System but the company applies the Egyptian Accounting Standards. The company also uses some treatments of the Uniform Accounting System such as depreciation rates. This is because accounting standards are general principles and have not determined specific depreciation rates. In addition, we disclose the methods used in notes to financial statements. With respect to the matters that were in conflict with accounting standards, we applied the accounting standards. The company applies accounting standards and is subject to Law No. 159 of 1981 and its executive regulations.

As clearly evident from this comment, the disclosure requirements of the stock exchange were not able to overcome the institutionalised accounting rules and routines supported by control authorities and other government agencies. The extra-organisational institutions that dominated the centrally planned economy era still have the major influence on state-owned enterprises. Next sub-section explains how accountants have used IT to create these loosely coupled accounting rules and routines.

5.2. The Use of IT to Reinforce the Institutional Status Quo and Preserve Existing Power Structures:

Historically, the MIS Department in AQF has reported to the controller, the Head of Finance Sector. It was part of Finance Sector. In 1989 custom accounting software based on the Uniform Accounting System was introduced to the Finance Sector in AQF. It was based on a mainframe-computerised system that used COBOL language. It had three applications: wages, inventories and purchases. These applications were isolated from each other. Moreover, there was duplication in data entry. In 1998/99 AQF adopted 'new' custom software, Oracle software. The decision to implement custom accounting software and renew IT infrastructure in 1998/99 was related to its gradual privatisation. However, this decision was not influenced by the holding company[7]. It was an initiative launched by the ex-head of Quality Control and Assurance as part of the preparation for ISO 9001:2000 certificate. So the introduction of the new custom software was seen as an internal decision rather than a mandatory order. It was not subjected to resistance from the company's organisational members as it did not challenge existing routines and institutions. The software was customised to be in full conformity with the Uniform Accounting System used by the company since its establishment in 1976.

Historical data were transferred into Oracle software and new applications have been introduced. The 'new' software integrates and relates different databases. It has 28 applications that cover the most important systems of the company. Examples of these applications are wages, inventories, cost accounts, purchases, suppliers and sales. However, almost all of these applications are based on the Uniform Accounting System. For example, the General Manager of Financial Accounts stated that:

> Before adopting Oracle software, the work was manual in preparing financial statements, including documentary cycle and trial balance. In 1990s…the Uniform Accounting System has been programmed. The software currently prepares the trail balance. We still try to prepare financial statements by the software. We currently use Excel files to prepare financial statements.

Similarly, a cost accountant described the role of the Oracle software in determining product costs:

> Cost centres are divided into production (Account No. 5), production service (Account No. 6), marketing service (Account No. 7), and administrative and finance service (Account No. 8). Any journal entry recorded is also directed to the related cost centre. Account No. 3 (use of resources) is first allocated to cost centres as a first stage… The costs of service centres are next allocated to production centres. Then, we calculate the unit product cost… In past, the allocation process was manual. We were spending days to perform such allocation. Currently, the allocation is very fast and accurate. The software saves efforts and time and provides high degree of accuracy.

This comment clearly confirms the use of the Uniform Accounting System in AQF even after implementing the new software. According to the Uniform Accounting System (see Table 1), cost items (the uses of resources) are classified into wages, commodity requirements, service requirements, finished goods purchased for sale, current transferred expenses and current transfer. Furthermore, the Uniform Accounting System divides responsibility centres into five cost centres, namely the production centre, the production service centre, the marketing service centre, the finance and administrative centre, and the capital transaction centre. The latter centre is used to analyse and show separately the cost of self-constructed fixed assets. Then, the Uniform Accounting System directly allocates the uses of resources to the five cost centres.

Table 1: Cost Items and Cost Centres in the Uniform Accounting System

	Analysis of uses of resources				
3 uses of resources	**5 production centres**	**6 production service centres**	**7 marketing service centres**	**8 finance and administrative centres**	**9 Capital transaction centres**
31 wages	531 wages	631 wages	731 wages	831 wages	931 wages
32 commodity requirements	532 commodity requirements	632 commodity requirements	732 commodity requirements	832 commodity requirements	932 commodity requirements
33 service acquired	533 service acquired	633 service acquired	733 service acquired	833 service acquired	933 service acquired
34 finished goods purchased for sale	534 finished goods purchased for sale	-	-	-	-
35 current transferred expenses	535 current transferred expenses	635 current transferred expenses	735 current transferred expenses	835 current transferred expenses	935 current transferred expenses
36 current transfer	-	-	-	-	-

This information is based on (Briston and El-Ashker, 1984)

