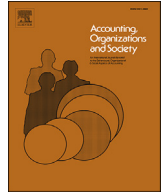




Contents lists available at ScienceDirect

Accounting, Organizations and Society

journal homepage: www.elsevier.com/locate/aos

Accounting professionalization, the state, and transnational capitalism: The case of Iran

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ARTICLE INFO

Article history:

Received 20 January 2018

Received in revised form

27 October 2019

Accepted 6 November 2019

Available online xxx

Keywords:

Accounting professionalization

Globalization

Ideology

Neo-gramscism

Iran

Transnational regulation

ABSTRACT

We examine accounting professionalization in Iran to understand state-controlled adaptation of Iran's professional accounting organization in response to transnational pressure. Using a neo-Gramscian theory of hegemony, the study shows that Iran's accounting occupation as an element of civil society was re-constituted through the interplay of shifting state ideology and transnational capitalism over the past five decades. The state's desire to integrate Iran with the global financial system in recent decades drove changes to Iran's accounting professional organization for alignment with transnational norms. The adaptation occurred amidst local resistance to transnational preference for granting regulatory powers to an autonomous professional accounting body. The study highlights professional autonomy as a contested ideational site of struggle in this process. The state preserved standard setting authority within the state apparatus, granted statutory audit and professional certification powers to an ideologically-trusted professional body, and relegated an accounting association construed as espousing neoliberal ideology to the politically less sensitive responsibility of offering professional education. We interpret this regulatory role specialization of the occupational groups as a product of the state's selective co-optation of the groups on ideological grounds. The study highlights the role of a country's ideological distance from neoliberalism in shaping adaptation of regulatory institutions for alignment to transnational norms.

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1. Introduction

The significance of accounting as a subject of transnational institution building has grown parallel to its heightened role in

transnational governance (Djelic & Quack, 2018; Djelic & Sahlin-Andersson, 2006; Arnold & Sikka, 2001).¹ Consequently, transnational professional and regulatory issues have influenced the accounting profession at the national level (Caramanis, 2005; Mennicken, 2008; Cooper, Greenwood, Hinings & Brown, 1998). Professions serve as an intermediary in transnational capitalism by legitimizing and operationalizing transnational standards (Halliday & Carruthers, 2009) as well as monitoring conformity with the standards (Jacobsson & Sahlin-Andersson, 2006). Despite the growing significance of the accounting profession in this respect, limited research attention has been devoted to the accounting–state dynamic from the transnational perspective (Ezzamel & Xiao, 2015; Ezzamel, Xiao, & Pan, 2007), especially with a focus on accounting professionalization. This study examines changes in organization of the accounting occupation in Iran from the early 1970s to 2015 vis-à-vis the interplay of transnational capitalism and shifting state ideology.

The accounting–state relationship in Iran underwent changes in a manner that largely mirrored shifts in the interplay of national and transnational ideologies in three distinct epochs: the 1970s, the

Abbreviations: IACPA, Iranian Association of Certified Public Accountants; IICA, Iranian Institute of Chartered Accountants; AOI, Audit Organization of Iran; IMF, International Monetary Fund; GATT, General Agreement on Tariffs and Trade; WTO, World Trade Organization; WWII, World War II; TSE, Tehran Stock Exchange; AIOC, Anglo-Iranian Oil Company; MEFA, Ministry of Economic and Finance Affairs; SOA, Society of Official Accountants; AJC, Audit Joint Company; WB, World Bank; CIR, Council of Islamic Revolution; CAAC, Certified Accountants Assessment Committee.

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¹ The global accounting harmonization initiative—which encompasses licensing and certification (Arnold, 2012, p. 361, p. 361)—and deliberations on accounting standards in high-level forums such as the G20 summit (Botzem & Quack, 2009) instantiate this trend. The trend parallels the growing focus on transnational governance, which refers to “the setting, application, and enforcement of rules with a cross-national or global scope” (Djelic & Quack, 2018, p. 124).

<https://doi.org/10.1016/j.aos.2019.101091>

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1980s and post-1989. An accounting professional project of the Iranian Institute of Chartered Accountants (IICA) was initiated in 1973, by accountants with Western educational background. The project was however, halted during the 1980s, when Iran adopted Islamic nationalist ideology, namely, *Velayat-e Faqih* (Abrahamian, 2008; Shevlin, 1998).² During this era, Iran pursued an Islamic nationalist economic policy, which proscribed foreign capital, nationalized private sector businesses (Shevlin, 1998), prohibited international accounting firm operations in Iran and constrained opportunities for local private-sector accounting firms (Mashayekhi & Mashayekh, 2008). The accounting occupation was also organized within the state apparatus. Yet, politics of visibility among political-economic elites led to structuring of accounting into separate public-sector audit regimes controlled by the elites. The fragmented audit regimes were later consolidated to form the Audit Organization of Iran (AOI). Throughout the 1980s, the IICA was marginalized for its members were not seen as trusted allies to the *Velayat-e Faqih* ideology. Post-1989, the accounting-state relationship was changed along with Iran's slight ideological shift to accommodate institutional norms of transnational capitalism in the globalization era.

Advocates of neoliberal globalization underscore the need to build institutional conditions for transnational capitalism (Mirowsky, 2015), which, inter alia, encompass institutions of accounting. Cox's (1983) neo-Gramscian analysis presents supranational organizations, namely, the International Monetary Fund (IMF), World Bank (WB), and World Trade Organization (WTO) as key agents of globalization in this process. According to this view, the relationship between transnational capitalism and the nation-state is founded on hegemony, whereby ideology-based consent is used as a primary means of power without completely disregarding coercive mechanisms. Since the 1970s, supranational organizations have been spearheading transnational institution building through best practice recommendations for national policy reforms, building consent by mobilizing the neoliberal ideology (Plehwé, Walpen, & Neunhöffer, 2006, p. 1).³ The dominant group in a hegemonic power relationship leverages ideology, that is a set of ideas used to "explain and justify ends and means of organised social action [in order to] preserve, amend, uproot or rebuild a given social order" (Seliger, 1976, p. 11). However, neoliberalism has itself been changing through time and differentiated in its operationalization in various countries even within the Western world (Brown, 2015). The concept is used in this paper as a "thought collective" (Mirowski, 2015, p. 428) that advocates "... an institutional framework characterized by strong property rights, free markets, and free trade" (Harvey, 2005, p. 2).

In Iran, the accounting profession's organization underwent gradual adaptation post-1989 for alignment to transnational norms amidst ideology-based resistance. Drawing on the national ideology, the state preserved some local norms for regulating the profession despite introducing some reforms along the recommendation of supranational organizations. When national and transnational ideologies interact in the era of globalization, as Halliday and Carruthers' (2009) study of legal reform suggests, a countries' ideological distance from neoliberalism shapes the process and outcomes of adaptation of national norms for alignment with their transnational counterparts. The Iranian evidence presented later in this paper shows, Iran's accounting-state dynamic shifted parallel to the country's changing ideological position vis-

à-vis neoliberalism during the three epochs covered in this study. For example, when Iran embraced some aspects of neoliberal policy post-1989—compared to Islamic nationalist ideology of the 1980s—Iran's accounting professional organization underwent state-controlled adaptation for alignment with transnational norms. In this process, professional autonomy—i.e., "self-directing freedom" (Merriam-Webster Dictionary) of the profession—served as a contested ideational site of struggle whereby the state and transnational actors mobilized competing interpretations of autonomy. Transnational actors and their local ideological allies canvassed professional autonomy as freedom from state control, whereas the state viewed autonomy as freedom from neoliberal ideological influence.

The adaptation of Iran's accounting professional organization highlights the ideological foundation of the accounting-state dynamic (see also Mihret, Alshareef, and Bazhair (2017) on Saudi Arabia and Yee (2012) on China). In this context, accounting occupational groups could take the form of civil society that may share or resist the state's ideological doctrine. The theory of hegemony holds that civil society groups regarded as ideological allies gain state support as a mechanism of consolidating prevailing hegemony. By contrast, groups regarded as counter-hegemonic often face marginalization (Gramsci, 1971; Green, 2002; Thomas, 2009) through the hegemon's effort to preserve established hegemony (Seliger, 1976). Accordingly, changes in professional accounting organization of Iran produced regulatory role specialization of accounting occupational groups. The state retained within the AOI the core regulatory role of standard setting, and it bestowed professional certification and statutory audit powers on the Iranian Association of Certified Public Accountants (IACPA), which was established by and considered ideologically loyal to the state. By contrast, the state co-opted the IICA but relegated it to the politically less sensitive role of providing professional education due to IICA members' perceived ideological allegiance to transnational capitalism.

This study contributes to our understanding of the development of transnational regulation and its link with national-level accounting professionalization. First, it makes an empirical contribution that allows us to make sense of how the dynamic interplay of national and transnational ideologies impacts on the accounting profession. It shows how the state-centric Islamic nationalist ideology and politics of visibility among elite groups tied to elements of the state apparatus drove organizing accounting within the state machinery. Further, it enriches the literature that highlights division of work as a possible product of professionalization projects (Loft, 1986; Richardson, 2017). It does so by showing how adaptation to transnational norms amidst ideological resistance produced role specialization of the AOI, IICA and IACPA through the state's selective co-optation of these bodies. The study highlights the role of ideological distance in the adaptation of supranational organizations' best practice recommendations (Halliday & Carruthers, 2009), particularly those relating to the accounting-state relationship.

Second, the study problematizes professional autonomy as a discursive ideational site of struggle in which actors mobilized competing notions of autonomy in advancing agendas. The Gramscian view of the relationships of the state and civil society (Santos, 2005) provides insights into how the state's guiding ideology is mobilized in conservatively adapting professional organization of accounting to transnational regulatory ideals. Third, the study enriches our understanding of the theory of hegemony as a useful analytical lens through which to examine accounting-state relationships (Richardson, 1989; Yee, 2009; Cooper, 1995; Robson, Willmott, Cooper & Puxty, 1994). It does so by using the neo-Gramscian lens, which illuminates transnational professional

² *Velayat-e Faqih* advocates a system of government by a supreme religious leader.

