

An Investigation into the Legitimation of the Role of the Professional Accountant within South African SMEs

Yaesh Yasseen¹, Nerine Stegmann², Freddie Crous³

Abstract: This study explores issues regarding the legitimacy of the professional accountant's role within South African Small to Medium Enterprises (SMEs). This study is a social deconstruction of the acceptance of a professional accountant's service offerings to SMEs through the lens of isomorphism. This exploration pioneers the comprehension of the legitimacy and social construction of the role of the professional accountant within SMEs. Using institutional isomorphism as a theoretical framework and interviews with 20 professional accountants and 20 SME owners, the lived experiences of the interpretivist approach makes a substantial contribution to qualitative accountancy research within the accountancy SME environment. The isomorphic tests reveal strong normative and coercive isomorphic pressures as well as the presence of mimetic isomorphic pressures which influence the formation and structure of the current role of the professional accountant within the SME environment. Furthermore, this paper makes a significant contribution regarding the legitimacy of professional accountants within SMEs to policy makers, professional accountancy organizations and academics who further aim to research within developing economies.

Keywords: isomorphism; legitimacy; professional accountant; SMEs

1. Introduction

Several studies have investigated the success of an SME in relation to its access to compliance and business advisory services (Franco-Santos, Lucianetti & Bourne, 2012; Hoque, 2014; ICAEW, 2011; IFAC, 2016; Strike, 2012) with a few research studies suggesting that professional accountants are the key service providers rendering business advice to SMEs (Berry, 2006; ICAEW, 2011; Ramsden & Bennett, 2005; Strike, 2012). Existing research indicates that professional accountants play a crucial role in an SME's success (Mohamed, Yasseen & Omarjee, 2020; Mohamed, Yasseen & Nkhi, 2020; Cheffi & Beldi, 2012; Kamyabi & Devi, 2012; Kim, Hatcher & Newton, 2012; Williams & O'Donovan, 2015).

Assessing, or even quantifying, the professional accountants' role is more complex, however, because the services that they provide to an SME often encompass much more than what is formally required of them. There is a perception that the role of the professional accountant has changed over time from providing compliance services to assisting with the advisory decisions of the SME. This is supported by research which found that in numerous countries professional accountants are amongst those who provide an integrated service to SMEs (Berry, Sweeting & Goto, 2007; Ramsden & Bennett, 2005).

Professional accountants have thus positioned themselves as multidisciplinary practitioners for extensive service offerings, including, but not limited to, financial advisory, management consulting,

¹ University of the Witwatersrand, South Africa, Address: 1 Jan Smuts Avenue, Braamfontein 2000, Johannesburg, South Africa, Corresponding author: yaesh.yasseen@wits.ac.za.

² University of Johannesburg, South Africa, Address: PO Box 524 Auckland Park, 2006 South Africa, E-mail: nerines@uj.ac.za.

³ University of Johannesburg, South Africa, Address: PO Box 524 Auckland Park, 2006 South Africa, E-mail: fcrous@uj.ac.za.

and legal services (Greenwood, Suddaby & Hinings, 2002). Professional accountancy organisations are positioning professional accountants as creators, enablers, preservers and reporters of value (SAIPA, 2018). These professional attributes are often applied by professional accountancy organisations when describing the advisory and compliance roles of professional accountants (SAICA, 2018). In practice, professional accountants are often broadly and vaguely marketed as business advisors to their clients (SAIPA, 2017). As will be argued in the literature review it remains unclear from the perspectives of professional accountants and SME owners as to what extent are the service offerings of the professional accountants accepted or resisted by an SME. This research is exploratory and investigates the legitimacy of the role within South African SMEs through the lens of isomorphism.

2. Prior Literature and Theoretical Framework

The legitimacy of the role of the professional accountant is defined as a state in which the accountancy profession's value system exists in harmony with the value system of the greater social system of which the professional accountant forms part (Carnegie & Napier, 2010; Deegan, 2002). As established in the introduction, there are various roles and role expectations of the professional accountant within the SME environment.

Legitimacy theory describes how an entity will repeatedly attempt to ensure that they are perceived as operating within social norms (Deegan 2009 as cited in (Fernando & Lawrence, 2014). Based on legitimacy theory, it can be inferred that the role of the professional accountant can be severely impacted if the accountancy profession's survival is endangered by society's perception that the profession has breached its societal expectation of acting in the interest of the public (Deegan, 2002). The profession's legitimacy is for this reason a key factor upon which professional accountancy depends for its existence (Deegan, 2002; Dowling & Pfeffer, 1975).