In fact, the Oracle software was fully customised to meet the information needs of the company. The customisability of the software was seen by the company's members as a major advantage. This is consistent with Burns and Scapens (2000) that it is easy to introduce change that does not conflict with existing routines and institutions. It is also in agreement with the interpretive flexibility of technology. The General Manager of MIS Department explained the advantage of custom developed software over packaged software as follows:

> We conducted a feasibility study that compared between a number of packaged software to determine customisation efforts required in each one. We reached a decision that custom developed software is the best solution to the company's circumstances. We found that we would pay a large amount of money and we had to customise the purchased package. Furthermore, we would not obtain the source code for the package because its price would be unreasonable… In the case of package software, the company's organisational structure should be modified to fit the package.

He added:

> Sometimes, we have to change or modify a module in response to a law or a governmental decision. There is no problem at all in the software's flexibility because

> we programmed the software. Each person responsible for a module is capable of modifying it at any time and under any circumstances.

Following the renewal of IT infrastructure and the introduction of custom Oracle software, the company's management decided to relocate the MIS Department to become under the direct supervision of the vice-CEO of Control and Commercial affairs. The department has, therefore, become much closer to the office of the CEO. Despite the change in the MIS Department's location in the organisational structure, the department is still dominated by accountants. The General Manager of the MIS Department and almost all its staff are accountants. This dominance of accountants over the MIS Department is the result of historical events. So, accountants are still the custodians/managers of custom Oracle software and the company's Intranet.

In sum, custom Oracle software was implemented in AQF to fit the requirements of the Uniform Accounting System used by the company as the majority of its shares are still owned by public sector enterprises. It has not challenged established accounting rules and routines. But the company claims that it does apply the IFRS required by the Egyptian CMA. Then, how does the company apply IFRS while it uses the Uniform Accounting System[8] and has software that was customized to meet the requirements of the Uniform Accounting System? This dilemma was resolved by adopting loosely coupled accounting rules and routines. The IFRS is the ceremonial accounting rules claimed to be used by the company to meet the requirements of the Egyptian CMA but the Uniform Accounting System is the actual accounting routines used by the company to meet day-to-day activities. Accountants in AQF Co. use IT to reinforce their institutional status quo and preserve their existing power structures.

6. Summary and Conclusions

This paper aimed at providing an institutional explanation to the low or non-compliance with IFRS requirements in Egypt. Using new institutional sociology theory and its extensions to analyse a case study of an Egyptian state-owned enterprise, AQF Co., that has partially been privatized, this paper interpreted the ceremonial use of IFRS in this Egyptian company. The company faced conflicting institutional demands from outside the company. The Central Agency for Accountancy required the company to use the

Uniform Accounting System (as a state-owned enterprise) and The Egyptian Capital Market Authority required the company to use IFRS (as a partially private sector company registered in the stock exchange). To meet these conflicting institutional demands, the company adopted loosely coupled accounting rules and routines and IT was used to institutionalizing existing Uniform Accounting System and preserving the status quo. The company ceremonially used IFRS but it actually used the Uniform Accounting System to manage business transactions. It resisted the requirements of the Egyptian Capital Market Authority by disguising its compliance with IFRS. The Uniform Accounting System as institutionalized accounting routines acted as a barrier against change towards IFRS implementation and internalization.

The paper makes a contribution to the accounting literature on developing and transitional economies by specifically confronting the question of whether uniform systems of accounting technology, such as IFRS, can be successfully introduced in countries with very different cultures and economic and political structures. Particularly, the findings of the case study presented in this paper contribute to the literature addressing IFRS in developing and transitional countries (e.g. Mensah, 1981; Ndubizu, 1984; Hove, 1989; Wallace, 1993; Larson and Kenny, 1995; Longden et al., 2001; Abd-Elsalam and Weetman, 2003; Mir and Rahaman, 2005; Dahawy and Conover, 2007). The ceremonial use of IFRS in this paper was an outcome that resulted from the processes of resistance to accounting change within the organization. In this regard, the existing institutional context acted as a barrier against change (Burns, 2000; Burns and Scapens, 2000). This paper extends this literature by studying the introduction of IFRS in a state-owned enterprise in Egypt (a developing country), focusing on the impact of conflicting institutional demands, identifying the role of IT in institutionalizing accounting routines, and describing intra-organizational power relations that contribute to the symbolic use of IFRS.