³ Especially, this trend became more visible since the early 2000s following the East Asian Economic Crisis (Wade, 2007).

issues as it focuses on a level of analysis broader than hegemonic social formations circumscribed within the boundary of the nation-state.⁴

The remainder of the paper proceeds as follows. The next section develops the analytical framework for the study. It outlines neo-Gramscian concepts of state–society relations and considers the accounting–state literature from the transnational perspective. The third section presents an empirical analysis of interviews and document review evidence on how changes in the global environment and shifts in Iranian state ideology from the 1970s to 2015 drove state-controlled adaptation of Iran’s professional accounting organization for alignment with transnational norms. The penultimate section discusses insights gained from the study, and the final section draws conclusions.

2. Analytical framework: Transnational capitalism, ideology and the accounting-state dynamic

Parallel to increasing internationalization of professions (Fourcade, 2006) including accounting, developments in transnational capitalism have been driving changes in national regulatory institutions of accounting in the globalization era (Djelic & Sahlin, 2009). Such changes are shaped by the interplay of national and transnational ideologies, in which the accounting profession can be leveraged to consolidate hegemony. Ideology provides the basis for establishing hegemony, which is interpreted from the Gramscian perspective as a mode of control founded on the dialectics of consensual mechanisms of power without disregarding the use of coercive means—such as the bureaucracy, police, army and the judicial system—as necessary (Anderson, 2002, pp. 5–30; Green, 2002; Thomas, 2009). Ideology enables maintenance of hegemony or facilitates transformation of social formations in favour of privileged groups in society by (re)conceptualizing reality based on ideas of the dominant group and producing consensus around legitimacy of the ideas (Ricoeur, 1986). According to Gramsci (1971, p. 131), organic intellectuals, that is, “the thinking and organizing element of a particular fundamental social class . . .” drive the development and maintenance of hegemony by directing “ideas and aspirations of the class to which they organically belong” (Gramsci, 1971, p. 131).

In addition to the role of organic intellectuals, the state plays a central role in establishing, enforcing and preserving hegemony (Hall, 1986; Harvey, 2007). Gramsci (1971, p. 145) underscores, civil society, that is “the ensemble of [organized groups] commonly called ‘private’”, plays a crucial role in creating, consolidating and maintaining hegemony (Bates, 1975; Hall, 1986). Indeed, Gramsci broadly conceptualizes the extended form of the state as comprising not only the administrative and coercive state apparatus but also hegemonic civil society, which is ideologically aligned with the state and consolidates prevailing hegemony (Fontana, 2002; Green, 2002; Thomas, 2009). Apart from leveraging hegemonic civil society, the state suppresses counter-hegemonic groups in preserving hegemonic control of society (Green, 2002; Santos, 2005). Organic intellectuals of counter-hegemonic groups often work to destabilize prevailing hegemony and may succeed in establishing a new hegemonic order (Gramsci, 1971). As a result, any hegemonic order is far from a fixed structure of ideological control but instead it calls for actively maintaining it

vis-à-vis challenges from counter-hegemonic movements.

Professional associations serve as civil society groups that institutionalize soft rules such as standards and systems of certification (Djelic & Quack, 2018).⁵ For Abbott, Levi-Faur, and Snidal (2017, p. 15) civil society groups produce “assurance and trust” thereby contributing to establishing and preserving hegemony. The literature on the accounting-state dynamic (e.g., Yee, 2012; Richardson, 1989) employs Gramsci’s concept of hegemony to explain how the state mobilizes ideology to control accounting professional groups and utilize the latter to advance economic policy goals.⁶ Yee (2009; 2012), for example, illustrates how the Chinese state mobilized ideology to re-constitute the accounting profession in China consistent with national policy. Accounting also offers an interesting case to investigate transnational institution building from a civil society perspective as its institutions are increasingly mobilized in transnational regulation (Arnold & Sikka, 2001). While soft rules of many civil society groups continue to be largely voluntary (Büthe, 2004; Djelic & Quack, 2018) and not necessarily internationalized, accounting institutions such as standards have gradually transformed into transnational mandatory rules through enforcement by legislation and stock exchange regulation (Botzem & Quack, 2006; Djelic & Sahlin-Andersson, 2006).

Cox (1983) employs a neo-Gramscian interpretation of hegemony to explain transnational power relations in the post-World War II (WWII) period. He conceptualizes the role of supranational organizations as organic intellectuals of transnational capital. Similarly, Harvey (2005) explains, the expansion of transnational capitalism in recent decades is founded on the neoliberal ideology. According to Harvey (2007, p. 22), one of the distinctive features of neoliberalism is its conception of the state as an actor whose role should be restricted to establishing and preserving the institutional framework conducive for a free market system.⁷ Since the mid-1970s, neoliberal globalization has developed as a dominant transnational ideology advocating market-based economic policies (Plehwe et al., 2006; Harvey, 2005, pp. 12–13). Globalization calls for establishing institutions for transnational governance, including accounting (Djelic & Quack, 2018). As elaborated later in this paper, this doctrine is bound to face resistance from settings such as Iran that use ideologies that advocate active involvement of the state in economic activity.

The consistent push by supranational organizations in recent decades for national policy reforms in numerous countries along free market lines (Brown, 2015; Hopper, Lassou, & Soobaroyen, 2017) shows the growing hegemonic status of neoliberalism (Cooper, 2015; Plehwe & Walpen, 2006). Unlike the largely US-led transnational capitalism of the immediate post-WWII decades, globalization is taking place since the 1970s beyond US dominance alone but rather within the hegemony of major capitalist economies including Japan and European countries (Harvey, 2007; Wade, 2007). As Gill and Law (1989) argue, in the post-WWII period, the structural power of transnational capital has gradually supplanted US’ coercive power in maintaining international power relations.

⁵ As the professions and the state are separate but interrelated components of society (Abbott, 2005), ideological position of the state vis-à-vis transnational ideology is likely to influence the professions.

⁶ This view is broadly consistent with the idea that accounting serves as a mechanism of social control (Walker, 2016) through the state’s use of ideology to mobilize the support of accountants (Yee, 2012).

⁷ Neoliberalism underwent temporal and spatial variations in its concepts and practices since its clear emergence in the post-WWII years (Mirowski, 2015). For instance, Foucault’s notion of biopolitics provides a further dimension to understanding the role of neoliberal ideas to construct the individual as a self-investing enterprise (Brown, 2015; Cooper, 2015).

⁴ Prior studies employed a number of theoretical perspectives to study accounting professionalization (Napier, 2006), including the neo-Weberian (e.g., Annisette, 2000; Carnegie & Edwards, 2001; Chua & Poullao, 1998, 1993; Larson, 1977; Sian, 2011) and state corporatists (Puxty, Willmott, Cooper, & Lowe, 1987; Richardson, 1989; Walker & Shackleton, 1995; Yee, 2012) lenses.

Such power of capital is mobilized as the coercive component of the neoliberal hegemony to enable expansion of global capital to individual countries by reducing regulatory constraint (Harvey, 2007; Robinson, 2001) through transnational institution building.

Plehwe et al. (2006) argue, civil society groups including professions, play a role in creating suitable conditions for transnational capitalism. As professionalization could be studied in the context of institutions (Suddaby, Cooper, & Greenwood, 2007; Suddaby & Muzio, 2015), professions as civil society groups merit investigation from the perspective of transnational institution building. Since the early 1990s, numerous developing and emerging economies implemented neoliberal policy reforms (Harvey, 2005) parallel to the development of the global financial architecture (Wade, 2007). Transnational regulatory institutions, including those of accounting, mediate the relationship between the global and national economies (Djelic & Quack, 2018; Halliday & Carruthers, 2009). Such institutions are built through consent (Arnold, 2005; Robinson, 2001), which is a primary component of hegemonic power, although the structural power of global capital could be invoked as well. Supranational organizations have been advocating the need for aligning national regulatory institutions with transnational regulatory norms (Ahrne & Brunsson, 2006).

Halliday and Carruthers (2009) explain the relationships between national lawmaking and transnational norms. They show that local preferences confront and cross-fertilize with transnational norms through processes of resistance and adaptation. Further, they argue that resistance and adaptation to transnational norms are shaped by countries' ideological distance from neoliberalism. For example, the neoliberal ideology favors transnational over national capital and facilitates redistribution of wealth from the lower to upper classes of society (Harvey, 2005; Wade, 2007). However, social rather than market-oriented policy goals are advocated in some countries (see Harvey, 2007), such as Iran. Such ideological differences from neoliberalism are likely to create tension in transnational institution building.

Similarly, unlike the preference in statist regulatory traditions, such as that of Iran, transnational regulation advocates the role of autonomous regulatory agents such as professional bodies (Ahrne & Brunsson, 2006, p. 87). National actors often resist and work to modify transnational regulatory norms that supranational organizations advocate for adoption at national levels (Brown, 2015; Halliday & Carruthers, 2009). From the perspective of hegemony, local resistance to norms of transnational institution building are likely to be centered on key ideas underpinning the institutions. As the Iranian evidence in this paper shows, concepts such as professional autonomy of accounting could be contested on ideological grounds, with actors mobilizing their respective interpretation of the ideas to shape the adaptation processes. In the following section, we analyze Iran's accounting professionalization vis-à-vis the relationships between transnational capitalism and shifting state ideology.

3. Accounting professionalization in Iran (1970s–2015)

3.1. Introduction to the empirical analysis

This section presents our analysis of the professionalization processes of the IICA and the IACPA against the background of changes in Iran's dominant ideology and its interplay with transnational capitalism. The study period starts from the early 1970s, when major attempts were made to organize the accounting occupation in Iran. We then extend the period to cover recent adaptation of the accounting regulatory platform that brought about establishment of the IACPA (in 2002) and legislative recognition of the IICA (in 2015) in the re-constituted regulatory

landscape. Data were collected through in-depth open-ended interviews, and a review of documents, including minutes of governing bodies of the IICA, IACPA, and the AOI, publications of the IICA and IACPA, government reports, and newspapers. Interview participants include individuals involved as participants in professionalization projects of the two accounting bodies and/or as senior members of the associations as well as some government officials of the AOI who served during the period covered in the study. Two of the researchers, who have Iranian background and worked in pertinent organizations such as the AOI, utilized their professional network to gain access to these officials and pertinent documentary evidence.