The legitimacy of the role of the professional accountant may be brought into question as a consequence of South African (SA) public accounting scandals¹ as well as the current state of the accountancy profession². In order to better understand the test of legitimacy, the lens of isomorphism from institutional theory will be applied. Isomorphism is an important component of institutional theory. Institutional theory assumes that organisations adopt structures and practices which are perceived to be legitimate and socially acceptable by other organisations in their field regardless of their actual usefulness (Covaleski, Dirsmith & Michelman, 1993; Rodrigues & Craig, 2007). The basic premise of institutional theory is that organisations tend to conform to authoritative standards and social influences. If organisations are not seen to comply with these standards, they will lose legitimacy (Carruthers, 1995; DiMaggio & Powell, 1983). As a consequence, institutional theory posits a structural isomorphism in which organisations become homogeneous structures, without this necessarily improving efficiency (DiMaggio & Powell, 1983).

¹ During a short space of time during 2017 and 2018, various high-profile public accounting scandals erupted within the South African economy. These scandals clearly contributed to a loss of trust in the accounting profession by the public (Crotty, 2017; Ziady, 2018). Upholding the public's trust is crucial, not only for maintaining the societal status of the accountancy profession, but also for the survival of the profession (Carnegie & Napier, 2010).

² In South Africa, as per the *Report on The Observance of Standards and Codes Accounting and Auditing (ROSC)* (World Bank, 2013). The accountancy profession operates under an indirect self-regulatory framework through voluntary membership of a professional accountancy organisation. However, the ROSC report calls for appropriate legislation to be enacted to regulate professional accountancy organisations in South Africa.

Hawley (1986) defines isomorphism as a constraining process that forces one unit in a population to resemble other units that face the same set of environmental conditions (Lieberman & Asaba, 2006). Isomorphic pressures can be identified as resulting from three sources: coercive, normative and mimetic isomorphic pressures (DiMaggio & Powell, 1983). Isomorphism can be applied to how organisations adapt their structures and in order to reflect what is already perceived as legitimate to safeguard continuance and survival (Louw, 2016; Meyer & Rowan, 1977; Suchman, 1995). The professional accountant's role within SMEs is a consequence of isomorphism. This is explored through the interplay of the role of the professional accountant between obligatory accounting practices, institutions, power, and politics (Mir & Rahaman, 2002). Each type of isomorphic pressure is next explained to highlight the impact that each has on the professional accountant in the SME environment.

Firstly, coercive isomorphism is a pressure triggered by peripheral forces exerted on an organisation by an institution in a position yielding power and authority (Carruthers, 1995; DiMaggio & Powell, 1983; Fogarty, Zucca, Meonske & Kirch, 1997). In a developing country like South Africa, the coercive isomorphic pressure arises primarily from legislation. The Companies Act 71 of 2008 requires the use of IFRS or IFRS for SMEs for reporting purposes. The Tax Administration Act 28 of 2011 requires complex tax filing processes for SMEs. These two acts are examples of pressures that force an SME to consult with a professional accountant to meet the compliance requirements to conduct their business affairs. Coercive pressures may also arise through institutions such as the World Bank, the International Accounting Standards board (IASB) and the International Integrated Reporting Council, which prescribe the use of International Financial Reporting Standards (IFRS) or the IFRS for SMEs and Integrated Reporting (IR) to institutions. The Report on the Observance of Standards and Codes (ROSC report) issued by the World Bank is a further example of coercive isomorphism which prescribes a regulated professional accountant to provide compliance and non-compliance services to SMEs. SMEs incur significant financial costs to comply with the relevant laws and regulations and utilise professional accountants as an intermediary. Governments of developing countries rely extensively on funding from these external bodies (such as the World Bank and foreign investors) for economic funding and must be perceived as legitimate to avoid being sanctioned because of non-compliance. Furthermore, the failure to comply with or misapply these aforementioned acts could result in severe penalties for the SMEs by their governments, which could place the economic funding at risk. Compliance with legislation is an important mechanism through which the organisation gains a sense of moral legitimacy (Louw, 2016; Roberts, 1991). Some SMEs in South Africa rely on government for funding (Ismail & Ajagbe, 2013; Lose & Tengeh, 2015) and as such will be pressured to utilise a professional accountant to ensure their legitimacy.