Finally, there are several implications for future accounting research. The institutional framework can be applied to other problems in accounting, for example the introduction of new budgetary control systems. This framework is based on analysing the interplay between institutional pressures, institutionalised accounting practices, conflicting institutions, intra-organizational power relations, and the use of IT in institutionalizing accounting routines. The use of such extended institutional analysis contributes to recent calls to broaden NIS (Oliver, 1992; Modell, 2002; Dillard et al., 2004; Tsamenyi et al., 2006; Dambrin et al., 2007; Lukka, 2007). The proposed framework is valuable in explaining the origins of the ceremonial use of IFRS and other accounting rules and routines.

Additional case studies of IFRS adoption in other developing and transitional economies, perhaps with very different cultures and political structures, would test the reliability of the conclusions of this study. Imported information (and accounting) systems face a lot of difficulties in developing countries (e.g. Mensah, 1981; Ndubizu, 1984; Hove, 1989; Wallace, 1993; Larson and Kenny, 1995; Longden et al., 2001). It is assumed that organisations in different countries introducing IFRS face similar difficulties and challenges identified in this paper. However, new case studies should explore similar or other difficulties and challenges facing companies working in developing countries when trying to implement imported accounting technologies such as IFRS.

References

Abayo, A., Adams, C. and Roberts, C. 'Measuring the Quality of Corporate Disclosure in Less Developed Countries: the Case of Tanzania', *Journal of International Accounting, Auditing and Taxation*, Vol. 2, 1993, pp. 145-158.

Abd-Elalam, O. H. and Weetman, P. 'Introducing International Accounting Standards to An Emerging Capital Market: Relative Familiarity and Language Effect in Egypt', *Journal of International Accounting, Auditing & Taxation,* Vol. 12, 2003, pp. 63-84.

Barley, S. R. and Tolbert, P. S. 'Institutionalization and Structuration: Studying the Links between Action and Institution', *Organization Studies*, Vol. 18, No. 1, 1997, pp. 93-117.

Briston, R. J. & El-Ashker, A. A. 'the Egyptian Accounting System: A Case Study in Western Influence', *International Journal of Accounting, Education and Research*, Vol. 19, 1984, pp. 129-155.

Burns, J. 'The Dynamics of Accounting Change: Interplay between New Practices, Routines, Institutions, Power and Politics', *Accounting, Auditing & Accountability Journal*, Vol. 13, No. 5, 2000, pp. 566-596.

Burns, J. and Scapens, R. W. 'Conceptualising Management Accounting Change: An Institutional Framework,' *Management Accounting Research*, Vol. 11, 2000, pp. 3-25.

Cairns, D. *'The FT International Accounting Standards Survey 1999*', (Financial Times Finance, 2000, Management Report).

Carruthers, B. G. 'Accounting, Ambiguity, and the New Institutionalism', *Accounting, Organisations and Society*, Vol. 20, 1995, pp. 313-328.

Collier, P. 'the Power of Accounting: a Field Study of Local Financial Management in a Police Force', *Management Accounting Research*, Vol. 12, 2001, pp. 465-486.

Covaleski, M. A., Dirsmith, M. W., and Samuel, S. 'Managerial Accounting Research: The Contributions of Organizational and Sociological Theories', *Journal of Management Accounting Research*, Vol. 8, 1996, pp. 1-29.

D' Aunno, T., Sutton, R. I., and Price, R. H., 'Isomorphism and External Support in Conflicting Institutional Environments: A Study of Drug Abuse Treatment Units', *the Academy of Management Journal*, Vol. 34, No. 3, 1991, pp. 636-661.

Dacin, M. T., Goodstein, J. and Scott, W. R. 'Institutional Theory and Institutional Change: Introduction to the Special Research Forum', *The Academy of Management Journal*, Vol. 45, No. 1, 2002, pp. 45-57.

Dahawy, K. and Conover, T. 'Accounting Disclosure in Companies Listed on the Egyptian Stock Exchange', *Middle Eastern Finance and Economics*, Vol. 1, 2007, pp. 5-20.

Dambrin, C., Lambert, C. and Sponem, S. 'Control and Change – Analysing the Process of Institutionalization', *Management Accounting Research*, Vol. 18, 2007, pp. 172 – 208.

Dillard, J. F., Rigsby, J. T. and Goodman, C. 'the Making and Remaking of Organizational Context: Duality and the Institutionalization Process', Accounting, Auditing & Accountability Journal, Vol. 17, No. 4, 2004, pp. 506-542.

DiMaggio, P. and Powell, W. 'the Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organizational Fields', *American Sociological Review*, Vol. 48, 1983, pp. 147-160.

Giddens, A. *the Constitution of Society* (Cambridge: Polity Press, 1984).