Connections in the professional networks of two of the researchers also facilitated access to interview participants. Interviews were conducted face-to-face in January and February 2016 with 14 participants in Tehran. In approaching the interviewees, we followed approved human research ethics procedures of the university with which the authors are affiliated. Initial interviewees helped identify further key potential interviewees and introduced the researchers to the interviewees via emails or phone calls. This process enabled creating rapport with the interviewees, which helped facilitate access to internal documents including minutes of meetings. Interview durations ranged from 30 to 126 min and lasted approximately 79 min on average. Table 1 summarizes the profiles of interview participants and other pertinent information about the interviews. The researchers employed thematic analysis (Braun & Clarke, 2006), interpreting the data to develop themes using as a general guide the theoretical concepts developed in the analytical framework. The researchers conducted this interpretation in multiple iterations of developing and refining the themes.

In the following three sub-sections, we present analysis of the accounting-state dynamic in Iran since the early 1970s with a focus on professionalization. We consider the developments in three episodes: pre-revolution Iran (before 1979); an Islamic economy closed to foreign capital (1980–1989); and a period of integration with the globalizing economy (post-1989). We illustrate how shifts in the interplay of transnational capitalism and state ideology during these eras drove the adaptation of professional accounting organization in Iran amidst ideology-based resistance to transnational pressure.

3.2. Emergence of embryonic accounting civil society groups prior to Iran's Islamic Revolution of 1979

Some institutions of accounting that signified the emergence of embryonic civil society groups of accounting emerged in Iran during the reign of Mohammad Reza Shah, who ruled Iran from 1941 to 1978.⁸ The shah followed pro-Western policies and received UK and US financial as well as political support (Kuniholm, 2014) as dominant ideology of Iran during this era did not bear overt hostility to transnational capitalism. Private sector industrial development and investment of multinational corporations in the 1960s and 1970s boosted Iran's economic growth (Rezaee & Davani, 2012). It also facilitated establishment of the Tehran Stock Exchange (TSE), which commenced operation in 1967. The rapid growth of private and public capital formation and the TSE's expansion especially in the early 1970s provided impetus to accountancy development (Rezaee & Davani, 2012). As accounting occupational groups are leveraged as civil society groups that consolidate the state (Yee, 2012), the Iranian state pre-empted the establishment of an accounting civil society groups closely linked with the state apparatus. First, it introduced the Society of Official

⁸ Shah is the Persian word for king.

Table 1
Interview details.

| Participant reference no. | Profile | Interview date | Interview duration (in hours and minutes) |
|---------------------------|--|------------------|--|
| 1 | Member of IICA and AICPA; Accounting academic. | January 16, 2016 | 1:48 |
| 2 | Managing partner of an audit firm; Member of IACPA and IICA who served in IICA supreme council. | January 17, 2016 | 1:11 |
| 3 | Managing partner of an audit firm; Member of IACPA and IICA; served in IICA supreme council. | January 17, 2016 | 2:06 |
| 4 | Former AOI board member; Managing partner of a private audit firm; IACPA member | January 18, 2016 | 1:03 |
| 5 | Practitioner in private audit firm; Served as a member of high council of IACPA | January 18, 2016 | 1:27 |
| 6 | Former high-ranking official of AOI; Member of high council of IACPA; Partner of a private audit firm | January 19, 2016 | 0:58 |
| 7 | Former high high-ranking official Ministry of Economic and Finance Affairs | January 21, 2016 | 0:30 |
| 8 | A former accounting academic who served as a high-ranking official AOI, and government ministries; Member of IICA; Member of high council of IACPA | January 21, 2016 | 1:18 |
| 9 | Practitioner with more than 30 years of accounting and auditing experience, former AO audit partner; IACPA member | January 25, 2016 | 1:48 |
| 10 | Co-founder and partner of an auditing firm; Member of IACPA; Member of IICA supreme council. | January 26, 2016 | 2:02 |
| 11 | Member of IICA, IACPA, FCA; Managing partner of an audit firm | January 26, 2016 | 0:58 |
| 12 | Operating manager of the training center of IICA | January 26, 2016 | 1:06 |
| 13 | Served as executive board member of AOI | February 7, 2016 | 1:00 |
| 14 | Former AOI CEO; Member of IACPA high council | February 8, 2016 | 1:08 |

Accountants (SOA) through the *Direct Tax Act 1967* (Mokhtar, 1992) thereby leveraging its coercive power to consolidate its system of economic management (see Gramsci, 1971). This Act recognized the role of auditors and referred to them as “official accountants” and authorized members of the SOA to audit income statements and balance sheets of companies for tax purposes.⁹ A 1969 amendment to the *Company Law* further expanded the role of the SOA members by making auditing of public joint stock companies compulsory. The practical role of these accountants, as a private arm of the MEFA, was to examine corporate reports from the tax perspective (Roudaki, 1996).

Second, the government established the Audit Joint Company [*Sherkat-e Sahami-e Hessabressi*] (AJC) in 1971. MEFA established the AJC to audit government organizations, such as the National Oil Company (NOC).¹⁰ The AJC was established with less than 100 staff, which was barely sufficient to cover the audits of all public-sector organizations and nationalized companies (Rezaee & Davani, 2012). Therefore, the AJC outsourced audit services to private sector audit firms. Two groups of accounting/audit firms operated in Iran in the 1970s: Iranian branches of big international firms and indigenous firms (Mashayekhi & Mashayekh, 2008). The international auditing firms employed both expatriate professionals who were members of the Institute of Chartered Accountants of England and Wales and Iranian graduates (Member of IICA and IACPA and managing partner of an audit firm).¹¹

Apart from state initiatives to organize accounting with features of hegemonic civil society, the major accounting professionalization initiative prior to the Islamic Revolution was the establishment of the IICA, which aspired to become an autonomous professional body. The initiative for the IICA's professional project followed the

socioeconomic and political changes that occurred in Iran in the 1960s and early 1970s: the influx of oil money into the economy, the growth of the private sector, and the increased number of accounting graduates from Western countries and local institutions. Moreover, in 1972, the government mandated all large private companies to offer one-third of their shares to the public (Foroughi, 1981), which fostered private sector investment. Major users of audited financial statements at the time were the TSE and banks. On the other hand, the government remained skeptical of the reliability of the information as a basis for tax assessment (Foroughi, 1981). In February 1973, a group of Iranian accountants, who received UK accounting training in the 1940s, established the IICA.¹² Members of this institute functioned as self-employed accountants, or accountants of private and government organizations.¹³ As education is one of the mechanisms to inculcate the hegemonic ideas of dominant groups (Gramsci, 1971), Western educational background of IICA members was invoked by the Iranian state in its resistance of transnational capitalist ideology in subsequent decades. Table 2 provides a summary of macro-economic indicators and events in the Iranian political–economic landscape along with milestones in accounting professionalization from 1970 to 2015.

There was a revolutionary movement in Iran during the 1960s and 1970s, which removed the shah from power in 1979 (Ramazani, 1993). The movement was a counter-hegemonic move against the pro-Western policies of Iran and instead aimed at establishing Islamic nationalist ideology. The following section focuses on the major ideological shift in post-revolution Iran and associated changes in the accounting-state relationship.

⁹ <http://rc.majlis.ir/fa/law/show/95984>.

¹⁰ National Oil Company (NOC) was established as a state-owned enterprise in 1951 by nationalizing the Anglo-Iranian Oil Company (AIOC), which was a UK company, (Ghods, 1989).

¹¹ By the end of the 1970s, a total of 40 audit firms—including the then Big Eight international accounting firms—operated in Iran (Rezaee & Davani, 2012).

¹² See <http://iranianica.com/site/1/default.aspx>.

¹³ The Big Ten international audit firms established subsidiary firms in Iran using the SOA and IICA members (some have dual membership) as their domestic partners. Bank Melli Iran, established in 1928, granted scholarships to a group of 12 Iranians in the 1930s to study accounting in the UK. These individuals served as accounting academics in Iran during the subsequent decades (Ghasemi, 2017) and participated in establishing the IICA in the 1970s (Rezaee & Davani, 2012).

Table 2

Iran's macro-economic trends, key national policy decisions, and milestones in accounting professionalization in Iran (1970–2015).