Secondly, normative isomorphism recognises how individuals of a similar calling organise in a professional institution to promote a cognitive base, diffuse shared orientations, and institutional practices, and legitimise their activities (DiMaggio and Powell, 1983). Normative isomorphism is derived from two fundamental characteristics of professionalisation: firstly, through formal education and legitimisation of the cognitive base by discipline specialists at universities; and secondly, through the growth of professional networks spanning across organisations and facilitating the rapid diffusion of new models and practices (DiMaggio and Powell, 1983). In South Africa, professional accounting organisations have established themselves as self-regulatory institutions to exert normative pressures on their respective professional accountants. These institutions are able to prescribe as to what are regarded as socially accepted, correct norms due to their long history/existence, high societal standing, extensive technical skills base, and the fact that they consist of leading minds in both the member and

steering base (Louw, 2016). The reason why the International Federation of Accountants (IFAC) and professional accountancy organisations are able to exert this kind of isomorphic pressure on professional accountants is that they themselves are perceived to be legitimate bodies. Normative pressures allow professional accountancy organisations to dictate best practice and therefore the pressures exerted by these organisations prescribe their interpretations of what is best practice (Fogarty *et al.*, 1997; Roberts, 1991). The professional accountant therefore needs to become a member of a professional accountancy organisation to ensure that he/she is able to trade and gain legitimacy.

The third type of pressure is mimetic isomorphic pressure and describe situations where institutions mimic the successful institutional behaviour of other institutions, predominately in situations of symbolic uncertainty (DiMaggio & Powell, 1983). Lepoutre and Valente (2012, p. 2) argue that:

“Organisations that are concerned with survival and consequently legitimacy, take on forms because they need to conform to socially accepted notions of what is appropriate and deviating from such notions, or institutional logics, could be considered foolish.”

Professional accountancy organisations who are not IFAC members as identified in the ROSC report could potentially suffer legitimacy issues considering the recommendations for regulation and the current accounting scandals. Professional accountants who are members of non-IFAC accredited accountancy organisations could in turn attend to the mimic isomorphic pressures to ensure their legitimacy.

All three isomorphic pressures are for the most part more significantly felt by developing and emerging economies, as they are often less endowed and desirous of participating in the resources of developed countries and international organisations (Aboagye-Otchere & Agbeibor, 2012). The cost associated with this is membership fees, which are ultimately borne by the SME. These combined isomorphic pressures create the opportunity for the professional accountant to render accounting services to SMEs. Isomorphism also explains the literature knowledge gap, as no studies to date have investigated the legitimacy of the role of the professional accountant within SMEs. The isomorphic pressures identified and discussed may consequently affect the legitimacy of the role of the professional accountant within SMEs.

Based on the literature review, it is clear that the professional accountant’s role in the SME environment is complex, and yet very little is known about the legitimacy of a professional accountant’s role in this key economic environment.

3. Methodology

An interpretivist epistemology using a qualitative research method was employed. Thematic analysis of data collected through semi-structured interviews was deemed the most appropriate method. The rationale was the epistemology that good knowledge requires an act of understanding people’s subjective experiences in natural settings. The researcher therefore gathers qualitative data in textual form and searches for rich meanings and thick descriptions³ that would reveal complex, emerging,

³ In qualitative research, “thick descriptions” refer to a detailed account of a particular phenomenon (Holloway, 1997; Lincoln & Guba, 1985). As stated by Mills (2010), “thick description is a term used to characterize the process of paying attention to contextual detail in observing and interpreting social meaning when conducting qualitative research”. The term,

meaningful patterns rather than singular cases, and without the objective to analyse data statistically (Creswell & Clark, 2014; Neuman, 2013). Furthermore, the researcher has no predetermined hypothesis about the role of the professional accountant that could be tested and measured. The objective is to explore and understand what meanings are associated with the legitimacy role of the professional accountant through the lived experience of both professional accountants and SME owners as interwoven aspects of this study. The expectation is that there will be many different experiences and descriptions of this role and not a singular version of this reality. Because the question focuses on both the professional accountant and the SME owner, an exploration of what happens within the relationship should also be uncovered.