Granlund, M. and Lukka, K. 'It's a Small World of Management Accounting Practices', *Journal of Management Accounting Research*, Vol. 10, 1998, pp. 153-179.

Greenwood, R. and Hinings, C. R. 'Understanding Radical Organisational Change: Bringing Together the Old and New Institutionalism', *The Academy of Management Review*, Vol. 21, 1996, pp. 1022-54.

Hedberg, B. and Jonsson, S. 'Designing Semi-confusing Information Systems for Organisations in Changing Environments', *Accounting, Organisations and Society*, Vol. 3, No. 1, 1978, pp. 47-64.

Hedges, A. 'Group Interviewing', in R. Walker (ed.), *Applied Qualitative Research*, pp. 71-91 (UK: Gower Publishing Company Limited, 1985) 71-91.

Hossain, M., Tan, L. and Adams, M. 'Voluntary Disclosure in an Emerging Capital Market: Some Empirical Evidence from Companies Listed on the Kuala Lumpur Stock Exchange', *the International Journal of Accounting*, Vol. 29, No. 4, 1994, pp. 334-351.

Hove, M. R. 'The Inappropriate Uses of International Accounting Standards in Less Developed Countries: The Case of International Accounting Standards Number 24 – Related Party Disclosures Concerning Transfer Prices', *International Journal of Accounting*, Vol. 24, 1989, pp. 165-179.

Kayed, M. *Accounting Regulation in Egypt in Relation to Western Influence* (England: University of Hull, 1990, Unpublished PhD Thesis).

Khattab, M. 'Constraints of Privatisation in the Egyptian Experience', Online. Available at: http://www.worldbank.org/mdf/mdf2/papers/partnerships/khattab.pdf (accessed on 1st December 2007).

Kholeif, A. O. R. *Studying and Evaluating International Accounting Standards and their Applicability to Practice in Egypt* (Egypt: Alexandria University, Faculty of Commerce, 1997, Unpublished MSc Thesis).

Larson, R. K. & Kenny, S. Y. 'An Empirical Analysis of International Accounting Standards, Equity Markets and Economic Growth in Developing Countries', *Journal of International Financial Management and Accounting*, Vol. 6, No. 2, 1995, pp. 130-157.

Latour, B., 'Where Are the Missing Masses? The Sociology of a Few Mundane Artifacts', in W. E. Bijker and J. Law (eds.), *Shaping Technology Building Society*, 225-258 (Cambridge, MA: MIT Press, 1992).

Longden, S., Luther, R., and Bowler, D. *Management Accounting in a Society Undergoing Structural Change: A Southern African Study*, (London: CMIA, 2001).

Lukka, K. 'Management Accounting Change and Stability: Loosely Coupled Rules and Routines in Action', *Management Accounting Research*, Vol. 18, 2007, pp. 76-101.

Macintosh, N. B. & Scapens, R. W. 'Structuration Theory in Management Accounting', *Accounting, Organisations and Society*, Vol. 15, No. 5, 1990, pp. 455-477.

Mensah, Y. W. 'Financial Reporting Model for Dependent Market Economies', *Abacus*, Vol. 17, 1981, pp. 161-170.

Meyer, J. W. and Bowan, B. 'Institutionalized Organization: Formal Structure as Myth and Ceremony', *American Journal of Sociology*, September, Vol. 83, No. 2, 1977, PP. 340-363.

Mir, M. Z. and Rahaman, A. S. 'The Adoption of International Accounting Standards in Bangladesh', *Accounting, Auditing & Accountability Journal*, Vol. 18, No. 6, 2005, pp. 816-841.

Modell, S. 'Institutional Perspectives on Cost Allocations: Integration and Extension', *the European Accounting Review*, Vol. 11, No. 4, 2002, pp. 653-679.

Murphy, A. 'Firm Characteristics of Swiss Companies that Utilize International Accounting Standards', *the International Journal of Accounting*, Vol. 34, No. 1, 1999, pp. 121-131.

Ndubizu, G. A., 'Accounting Standards and Economic Development: The Third World in Perspective', *International Journal of Accounting*, Vol. 19, 1984, pp. 181-196.

Oliver, C. 'Strategic Responses to Institutional Processes', *the Academy of Management Review*, Vol. 16, No. 1, 1991, pp. 145-179.

Oliver, C. 'The Antecedents of De-Institutionalisation', *Organisation Studies*, Vol. 13, 1992, pp. 563-88.

Orlikowski, W. J. 'the Duality of Technology: Rethinking the Concept of Technology in Organizations', *Organization Scienc*e, Vol. 3, No. 3, 1992, pp. 398-429.