| Year | Foreign trade % GDP | ^a Net foreign direct investment ('000,000s) | ^b External debt stock (billions, rounded) | ^c IMF Credit ('000,000s) | Key milestones in Iran's politico–economy | Key milestones associated with development of accounting professionalization in Iran |
|------|---------------------|--|--|-------------------------------------|--|---|
| 1970 | 39.67 | 28.00 | | 0 | | |
| 1971 | 44.43 | 65.20 | 0 | 0 | | AJC established |
| 1972 | 44.45 | 91.20 | 0 | 0 | TSE increased transactions | |
| 1973 | 54.10 | 561.50 | 0 | 0 | - The shah involved in world price rise | IICA formed |
| 1974 | 71.40 | 323.50 | 0 | 0 | - Iran achieved 50% growth in GDP | |
| 1975 | 76.12 | 494.40 | 0 | 0 | | Postgraduate accounting training started (undergraduate training started in 1957) |
| 1976 | 65.44 | - 101.59 | 0 | 0 | | |
| 1977 | 59.86 | 345.69 | 0 | 0 | | |
| 1978 | 45.69 | 909.06 | 0 | 0 | | |
| 1979 | 42.81 | 164.35 | 0 | 0 | - Iranian revolution - Ayatollah Khomeini came to power - Referendum on new constitution - Islamic Republic of Iran established with <i>Velayat-e Faqih</i> underpinnings | |
| 1980 | 42.48 | 80.91 | 4.50 | 0 | - Former shah entered the US for medical treatment - Hostage crisis - Iran–Iraq war broke out | - SOA liquidated - Plan Organization Audit Firm established - Foundation Audit Firm established |
| 1981 | 40.31 | 28.22 | 3.86 | 0 | | |
| 1982 | 39.06 | -139.09 | 8.24 | 0 | | |
| 1983 | 38.73 | -78.82 | 7.11 | 0 | | Shahed Audit Firm established |
| 1984 | 27.93 | 42.69 | 5.16 | 0 | | Merger of four audit firms formed Audit Organization (AO) |
| 1985 | 23.17 | -38.15 | 6.06 | 0 | | |
| 1986 | 14.14 | -112.44 | 5.83 | 0 | | Establishment of AO |
| 1987 | 17.88 | -307.63 | 6.14 | 0 | | AO legislation passed |
| 1988 | 21.58 | 60.54 | 5.83 | 0 | - Iran–Iraq war ended | |
| 1989 | 27.94 | -19.42 | 6.52 | 0 | - Iranian constitution revised - Ayatollah Khomeini passed away - Ayatollah Khamenei succeeded Ayatollah Khomeini - Rafsanjani elected president - Iran started co-opting with supranational organizations and embarked on economic policy liberalization - First Five-Year Plan started - Commercial code revised | - Revised Commercial code required audit reports |
| 1990 | 37.08 | -361.95 | 9.02 | 0 | | |
| 1991 | 44.19 | 22.59 | 11.33 | 0 | | |
| 1992 | 40.40 | 8.5 | 16.08 | 0 | | |
| 1993 | 46.04 | 207.55 | 23.50 | 0 | | Law enacted stipulating establishment of IACPA |
| 1994 | 41.61 | 2.00 | 22.24 | 0 | Second Five-Year Plan started | |
| 1995 | 35.14 | 17.00 | 21.56 | 0 | | |
| 1996 | 35.22 | 26.00 | 16.47 | 0 | | MEFA recognized foundation members of IACPA |
| 1997 | 32.65 | 53.00 | 11.64 | 0 | Khatami elected president | |
| 1998 | 29.23 | 24.00 | 12.21 | 0 | | - Council of Ministers ratified constitution of IACPA developed by foundation members - IICA gained International Federation of Accountants membership |
| 1999 | 34.89 | 35.00 | 9.67 | 328.7 | IMF approved loans to Iran | |
| 2000 | 41.26 | 193.58 | 8.02 | 307.7 | Third Five-Year Plan started | |
| 2001 | 40.54 | 408.12 | 7.63 | 304.3 | | First IACPA congress |
| 2002 | 48.17 | 3519.38 | 9.03 | 335.3 | - United nations adopted Khatami's "Dialogue among civilizations" - Major WB loan to Iran approved | Registration of IACPA with statutory audit authority |
| 2003 | 50.68 | 2877 | 14.10 | 361.3 | | |
| 2004 | 53.09 | 3037 | 20.62 | 368.7 | | |
| 2005 | 56.05 | 2889 | 21.54 | 351.6 | - Iran gained observer member status to WTO - Ahmadinejad elected president | |
| 2006 | 54.69 | 2318 | 20.57 | 368.6 | | |
| 2007 | 51.69 | 2018 | 21.44 | 401.4 | | |
| 2008 | 49.90 | 1980 | 15.72 | 364.9 | | |
| 2009 | 45.42 | 2983 | 18.25 | 2165 | | |

Table 2 (continued)

| Year | Foreign trade % GDP | ^a Net foreign direct investment ('000,000s) | ^a External debt stock (billions, rounded) | ^a IMF Credit ('000,000s) | Key milestones in Iran's politico–economy | Key milestones associated with development of accounting professionalization in Iran |
|------|---------------------|--|--|-------------------------------------|---|--|
| 2010 | 45.74 | 3649 | 20.03 | 2261 | | |
| 2011 | 42.21 | 4277 | 17.34 | 2209 | | |
| 2012 | 43.09 | 4662 | 7.40 | 2102 | | |
| 2013 | 47.26 | 3050 | 70.06 | 2204 | Hassan Rohani elected president | |
| 2014 | 43.06 | 2105 | 5.44 | 1967 | | |
| 2015 | | 2050 | 6.32 | 1976 | | Registration of IICA as an accounting association |

SOA = Society of Official Accountants; IICA = Iranian Institute of Chartered Accountants; IACPA = Iranian Association of Certified Public Accountants; and AJC = Audit Joint Company.

^a Sources: <https://data.worldbank.org/indicator/DT.DOD.DLXF.CD>.

3.3. Ideological shift and re-organization of accounting in the state apparatus (1980–1989)

3.3.1. Islamic nationalist ideology and the rise of state-controlled economy

The Iranian revolutionary movement culminated in the establishment of Islamic Republic of Iran in 1979 with Ayatollah Khomeini as the supreme leader. Such a major ideological shift calls for developing ideas to underpin the new hegemonic form and establishing pertinent coercive state apparatus (Gramsci, 1971). In post revolution Iran, the government established the constitution of the Islamic Republic of Iran that bestowed power upon the Supreme Leader (Ayatollah Khomeini), that is, *valey-e faqih*, as the head of state (Shevlin, 1998) with the authority of both a political and religious leader. In doing so, the revolutionaries established an Islamic nationalist ideology, namely, *velayat-e faqih*—rule by a *valey-e faqih*—that served as a foundation for mobilizing the coercive state apparatus as necessary. Within the formal state apparatus, Ayatollah Khomeini also established Islamic Revolutionary Guard Corps (*Sepah*)—separate from the regular police and army—to protect the Islamic Revolution. Further, he formed the Council of Islamic Revolution (CIR) to manage the revolution (Ramazani, 1993).

Religious leaders play as key organic intellectuals in society especially where a “religious ideology” underpins hegemony (Gramsci, 1971, p. 137), such as the case of Iran. The revolution brought about profound changes in Iran’s political–economic landscape through ideological leadership of Muslim clerics under *Velayat-e Faqih* (Shevlin, 1998). Iran’s post-revolution hegemony under *Valey-e faqih* advocates the need for guardianship of the society by the state, which is largely controlled by religious leaders. To consolidate the new hegemonic order, a religious law was enacted, which prescribed dress codes for men and women, banned Western cinema, and prohibited broadcasting of Western music in the media. By doing so, the state mobilized hegemonic civil society institutions to create consensus around *Velayat-e Faqih* (Ramazani, 1993) and curb propagation of counter hegemonic ideas.

Velayat-e faqih stands in contrast to the neoliberal preference to restrict the role of the state to creating and preserving institutions of the market. The fact that this ideology also rejects imperialism and instead advocates nationalism (Abrahamian, 2008, p. 164) engendered resistance to neoliberal focus on free trade, which favors transnational capitalism at the disadvantage of national capital (see Harvey, 2005). As a result, ensuring Iran’s independence from foreign economic and political domination was one of the policy priorities throughout the period of Ayatollah Khomeini’s leadership (i.e. up to 1989). Indeed, the regime’s official mantra of “Independence, liberty and Islamic Republic”, that is, “*esteghlal, aazadi, jomhori islami*”, dominated post-revolutionary discourse (Vakil, 2011, p. 45). Further, promoting social welfare via re-distribution of wealth through

nationalization was another policy priority that emanated from the revolutionary movement (Ramazani, 1993) and caused tension between Iranian ideology and neoliberal market focused policies.

In stark contrast to the neoliberal focus on advocating market economic policy since the 1970s (Harvey, 2005), nationalization of the private sector in the aftermath of the revolution was one of the early policy measures in Iran. This policy change seriously affected TSE operations (Mirshakary, 1999). Over 500 companies were nationalized—including 36 banks in the financial industry alone—bringing about 95 per cent of the Iranian economy under state ownership (Komijani, 2006). The Iranian National Industries Organization was then established to manage nationalized companies, which were re-organized into three clusters of public sector organizations: Budget and Planning Organization (*Sazeman-e Barrname va Budge*), Foundation for the Oppressed and Disabled (*Bonyad-e Mostazafan*), and Foundation for the Martyrs and Veterans (*Bonyad-e Shahid*). The Budget and Planning Organization comprises commercially run state-owned enterprises. On the other hand, the last two clusters, known as the *bonyads*, were organized as para-governmental entities aimed at supporting disadvantaged segments of the society in line with the socioeconomic goal of redistributive justice, which was advocated in the lead-up to the Islamic Revolution.

The *bonyads* operated under the control of the clergy and played a significant role in consolidating hegemonic civil society by inculcating the ideology of the Islamic Revolution through education, research, publications, and other cultural activities (Alizadeh, 2003; Saeidi, 2004). The early 1980s saw a start of factionalized control of the economy as the *bonyads* dominated the economy using their advantage as tax-exempt entities in competing with commercially run tax paying organizations operating under Budget and Planning Organization. Furthermore, as elaborated in section 3.4, *Sepah* grew as another economic powerhouse in subsequent decades (Rizvi, 2012).

3.3.2. Re-structuring of accounting into the AOI and exclusion of the IICA

In the aftermath of the revolution, the Iranian accounting occupation faced dramatic changes in the corporate reporting environment (Mokhtar, 1992). The change originated from the radical ideological shift, which also altered the structure of the economy into a big public sector and a small private sector. Establishing and maintaining hegemony presumes leveraging hegemonic civil society and ensuring that counter-hegemonic civil societies are subdued (Green, 2002; Santos, 2005). The Iranian state left little room for civil society groups of accounting to operate

outside state control. For example, according to a former CEO of the AOI and a member of IACPA council, the CIR shut down the SOA in 1980, on the grounds of low professional standards and biased audit reports.¹⁴ By contrast, the following comment by a managing audit partner suggests that the closure of SOA has ideological grounds:

The CIR disbanded the SOA because of the ties of the members with foreigners from the West in the era of anti-Western policy. The SOA and IICA were working alongside each other, the first one with government backing and the second one with no official recognition by the government. There was much overlap in membership between these two associations.

This explanation reveals that notwithstanding the official narrative, the decision to close the SOA had ideological roots in that civil society groups of counter-hegemonic nature were suppressed. A managing partner of an audit firm and an IICA and IACPA member, who was directly involved in the cancellation of the SOA's legal backing, consolidates the points in the above quote:

In 1980, the [CIR] started to dismiss the anti-revolution/corrupt staff in almost all organizations including the [SOA]. There was a common view that some members [of the SOA] were involved in unprofessional and corrupt practices. However, we could not make a clear distinction between the corrupt and non-corrupt ones. The only choice left at the time was to cancel the SOA and suggest the formation of another professional association under the [MEFA].