4. Findings

This analysis is an examination across the entire sample through an interpretive reconstruction and expansion process (Lee, 1999; Treviño, Brown & Hartman, 2003), which considered the unique perspectives of both the professional accountant and the SME owner. The findings are discussed in terms of the three isomorphic processes: coercive isomorphism, mimetic isomorphism and normative isomorphism.

4.1. Coercive Isomorphism

In the literature of this study it was stated that coercive isomorphism is a pressure triggered by peripheral forces exerted on an organisation by an institution in a position yielding power and authority (Carruthers, 1995; DiMaggio & Powell, 1983; Fogarty et al., 1997). The role of the professional accountant within the traditional roles of financial reporting and taxation arises from South African legislative requirements which prescribe certain statutory compliance to the SME. The pressure for SME owners to comply with regulatory requirements result in them sourcing the services of the professional accountant. This traditional compliance is resisted by SME owners as the role is perceived as a “grudge purchase” to ensure compliance and avoidance of penalties. This would also explain why the non-traditional roles and emergent roles of the professional accountant are generally resisted and professional accountants have to overcome barriers of cost versus benefit to render the services associated with these roles. The business rescue role was an area where a few professional accountants tried to obtain legitimacy to provide business rescue services as a business rescue practitioner as defined in Chapter 6 of the South African Companies Act (2008). SME owners resisted the concept of business rescue assistance unless the SME was legally bound to go into business rescue proceedings and appoint a practitioner. SME owners also resisted professional accountants performing the role of business rescue practitioner. Professional accountants themselves were conflicted on whether all professional accountants can embark on this role. The lack of legislation forcing SMEs to embrace Integrated Reporting also demonstrates that the professional accountant would not have a role in IR should there not be legislative pressures on the SMEs.

The use of IFRS for SMEs further compounds the situation as professional accountants are pressured to service SMEs in a reporting framework that, in the view of the majority of participants, added no real value and was further regarded as unsuitable to a South African SME. In Table 4.1 examples are

“rich meanings” is based on the notion that collected data “should reveal the complexities and the richness of what is being studied” (Given, 2008).

provided that emerged from the data that displayed evidence of coercive isomorphism. This illustrates the influence of coercive isomorphism on the legitimacy of the role of the professional accountant within the SME environment. The views of professional accountants and SME owners on the perceived value of each of the discussed roles are also provided.

Table 4.1. The Influence of Coercive Isomorphism on the Role of the Professional Accountant and the Perceived Value of each Role

ISOMORPHISM	ROLE	PROFESSIONAL ACCOUNTANTS (PAs)		SME OWNERS	
		Value in the role	No value in the role	Value in the role	No value in the role
Type 1 : Coercive Isomorphism					
Regulation	Financial reporting role	<ul style="list-style-type: none"> - Motivated by technical competence of the professional accountant - Motivated by the income that arises through legislation which secures the income of the PA within the role 		<ul style="list-style-type: none"> - Pressure of non-compliance to regulation and associated penalties and therefore reliant on the technical competence of the PA - SME owners might have the skill-set but time could be better spent within the business operations. 	<ul style="list-style-type: none"> - Seen as a “grudge purchase”. - Owners do not need financial statements to make decisions – primarily used for SA Revenue Service and banks. - Perceived to be a compliance cost to ensure that the SME can continue to operate.
Best practice		<ul style="list-style-type: none"> - The financial reporting role is perceived as lucrative as there is reliance on computerised financial reporting software which is perceived to assist in achieving best practice. 	<ul style="list-style-type: none"> - Majority of respondents accept the financial reporting role they were pressured into using. - IFRS for SMEs is accepted as there is no other framework in existence. However, majority of PAs do not consider IFRS for SMEs to be best practice for SMEs as its complexity needlessly makes simple reporting onerous. 		<ul style="list-style-type: none"> -Participants were owner-managed enterprises and as such financial reporting (regardless of the financial reporting standards) had no value
Regulation	Taxation role	<ul style="list-style-type: none"> - Motivated by the technical competence of the PAs - Legislation secures the income of the PAs within 		<ul style="list-style-type: none"> - Motivated by the fear of non-compliance to regulation and therefore reliant on the technical competence of the PA - Perceived fear that SARS will penalise the SME owners and the 	