PCSU (Privatisation Coordination Support Unit) 'The Result and Impact of Egypt's Privatisation Program', *Privatisation in Egypt-Quarterly Review*, April-June, 2002. Online. Available at: http://www.carana.com/pcsu/monitor/Q2/Impacts%20and%20Results.pdf (accessed on 1ST December 2007).

Points, R. and Cunningham, R. 'The Application of International Accounting Standards in Transitional Societies and Developing Countries', *Advances in International Accounting*, Vol. 1, Supplement, 1998, pp. 3-16.

Scapens, R. W. 'Researching Management Accounting Practice: the Role of Case Study Methods', *British Accounting Review*, Vol. 22, 1990, pp. 259-281.

Scott, W. R., *Institutions and Organisations (2nd edition)* (London: Sage Publications, 2001).

Siti-Nabiha, A. K. and Scapens, R. W. 'Stability and Change: An Instituionalist Study of Management Accounting Change', *Accounting, Auditing & Accountability Journal*, Vol. 18, 2005, pp. 44-73.

Soh, C. and Sia, S. K. 'An Institutional Perspective on Sources of ERP Package-Organization Misalignments', *Journal of Strategic Information Systems*, Vol. 13, 2004, pp. 375-397.

Solas, C. 'Financial Reporting Practice in Jordan: An Empirical Test', *Advances in International Accounting*, Vol. 7, 2004, pp. 43 – 60.

Street, D. and Gray, S. *Observance of International Accounting Standards: Factors Explaining Non-Compliance* (London: Association of Chartered Certified Accountants, 2001, ACCA Research Report (74)).

Street, D., Gray, S. and Bryant, S. 'Acceptance and Observance of International Accounting Standards: An Empirical Study of Companies Claiming to Comply with IASs', *the International Journal of Accounting*, Vol. 34, No. 1, 1999, pp. 11-48.

Street, D., Nichols, N. and Gray, S. 'Assessing the Acceptability of International Accounting Standards: An Empirical Study of the Materiality of US GAAP Reconciliations by Non-US Companies Complying with IASC Standards', *the International Journal of Accounting*, Vol. 35, No. 1, 2000, pp. 27-63.

Tolbert, P. S. and Zucker, L. G., 'The Institutionalization of Institutional Theory', in S. R. Clegg, C. Hardy and W. R. Nord (eds), *Handbook of Organization Studies*, 174-190 (London: Sage Publications, 1996).

Touron, P. 'The Adoption of US GAAP by French Firms before the Creation of the International Accounting Standard Committee: An Institutional Explanation', *Critical Perspective on Accounting*, Vol. 16, 2005, pp. 851 – 873.

Tsamenyi, M., Cullen, J. and Gonzalez, J. 'Changes in Accounting and Financial Information in a Spanish Electricity Company: A New Institutional Theory Analysis', *Management Accounting Research*, Vol. 17, No. 3, 2006, pp. 409 – 432.

Wallace, R. and Briston, R. 'Improving the Accounting Infrastructure in Developing Countries', *Research in Third World Accounting*, Vol. 2, 1993, pp. 201-24.

Wallace, R. S. O. 'Development of Accounting Standards for Developing and Newly Industrialized Countries', *Research in Third World Accounting***,** Vol. 2, 1993, pp. 121-165.

Weick, K. E. 'Educational Organizations as Loosely Coupled Systems', *Administrative Science Quarterly*, Vol. 21, 1976, pp. 1-19.

Yin, R. K. *Case Study Research, Design and Methods* (Beverly Hills: Sage Publications, 1994).

Endnotes

[1] The real name is disguised.
[2] The Central Agency for Accountability is a control authority that reports to the Egyptian People's Assembly on the performance of all state-owned enterprises and government ministries and agencies.
[3] Loose coupling means that an organization can have both rational and indeterminate elements simultaneously (Lukka, 2007: 80).
[4] The inclusion of deinstitutionalization into the analysis overcomes a major limitation of new institutional sociology theory.
[5] Interviews were not tape-recorded because the interviewees preferred to talk in a more confidential way. However, extensive notes were taken during the interviews.
[6] For more details about the Uniform Accounting System, see, for example, Briston and El-Ashker (1984).
[7] AQF is a wealthy company. It controls the majority of Egyptian local market of fertilizers. Furthermore, it recently participated in establishing a new fertilizer company.
[8] In fact, there were many conflicting areas between the Uniform Accounting System and IFRS (Kholeif, 1997).