This quote suggests the state's interest in establishing an accounting civil society group with close state control. In doing so the state also attempted to annihilate civil society groups regarded as counter-hegemonic or at least not clearly identified within the scope of the then prevailing hegemonic formation. Accountants are mobilized as civil society groups that are invoked in consolidating the state's systems of economic management (Yee, 2012; 2009). In Iran, when numerous private sector companies were nationalized and re-organized into *Sazeman-e Barrname va Budge*, *Bonyad-e Mostazafan*, and *Bonyad-e Shahid*, accounting was also restructured as a tool for the state's economic management whereby these clusters of organizations were required to be audited by a "recognized auditor."¹⁵ As a result, each of the three clusters of organizations formed its own audit Organization, that is, the *Sazeman* (in 1980), *Mostazafan* (in 1980), and *Shahid* (in 1983) (Rezaee & Davani, 2012; Salami, 1993) and the AJC continued to audit public-sector organizations, such as the NOC. This arrangement established a situation whereby elites who control those clusters also control auditing as a mechanism of rendering visibility to financial affairs of the organizations in the clusters. This was necessary because, there was shortage of audit talent in Iran when international auditing firms operating in Iran as branches of Big Eight audit firms as well as all indigenous audit firms were liquidated following the revolution (Rezaee & Davani, 2012). The closure of Big Eight and local private audit firms resulted from the state's move to weaken potential counter-hegemonic groups. Similarly, the IICA was perceived to have Western ideological orientation and thus treated as a counter-hegemonic group. As a result, the IICA was largely excluded

from the institutional architecture of Iran, and its members continued to be restricted to serving the small private sector (Rezaee & Davani, 2012).

Iran's coercive state apparatus was further mobilized in 1983 to reconstitute accounting/auditing. The *majles* (i.e. the Iranian parliament) ratified a bill in 1983 to merge the three audit firms and the AJC to establish the Audit Organization of Iran (AOI) thereby consolidating auditing of the largely state-owned economy. Official justification for the merger was that uniform standards were lacking, as each audit firm applied its own rules (Roudaki, 1996). However, some interview participants explained this arrangement as a mechanism to ensure state monopoly over professional regulation vis-à-vis accountants' general tendency to prefer regulation through an autonomous professional body:

The state did not like a private association like IICA to give a certificate to accountants of audit companies while the economy was largely state owned. After the revolution, when the private sector shrank because of nationalization, the IICA members were either absorbed into the AOI or continued to practice in their own private firms but limited their practices to non-audit services. [A managing audit partner]

This quote suggests the state's resistance to the neoliberal view of using autonomous regulatory agents (see Ahrne & Brunsson, 2006, p. 87). It implies the state's preference to harness accounting within the state apparatus to strengthen the state as per the state's view of professional autonomy as independence from Western hegemony. The *Articles of Association of the Audit Organization dated 8/09/1987* specifies that the AOI's duties and powers included auditing state-owned enterprises, the *bonyads*, and private sector companies in which the state holds more than 50 per cent ownership. The AOI's was formed as a legal entity financially independent but affiliated to the MEFA. In addition to its audit mandate, the AOI assumed responsibility for setting accounting and auditing standards. The AOI hired audit staff from its predecessor audit firms, the auditing units of ministries, institutes, state-owned enterprises, and government agencies.

3.4. Shifting accounting–state dynamic and the adaptation of professional accounting organization to transnational norms (post-1989)

Iran's transnational relations shifted from conflict in the 1980s to cooperation post-1989 and its ideology more collaborative to supranational organizations. Subsequently, the accounting regulatory infrastructure was adapted through selective co-optation of professional accounting groups for specified regulatory responsibilities. This process facilitated formation of the IACPA, and granting of legislative recognition of the IICA. In this subsection, we provide an overview of Iran's ideological landscape post-1989, and then we analyze the adaptation processes by which Iran's professional accounting organization was re-constituted.

3.4.1. Iran's ideological shift and adaptation to neoliberal policy

Iran focused on re-building its economy and pursued a less confrontational foreign policy toward the West after the Iran-Iraq war (1980–1988) ended (Ramazani, 1989).¹⁶ The neo-Gramscian literature shows such a policy shift facilitates transnational capitalist agents' negotiations with the state to promote economic policy reforms (Gill & Law, 1989; Cox, 1983). In this respect, the

¹⁴ There were only 120 members of the SOA at the time of the revolution (1979), of whom 63 were active and the rest non-active (Managing partner of an audit firm; member of IACPA and IICA).

¹⁵ While the meaning of a recognized auditor was not explicit, such status was granted by default to the AJC as the only audit body that existed at the time.

¹⁶ Ayatollah Khomeini passed away in 1989 and Ayatollah Khamenei became the new Supreme Leader.

institutional landscape of Iran reflected a slight ideological shift post-1989 during the presidency of Akbar Rafsanjani (1989–1997) and afterwards (Mirbagheri, 2007; Shevlin, 1998). State policies started accommodating some norms of the neoliberal hegemonic order during this period. This economic policy shift gave rise to revision of Iran's *Commercial Code* that revitalized accounting and audit requirements (Rezaee & Davani, 2012). In pursuit of Iran's first Five-Year Social and Economic Development Plan (1989–1993), which was set to implement the post-war reconstruction effort, Iran sought access to the international financial system by working closely with the IMF and WB in structural adjustment programs (Farzin, 1995).

In line with the neoliberal policy priority (Harvey, 2005, p. 2), this plan signaled the government's desire to entrust state industrial units—except strategic ones—to the private sector (Ramazani, 1987). In the global hegemonic order that has been consolidated in the era of globalization, ideology is leveraged to produce consent for economic policy reforms at the national level. Such reforms are advocated leveraging the structural power of global capital as the accompanying coercive mechanism (see Gill & Law, 1989). Iran's appetite for this market-oriented policy marked a shift in Iran's relations with the West from direct conflict to one of hegemonic power relationships. Although factional strife between those who preferred to preserve Ayatollah Khomeini's policies, and reformists, who advocated change posed a formidable challenge to the overall reform agenda, there was consensus among the elites on the need for economic policy reforms (Wells, 1999).

Similarly, President Mohammad Khatami's (1997–2005) foreign policy was characterized by reduced confrontation with Western powers. Consistent with the dominant ideology of the globalization era, he advocated the idea of *dialogue among civilizations*, embracing the notion of collaborative engagement (Khatami, 2000; Mirbagheri, 2007).¹⁷ Several European Union countries began renewing economic ties with Iran in the late 1990s, while the US continued to eschew normalized relations with Iran, alleging that Iran had been implicated in international terrorism and held nuclear power ambition. Khatami's reforms focused on institutionalizing market mechanisms (Gasiorowski, 2000), consistent with the WB and IMF's articulation of the need for a "market-friendly" economic policy for Iran (Alizadeh, 2003, p. 268).¹⁸

Trade liberalization is one of the key priorities of transnational capitalism spearheaded by supranational organizations (Harvey, 2005). Trade liberalization was also the basis of Iran's Third Five-Year Economic Development Plan (2000–2005). The role of transnational economic power in producing consent (Gill & Law, 1989) of Iran's policymakers can be seen from Iran's access to the international financial system. For instance, Iran's Third Five-Year plan was set with a budget of \$114 billion, of which \$12 billion was planned to be sourced from foreign credit and loans (Amuzegar, 2005). In the global capitalist system that has been expanding since the 1970s, the coercive power of individual capitalist states has been gradually supplanted by the hegemony of global capitalists drawn from several capitalist states (Harvey, 2007; Wade, 2007). Accordingly, the US made repeated unsuccessful attempts to block WB loans to Iran because, with only 16.5 per cent of the WB's share ownership, it failed to influence WB decisions, which are made through majority voting. The WB

approved a \$232 million loan to Iran from 1993 to 2000 as other shareholder countries of the WB attempted to dissuade Iran from its nuclear power ambition through economic incentives consistent with the hegemonic, rather than purely coercive, transnational power relationships of this epoch (Gill & Law, 1989). Approved loans to Iran allocated to support nine projects reached \$1.36 billion by 2007. At the same time, the US exercised its veto power (until 2004) against consideration of Iran's application for WTO accession, which was lodged in 1996 (Gill & Law, 1989).

The market-oriented reforms of Iran faced two challenges from conservatives, who control considerable economic power (Gasiorowski, 2000) and serve as crucial components of Iran's Islamic ideology. First, persuading the clergy of the need to reduce government subsidies and remove tax exemptions of the *bonyads* was exigent (Amuzegar, 2005). The *bonyads* bought state-owned enterprises offered for sale as a priority to martyrs' families and veterans. This opportunity was offered as part of implementing redistributive justice that the revolutionaries advocated in the counter-hegemonic movement against the shah's regime. However, those disadvantaged groups lacked the financial capacity to utilize the opportunity and thus *Bonyad-e Shahid*, which is established to serve the interests of those individuals, bought the privatized enterprises. Claiming to advance the interests of the disadvantaged segments of the Iranian society provided *Bonyad-e Shahid* the ideological basis to resist changes to the prevailing hegemonic system.

Second, *Sepah* was skeptical of secularization moves and intent on preserving the ideological foundation of the Islamic Republic of Iran (Gasiorowski, 2000). The post-war reconstruction effort created opportunities for *Sepah* to rise as an economic power through involvement in the construction industry, thereby establishing its control of military engineering, infrastructure construction, and (in the subsequent decade) the telecommunication and financial industries of Iran (Rizvi, 2012). Having fostered its economic power, *Sepah* seized the reform agenda as an opportunity to establish its political power. *Sepah's* veterans held some top government positions and a considerable number of seats in the *majles*, including the speaker of the *majles* in 2005. *Sepah* also restricted the operations of multinational companies in Iran on national security grounds, although its economic interests underlie this move (Rizvi, 2012). However, key reforms, such as opening Iran to private banks, occurred in 2002 for the first time after the 1979 nationalization (Alizadeh, 2003). The response of global economic actors was supportive of Khatami in that WB and IMF loans became more accessible to Iran (Table 2), which also gained observer member status in the WTO in 2005 (World Trade Organization, 2017).

3.4.2. The expansion of an ideologically loyal accounting professional group: the rise of IACPA

Iran's relationships with the IMF and WB following Iran's interest in integrating with the global economy drove the need for adaptation of the Iranian accounting regulatory landscape including the establishment of the IACPA. Such an interest helps reduce ideological distance (Halliday & Carruthers, 2009), which restricts the appetite for adopting ideas of the transnational system in re-constituting the national institutional setting. For example, pronouncement of Iran's first development plan (1989–1993) served as a watershed moment that marked the ideological shift as shown by, for instance, dismantling of a centrally-planned economic policy and the commencement of subsequent economic reforms during Rafsanjani's presidency (1989–1997) (Amirahmadi, 1995; Rakel, 2008). This plan focused on privatization and attracting foreign investment (Amirahmadi, 1995) and the second economic development plan (1995–2000) pursued similar agendas (Rakel, 2008), thereby creating a conducive environment for the

¹⁷ This idea was a response to Huntington (2000) notion of the clash of civilizations, which views conflict between the West and other major civilizations, including Iran, as inevitable.

¹⁸ Iran's significance to the international financial institutions can be seen in the fact that Iran runs the largest economy outside the WTO and is the 18th largest economy worldwide (Amuzegar, 2005).

emergence of an accounting body. Nevertheless, the dominance of the state apparatus on the accounting–state dynamic continued during this epoch as well. In connection with Iran's negotiations with the WB to obtain loans, the bank demanded a system of audit that is independent of the state as per the notion of professional autonomy from the perspective of transnational governance.

Halliday and Carruthers (2009) argue reforms aimed at aligning legal systems of individual countries to transnational norms is characterized by a recursive process of resistance and adaptation. Similarly, the Iranian accounting professional organization was an area where the state and supranational organizations considered for alignment. The financiers downplayed the role of the AOI on the grounds of lacking autonomy, as the CEO of the AOI is the deputy minister of the MEFA, and thus, “a state-owned audit [organization] is not in a position to conduct independent audit of other government organizations” [A former government official and member of IICA and IACPA]. The widespread public concern of major inefficiencies and lack of accountability in the *bonyads* and *Sepah* (Rizvi, 2012; Saeidi, 2004) arguably added to the momentum. That is, public demand rose for enhancing the system of audits as a mechanism of creating visibility upon the clusters of organizations that elites of the society controlled through *bonyads* and *Sepah*. The *bonyads* were unwilling to disclose their accounting and audit reports to the public. This was a major public concern, for several of the companies run by the *bonyads* were operating with loss (Saeidi, 2004). Similarly, *Sepah* influenced the *bonyads* and had economic ties with them while at the same time some of *Sepah*'s economic activities lacked transparency. As Saeidi (2004, p. 495) stated:

.... The closed flow of information in these organizations also embodies a traditional moral order, ...a religious moral system of non-reciprocal rights of religious leaders to control these resources, and obligations of subordinate classes and groups. Their methods of accounting have institutionalized their own system of accountability [whereby] the right of religious leaders not to disclose their activities to the people [was unchallenged].

This quote suggests that the politics of visibility that produced fragmented audit regimes in the early 1980s continued to influence the accounting-state relationship of the subsequent decade as well. This issue is also an important consideration from the perspective of transnational regulation, the norms of which presume an “autonomous” system of auditing that is independent of the state to ensure transparency and reliability. The pressure from global forces specifically prompted the state's move to organize the accounting profession with relative autonomy from the state apparatus. In the broader scheme of transnational governance, this pressure formed part of the move to align national accounting institutions to transnational norms (Arnold, 2005; Arnold & Sikka, 2001; Richardson & MacDonald, 2002). As one of the mechanisms that serves as a link between global and national regulatory systems (Samsonova-Taddei & Humphrey, 2014), accounting is often regarded as an area of transnational governance reforms (Djelic & Quack, 2018; Djelic & Sahlin-Andersson, 2006).

Limitations in regulatory framework of accounting in Iran, such as issues of autonomy of the AOI that supranational institutions raised, provided the basis for negotiation. In addition, private sector audit firms, to which the AOI subcontracted some of its work operated in an inadequate regulatory system. A former government official, who is also a member of IICA and IACPA expressed, the AOI:

... was subcontracting about 20 per cent of its work to private audit firms. Yet, private sector auditors were themselves not regulated by any authoritative professional association/organization.

This participant who also played a leading role in the establishment of the IACPA further stated:

The minister [of MEFA] [name omitted] invited me as [an official] of the AOI in 1989 because he believed in my audit expertise ... A few months later, I started to write the foundation rules of the IACPA as a professional association along with my duties as [an official] of the Audit Organization.

Such a state initiative to establish the IACPA affirms the state's interest to consolidate an accounting body with attributes of hegemonic civil society. The idea to establish IACPA was considered a pragmatic way to establish “a new professional body under government support and approval.” (A former government official and a member of IICA and IACPA). This professional accounting body, was regarded autonomous from the state's perspective, that is, with independence from neoliberal hegemony. A former government official, who is a member of IICA and IACPA pointed out:

I and a few other high-ranking staff of [AOI] like the late [name omitted] prepared the draft constitution and then the minister [of MEFA] signed and presented it to the Cabinet for approval. It took several government cabinet meetings in about a year, and finally, the vice president [of Iran] approved it, with slight amendments toward more government regulation.

Another option considered but rejected in organizing a professional accounting body in Iran in response to the transnational pressure is granting legislative authority to the IICA as a professional body independent of the state. Given the IICA's history and its continued independence from the state, following this option would mean organizing accounting in conformity with transnational agents' view of professional autonomy. However, this was not an appealing option to the state owing to its suspicion of the institute's ideological position although the accounting professionals' generally tended to favour a professional body independent of government control. As a former government official and member of IICA and IACPA stated:

Our aim was to establish a non-public and non-profit professional body that is supported and overseen but not interfered with by the government. To convince the government to approve the IACPA, we asked the government to approve the constitution and regulations as the best way to perform its duty of overseeing the professional association.

[However,] at the time of [state] domination in the economy, accepting a private organization with a lower level of government interference was not an appealing option to the government.

In 1993, the *Use of Specialized and Professional Services of Qualified Accountants as the Certified Public Accountant* legislation was enacted to authorize IACPA members to conduct:

- Audit and legal inspection of listed companies on the TSE;
- Audit and legal inspection of other public joint stock companies;
- Audit of non-stock corporations, and for-profit and non-profit institutions;
- Audit and legal inspection of public/government-owned companies ...; and
- Tax audit of individuals and legal entities.

These responsibilities of IACPA, especially in the areas of tax

audit and audit of government-owned companies, suggest the state's interest in the role of accountants to consolidate the state apparatus. In terms of the accounting-state relationship, the new structure exhibits aspects of transnational norms and local preferences. As Halliday and Carruthers (2009) highlight, transnational norms undergo adaptation through which local norms are preserved. Similarly, the IACPA's governance structure exhibits a hybrid of state and private elements, which shows adaptation of Iran's accounting professional organization to accommodate transnational actors' preferences. The Supreme Council of the IACPA serves as the association's highest governing body. The council comprises 11 members elected by members of the association. The MEFA minister ensures the integrity of the election process based on the Supreme Oversight Committee report on the process, and then formally appoints members. Three more delegates representing the MEFA, Central Bank of Iran, and TSE attend IACPA Council meetings without voting power. The Supreme Council appoints the board of directors and the secretary general of the association. The members of the board, which comprises three certified public accountants, are elected from the IACPA members and appointed by the president for a term of 3 years.

The Certified Accountants Assessment Committee (CAAC) was established with the approval of the Iranian cabinet in 1995 to conduct membership assessment and selection. The MEFA appoints members of the CAAC, and the head of the committee must be a senior executive of the MEFA. Based on the by-laws, the MEFA in 1996 determined that the members of the first CAAC along with three professional accountants would be the first IACPA members. The group oversaw the development of the association's constitution, which was approved in 1999. The constitution expanded the scope of the professional activities of the IACPA to include audit and assurance services; legal inspection; financial management consulting; design and implementation of financial systems; accounting, tax, and business advisory services; insolvency services; and professional services by court order and tribunals in the context of the above-mentioned services. The constitution also indicates that the association regulates and promotes the accounting and auditing profession in Iran, and it supervises the work of certified public accountants. The IACPA leverages its link with the state to consolidate its position as the sole authoritative professional accountancy body in Iran. As a former government official, member of IICA and IACPA noted,

... the government issued a regulation under the Tax Law that requires every company with a turnover above 800 million Toomans (about US\$260,000) to be audited by IACPA members.¹⁹

The association convened its first annual general meeting on August 24, 2001, in which it accepted as members some "financial controllers and tax officers of government organizations". [Former board member of AOI and managing partner at an audit firm and IACPA member]. On January 31, 2002, the IACPA was officially registered as a non-government and non-profit professional accounting body with financial and legal independence, according to the 1993 legislation.²⁰ The minutes of the Supreme Council dated December 7, 2010, show that the first general meeting of IACPA (in 2001) admitted 1039 founding members of the association, without examination. Of these members, 759 were audit managers or audit partners at AOI, who passed internal assessment and

promotion tests as staff members of AOI. The remaining 280 were government executive managers, the majority of whom had audit experience before the revolution at either the AJC or private audit firms.

Apart from playing a leading role in establishing the IACPA, the AOI has continued to influence the IACPA and Iran's accountancy in general. The AOI, as a member of IACPA, is a big audit organization and is officially the only accounting/auditing standard setter in Iran. It also holds key positions in the IACPA's governance structure, which consolidates the view that the IACPA was established with the state's notion of professional autonomy. For instance, the CEO and vice-president of the AOI are members of the IACPA Supreme Council, and the CEO of the AOI is one of seven members of the CAAC appointed by the MEFA. In 2003, the AOI's by-laws were revised and its legal status changed to a state-owned limited company and a financially independent entity affiliated with the MEFA (Davani, 2009). This decision to make the AOI more "autonomous" paralleled the transfer of state-owned enterprises to the private sector following the implementation of Iran's Third Economic, Social and Cultural Development Plan.

Only IACPA firms (not individual IACPA members) are permitted to audit TSE-listed companies, foreign companies registered in Iran, and state-owned enterprises. The government continued to hold considerable sway in key regulatory matters of the IACPA, enabling the government to set up the IACPA in a manner that consolidates the state. For example, the state approved a note to the Articles of Association (Government Cabinet approval, November 7, 2010) to allow managers in the public sector with 10 years of work experience at the managerial level to be accepted as IACPA members without passing through the IACPA's examination process. Some IACPA members regarded this move as "compromising professional autonomy" of IACPA's Supreme Council (A managing audit partner). A practitioner in an audit firm and former council member of IACPA remarked:

The reality is that all [Supreme Council members] are appointed by the MEFA. When there was pressure to admit non-professional public sector managers into the IACPA [during the presidency of Mahmoud Ahmadinejad, 2005–2013], even the CAAC disagreed with the government proposal. From the 11 members of the supreme council, 9 members disagreed with admitting the public managers with 10 years' working experience without examination, 1 member agreed, and 1 other member abstained. All nine opposing members were punished by the government, two had their IACPA memberships [suspended] for 8 months, and the rest were rebuked with a note in their files. Therefore, the government created another CAAC to clear the way for its plan. There are now two CAACs to assess the qualifications of the candidate, one for ordinary applicants and another for public sector managers.

Likewise, a former executive board member of AOI expressed concern regarding government interference in IACPAs governance:

The problem in the structure of IACPA is that the government determines competency of the IACPA members through the CAAC. This is a problem, because the government is looking after the interest of its staff and granting certificates to managers of government organizations with no audit experience.

On the other hand, some interview participants considered this compromise reasonable claiming it had little adverse effect on the profession in the long run. For example, a managing audit partner pointed out:

¹⁹ The official currency of Iran is Iranian Rial but in daily life, locals talk about Tooman; 1 Tooman equals 10 Rial.

²⁰ The IACPA had about 2000 members at the time of writing.

We accepted a small group of public sector managers among ourselves as certified accountants, without examination, to secure government support for our movement. This exception was repeated about two years ago [i.e., in 2013] when the government made an amendment to allow any manager in the government/public sector with 10 years of managerial experiences to become IACPA members without passing through the examination process.

Similarly, an audit partner and ex-member of IACPA council, who was former AOI official argued that it was a necessary trade-off to accept those individuals as IACPA members, to obtain government support for the institute. He also stressed that members without auditing experience (i.e., managers of government organizations) would, in any event, not be able to work as auditors and compete with practicing members of IACPA.

3.4.3. The state's co-optation of IICA for professional education

The relative waning influence of the economic policy dimension of *Velayat-e Faqih* post-1989 and the economic recovery imperative pursued after the Iran–Iraq war opened opportunities for growth in the private sector of Iran's economy. Subsequent developments facilitated revival of the IICA's interest in gaining legislative recognition and access to the public accountancy market. Expansion of the TSE's activities following the government's privatization plan in the 1990s further boosted this interest.²¹ The IICA decided to introduce a change to its membership categories to signal high standards to the market, especially in view of the lack of examination requirement for IICA membership. Accordingly, the IICA introduced changes to this effect in 2001. A managing audit partner explained this change as follows:

IICA membership could be granted to anyone with a bachelor's degree and 5 years work experience. The IICA decided to introduce the independent accountant category of membership as distinguished from ordinary membership. The independent members should have specific accounting and auditing work experience and should pass a very tough interview. In the interview session, candidates should showcase an actual audit file and audit reports.

The interviewees affiliated with the IICA believe that, through such screening, independent accountant members of the IICA are qualified to prepare audit reports. However, as the coercive state apparatus restricts the role of perceived counter-hegemonic civil society groups (Green, 2002), IICA members continue to lack legislative authority to conduct statutory audits. This means that only private companies can appoint IICA members as auditors. In explaining the ideological nature of the rationale for lack of government recognition of the IICA, a founder partner at an audit firm, IACPA member and IICA council member stressed: "We don't have beards, we wear ties, and we do not look like them." Apart from the ideological tension with the state, the largely state-owned economic base of Iranian society even after the privatization move has not created sufficient conditions for the IICA to flourish as a private sector body. Nonetheless, privatization has led to the subsequent listing of companies on the TSE, which has fostered the market for accounting services, as all listed companies are required to provide audited financial reports.

The theory of hegemony shows that counter-hegemonic civil society groups face marginalization while hegemonic groups gain state support (Green, 2002). The story of IICA and IACPA in Iran is revealing in this respect. The state's preference to expand opportunities for IACPA and by contrast restrict the power of IICA shown in the audit mandate of TSE listed companies. According to TSE regulations ratified by *majles* in November 2005 (Chapter 3 (Disclosure), Section 1, Article 7, Note 1), listed companies are required to "prepare and disclose ... audited annual reports ..." In addition, the state introduced a restriction on the type of auditors who can access this market. The supreme council of the TSE in 2007 issued a regulation requiring audit firms to be listed under the register of trusted audit firms. Only IACPA members with at least one year's membership history qualify for getting listed as trusted firms.

The powers of the coercive state apparatus could be mobilized to consolidate hegemony through formal legislation (Gramsci, 1971), for example, by empowering hegemonic civil society groups (Santos, 2005). In this respect, the audit firm listing requirement grants further legislative advantage to the IACPA over the IICA. Article 2 of the IACPA constitution also provides that: "The audit firm [is assessed] by IACPA [for] quality control at firm level" This policy decision further instantiates the state's preference to support a professional body organized according to the state's view of professional autonomy. In 2011, the Supreme Council of IACPA approved a regulation that requires each audit firm to have at least three employed IACPA members as partners, thereby reinforcing its control of the audit market and marginalization of the IICA. Yet, the state eventually granted legislative recognition of the IICA. The institute had its articles of association registered as an accounting professional body in 2015, despite still lacking authority to conduct statutory audits²².

With the development of the IICA training activities and a powerful lobby of members who were working for the government, it was finally successful in getting registered its Articles of Association, which were ratified by the Ministry of Interior Affairs [late 2015]. [Managing audit partner]

This legislative recognition instantiates the state's selective co-optation of the IICA for undertaking a part of the accounting regulatory roles, namely, offering professional education to candidates sitting IACPA examinations. As the educational arm of the institute, IICA's Professional Accountants Center has become a major private provider of professional accounting training to candidates sitting IACPA examinations. The center has been running short courses in accounting since 2004 in collaboration with business schools of Iranian universities, such as the Petroleum University of Technology (Rezaee & Davani, 2012). Education plays a central role in stabilizing hegemony or propagating counter-hegemonic ideas (Gramsci, 1971). Yet, the role of IICA in professional education cannot threaten the established hegemony in Iran. This is because, IICA offers education to aspirants of IACPA membership and thus IACPA will continue to dictate educational content through syllabus that underpins the examinations.

Civil society groups regarded as counter-hegemonic are destined to face marginalization as long as the prevailing hegemony remains intact (Santos, 2005). Likewise, despite the IICA's attempt to achieve the status of a fully-fledged professional accounting body, it has continued to be subordinated as a counter-hegemonic civil society group. This is because, the state

²¹ The IICA gained International Federation of Accountants membership in 1998, which suggests the institute's alignment with the transnational regulatory infrastructure (<http://iica.ir/Default.aspx?lang=en>).

²² Latest available data from the IICA website show that the institute had 7832 members by December 2016.

continued to be ambivalent about the IICA's independence from neoliberal hegemony. As a result, IICA members must obtain IACPA membership to gain access to Iran's statutory audit market. By contrast, the IACPA, has been receiving state support and continued to expand its scope and influence in the Iranian accounting regulatory setting.

4. Discussion of findings

Through a neo-Gramscian analysis of accounting professionalization in Iran presented in Section 3, this paper shows that Iran's accounting professional organization has undergone state-controlled adaptation in response to transnational pressure. The tension between the move to establish an autonomous professional accounting body and the Iranian state's desire to preserve a statist regulatory tradition was a salient underlying theme in this process. Changes in organization of professional accounting in Iran exhibited distinct features that paralleled shifts in state ideology and its interplay with the broadly neoliberal transnational capitalist ideology since the 1970s. Pre-revolutionary Iran, guided by its pro-Western ideology, was open to transnational private sector investment and operation of international accounting firms in Iran. Yet, the state's reluctance to support the IICA as an autonomous body and instead active state support to accountants affiliated with the state apparatus shows the interest to mobilize a hegemonic civil society group in accounting with close state monitoring.

The role of ideology in shaping the organization of the accounting profession has been more evident during the 1980s and afterwards. The radical ideological shift to *velayat-e faqih* in the 1980s led to re-organizing accounting within the state apparatus, with little room left for accounting occupational groups other than organizing as a hegemonic civil society. This is shown, for instance, in the consolidation of auditing within the state apparatus and marginalization of the IICA from Iran's hegemonic social formation during this era. The Gramscian literature on the accounting-state dynamic shows that the state tends to leverage hegemony to consolidate its power, inter alia, through the use of accountants (Yee, 2012). Likewise, when Iran was engaged in a direct ideological friction against transnational capitalism and fully insulated its economy from transnational influence in post-revolution Iran, the state integrated accountants in the state apparatus. That is, the state suppressed civil society elements of accounting in the private domain, for example, by prohibiting operation of international accounting firms in Iran, and restricting the role of accountants organized under the IICA.

Apart from the influence of national-transnational ideological interplay, the struggle of elites running *Sepah* and *bonyads* left its mark on changes in the organization of accounting during the 1980s. Elites factionalized along political economic lines, were engaged in the politics of visibility in which they attempted to control audit mechanisms by establishing separate audit regimes under their respective ambit of power. Such local elite struggle has political rather than ideological root because the two groups of elites share the interest to mobilize *velayat-e faqih* as their ideological basis to counter transnational capitalism. Indeed, both *Sepah* and the *bonyads* served as integral elements of the hegemony with the former serving in the coercive and the latter in the consensual mechanisms of Iran's Islamic nationalist hegemony. The dominant nationalist ideology that advocated state control of the economy and regulatory activity eventually facilitated galvanizing the fragmented audit talent by establishing the AOI. This decision shows the state's inclination to consolidate the state by leveraging the role of accounting as hegemonic civil society (Green, 2002; Thomas, 2009). The Iranian evidence therefore, shows that changes in the professional organization of accounting are shaped not only

through the interplay of national and transnational ideologies but also domestic political economic dynamics.

The unfolding institution building for transnational governance that has been evident since the 1970s (Djelic & Sahlin, 2009; Samsonova-Taddei & Humphrey, 2014) is largely underpinned by neoliberal hegemony (Harvey, 2005; Plehwe et al., 2006). In this respect, the slight shift in Iran's state ideology post-1989 opened the door for a new wave of ideological interplay between Iran and organic intellectuals of transnational capitalism. This interplay slightly disrupted Iran's hegemonic social formation founded on *velayat-e faqih* that underpinned Iran's state-centered economic policy of the 1980s. As the state leverages accounting as economic management tool (Yee, 2012), the impacts of the neoliberal reforms on Iran's policies also drove changes in Iran's accounting-state dynamic. The reforms were more pronounced in Iran since the early 1990s as is true for the rest of the world (Djelic & Quack, 2018). Specifically, following Iran's slight ideological shift to embrace neoliberal market principles in its economic management post-1989, professional accounting organization in Iran underwent a cautious adaptation for alignment to norms of transnational governance.

Green (2002, p. 6) argues that the state "controls the development and organization of civil society". Likewise, the Iranian state played a direct role in initiating the formation of IACPA and its expansion as well as limiting the development of IICA. Indeed, the relationship between the state and the IACPA shows blurred boundaries between the coercive state machinery and IACPA as a civil society group. This is, for example, shown in the state's coercive measures against CAAC members who challenged the state's proposal to admit government employees into IACPA membership without examination. Iran's case therefore, vividly illustrates Green (2002, p. 6) contention that "political and civil society constitute an organic unity" in that civil society is also in the broad sense a component of the extended state. Controlling the development of accounting civil society groups enabled Iran to also control the adaptation of accounting professional organization vis-à-vis norms of transnational governance. In contrast to the underpinning neoliberal ideology of transnational governance that advocates empowering autonomous—i.e., non-state—regulatory agents such as the professions (Büthe, 2004), Iran retained its state-centric regulatory tradition for organizing the accounting occupation through a state-controlled adaptation.

Halliday and Carruthers (2009) show that tension in transnational institution building facilitates cross-fertilization of national and transnational regulatory norms through adaptation. With a focus on civil society, our Iranian study highlights the unique adaptation process of selective co-optation of accounting occupational groups for specified regulatory roles and shows the ideological basis of this process. That is, the state granted the IACPA the authority to conduct statutory audits and undertake professional certification, which provided opportunity for accounting occupational groups ideologically aligned with the state to expand. Statutory audits and professional certification are central in the regulatory system of society. The IACPA gained legislative authority on these roles because it is the state's invention viewed as ideologically loyal to the state and thus a part of hegemonic civil society. While ceding most of the former roles of the AOI to the IACPA, the state retained standard-setting role within the AOI, which suggests the desire to control the means of legitimizing and adapting transnational regulatory norms.

The ideological shift post-1989 also ushered in a shift in the state's relationship with the IICA from marginalization to selective co-optation. Yet, the state co-opted the IICA only for the less sensitive regulatory role of professional education. Assignment of regulatory roles to IACPA and IICA by slightly accommodating

transnational norms shows the state-controlled adaptation of Iran's accounting regulatory setting. Juxtaposing the role of the AOI, the IACPA and IICA highlights regulatory role specialization as the outcome of the adaptation process. This process enabled the state to re-constitute the regulatory system by introducing an element of autonomy in the organization of the accounting profession without completely relinquishing state control. Therefore, the Iranian evidence contributes insights to the literature on division of roles by occupational groups as a possible outcome of accounting professionalization processes (see for example, Richardson, 2017).

The cross-fertilization of transnational norms with national traditions in the process of adapting national institutions to transnational governance norms (Halliday & Carruthers, 2009) is also instantiated in the way Iran contested supranational organization's view of professional autonomy. By doing so, Iran preserved the state-centric regulatory features in the re-constituted institutional architecture. Supranational agents' view of professional autonomy underpinned the push for an independent organization of accountants. By contrast, the Iranian state's underlying ideological interpretation of professional autonomy as freedom from transnational hegemony informed the state's goal of preserving key roles in the accounting regulatory infrastructure within the state hegemony. Such a malleable interpretation of autonomy enabled representing competing actors' perspectives through a conservative adaptation of the organization of the accounting profession in Iran while preserving some national preferences. Our evidence sheds light on the socially constructed nature of professional autonomy and its role as a contested ideational site of struggle for national and transnational agents in transnational institution building.

The extent of appropriating transnational norms in adapting local institutions to norms of transnational governance is influenced by ideological distance between neoliberalism and the ideology of the nation-state (Halliday & Carruthers, 2009). With respect to the accounting profession, juxtaposing the Iranian evidence that of Greece (Caramanis, 2002; 2005) offers a key insight. Iran has not fully embraced neoliberal principles, and thus bears greater ideological distance from neoliberalism than Greece. For instance, Iran gained only observer member status to WTO while Greece has been a member of GATT and the European Union since the 1950s and 1981 respectively (Rose, 2004). Further, the Greek state not only fully embraced the neoliberal ideology in the 1990s but it also actively promoted it in its economic policy discourse (Mantzari & Georgiou, 2018). These trends suggest ideological proximity and institutional alignment of Greece to the neoliberal transnational system (Caramanis, 2005). Consistent with the general trend under transnational capitalism (e.g., Arnold, 2005; Arnold & Sikka, 2001), Greek accounting was organized within the private sector domain, with competing autonomous professional bodies. It was also exposed to international competition from Big Four accounting firms as opposed to Iran's accounting profession, which continued under close state control and enjoyed protection from international competition since the 1980s.

The Iranian experience contributes insights that enrich our understanding of the role of hegemony in shaping the accounting-state relationship (see for example, Mihret et al., 2017; Richardson, 1989; Yee, 2012). In particular, recent professionalization literature (Mihret et al., 2017; Yee, 2012) has highlighted the driving role of ideology in accounting professionalization in some non-Western societies. The Iranian accounting professionalization outcome adds a new dimension to the observations of Mihret et al. (2017) based on their study on Saudi Arabia. The role of hegemony is visible in shaping the outcome of professionalization in both countries. However, ideology was employed as the basis for establishing a corporatist professional accountancy body in Saudi Arabia while the Iranian state co-opted different accounting occupational groups for different regulatory

roles prioritized on ideological grounds. While Saudi Arabia's corporatist accounting professional body was entrusted with much of the regulatory tasks including standard setting (Mihret et al., 2017), Iran's experience shows ideology-based division of regulatory roles among accounting occupational groups. Yet, Iran's case exhibits commonality with that of Saudi Arabia (Mihret et al., 2017) in the way mechanisms of close government monitoring are enmeshed in the professional bodies' governance structures as a mechanism of preserving hegemonic control of the state on accounting. The generally nationalist ideology of the two countries explains this commonality.

5. Conclusion

The organization of accounting professional groups in Iran has undergone a state-controlled adaptation for alignment to norms of transnational regulation, which are centered on organizing the accounting profession independent of the state. This process occurred through the interplay of ideologies of the state and transnational capitalism. We problematized professional autonomy as a contested ideational site of struggle for national and transnational actors involved in setting up norms of transnational regulation. The Iranian state's interpretation of professional autonomy as independence from transnational influence provided the underpinning rationale for the state to resist transnational pressure for adaptation of professional accounting organization for alignment with neoliberal norms. In the adaptation process, the state selectively co-opted accounting professional groups, as elements of civil society, on ideological grounds. This process yielded regulatory role specialization of the groups whereby the state retained standard setting authority within the state apparatus, granted statutory audit and professional certification powers to an ideologically-trusted professional body, and relegated an accounting association construed as espousing neoliberal ideology to the politically less sensitive responsibility of offering professional education.

The neo-Gramscian lens (Gill & Law, 1989; Cox, 1983) illuminates the national-transnational ideological tension and how the interplay of the two shapes the adaptation of national institutions of accounting regulation in the unfolding transnational institution building. In this respect, the study contributes to the debate on the role of national and transnational ideologies in shaping national accounting regulatory norms in response to transnational pressure. It highlights the adaptation process of selective co-optation and the resulting role specialization of accounting occupational groups. By doing so, the neo-Gramscian interpretation of the Iranian evidence extends Halliday and Carruthers' (2009) work on the interplay of national and transnational norms in transnational institution building. It does so by highlighting Iran's unique adaptation process of selective co-optation and the resulting regulatory role specialization as well as showing how professional autonomy was contested by drawing on ideology. It also adds a new dimension to the hegemonic interpretation of the state-profession dynamic (Richardson, 1989; Yee, 2012) by employing the neo-Gramscian approach, which focuses on a transnational level of analysis. Insights from such analysis illuminate the link between the unfolding institution building for transnational governance and accounting professionalization at the national level.

Our understanding of transnational capitalism in our Gramscian analysis is underpinned by our interpretation of neoliberalism as the hegemonic foundation of transnational capitalism. However, we acknowledge that neoliberalism encompasses multiple perspectives (Brown, 2015). Perspectives not covered in this study, such as Foucault's conceptualization of biopolitics in neoliberal government (Brown, 2015), could illuminate avenues for further research. For instance, our analysis has not covered the possible

influence of the neoliberal market rationality on the relationships of individual professionals with their professional bodies. The neoliberal focus on marketization of all domains of human endeavour (Brown, 2015; Cooper, 2015)—by extension professional activities—may shape individuals' perceptions of and commitment to professional membership. Such issues warrant future research attention from other theoretical perspectives.

Declaration of competing interest

This research did not receive any specific grant from funding agencies in the public, commercial, or not-for-profit sectors.

Acknowledgement

We are grateful to interview participants for their time, and we would like to thank the editor, Professor David Cooper and two anonymous reviewers for their constructive comments during the review process. Authors also gratefully acknowledge comments received from Professors Garry Carnegie, Lee Parker and Grant Samkin on earlier versions of the paper.

Appendix A. Supplementary data

Supplementary data to this article can be found online at <https://doi.org/10.1016/j.aos.2019.101091>.

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