		this role		PA will provide the best possible tax minimisation strategy	
Regulation	Business rescue role	<ul style="list-style-type: none"> - Motivated through legislation which secures the income of the PA within this role - Majority of respondents attribute their competence within a business rescue role to their experience in the preparation and analysis of financial statements which would assist in the drafting of a successful business rescue plan. 	<ul style="list-style-type: none"> - Majority of participants were conflicted on the PA's success in rehabilitating the SME. - Minority of respondents were confident that the PA could enter this role successfully. 	<ul style="list-style-type: none"> - Minority of respondents perceived the PA as competent to perform business rescue services. - Majority of respondents believed that the PA formed part of the information process within the role. 	<ul style="list-style-type: none"> - PAs are not suited to provide this service. - PAs lack the attributes to be a successful rescue practitioner in the SME environment. - Huge cost to an already failing company
Regulation	Liability of the PA	No liability from a legal perspective	<ul style="list-style-type: none"> Fines, penalties and possible expulsion from a PAO. - Exposed to moderate liability indirectly through the Companies Act. - Pressure to obtain professional indemnity insurance. 		<ul style="list-style-type: none"> - Recourse limited to lodging a complaint with the PAO if the accountant is registered with one.
Regulation	Regulation of the role of the professional accountant	<ul style="list-style-type: none"> - No Accountants' Act - Self-regulation - Clearly defined role and expectation of the PA 	<ul style="list-style-type: none"> - Too many PAOs with different member standards and expectations - Higher operating costs to belong to a PAO which is subject to IFAC requirements. - Some PAs may exit the profession - Potential restriction of multi-disciplinary service offerings 	<ul style="list-style-type: none"> - Clearly defined role and expectation of the professional accountant - SME's interests are protected through a direct law 	<ul style="list-style-type: none"> - SME may be the ultimate cost bearer of increased legislative costs.

4.2. Mimetic Isomorphism

Mimetic isomorphic pressure refers to situations where institutions mimic the successful institutional behaviour of other institutions, predominately in situations of symbolic uncertainty (DiMaggio & Powell, 1983). The role of the professional accountant's legitimacy has been significantly influenced by mimetic isomorphism. The data reveals that within the current accounting environment the types of roles that professional accountants provide to SMEs mimic that of the professional accountants servicing larger listed entities. Imitation of frameworks such as IFRS, integrated reports and to an extent business rescue demonstrate that professional accountants, in order to seem legitimate, have to adapt these frameworks to provide the impression that the two environments are equally directed, controlled and regulated. Furthermore, the push towards professional accountants rendering the non-traditional services in a form and structure similar to a larger accounting practice further highlights the pressures within the role and the resistance by SME owners towards the role. Professional accountancy organisations in this case would be the source of the pressure within all services as opposed to legislation. This pressure could possibly be increased by digitisation and the advances of artificial intelligence and the perceived impact this will have on the accounting profession in the future. Because of the unknown impact that artificial intelligence could have, anxiety exists that if professional accountants do not evolve into the non-traditional and emergent roles, automatic processes could replace the services of the professional accountant within the traditional roles.

Professional accountants training within Continuing Professional Development programmes are starting to mimic the training of professional accountants within larger companies. There appears to be a lack of understanding of the needs of the SME owner and the professional accountants within this environment. This could be a possible reason why the role of the professional accountant is still confined to the more traditional service offerings. In Table 4.2 examples that emerged from the data that displayed evidence of coercive isomorphism are provided and the influence that mimetic isomorphism has on the legitimacy of the role of the professional accountant within the SME environment is illustrated. A distinction is also made between the views of professional accountants and SMEs in terms of the perceived value of the role.

Table 4.2. The Influence of Mimetic Isomorphism on the Role of the Professional Accountant and the Perceived Value of each Role.

ISOMORPHISM	ROLE	PROFESSIONAL ACCOUNTANTS		SME OWNERS	
		Value in the role	No value in the role	Value in the role	No value in the role
Type 2: Mimetic Isomorphism					
Progression	Management accounting and finance role	- Motivation to offer the role progressed over a period of time and the SME gradually accepted the service - Preparing of valuable reports such as budgets which are needed for decision-making		- Role seems to be embraced over time as the information produced becomes useful.	- Affordability issues may influence the perception of the PA's value.
Peer Pressure	Business Advisory Role	- Motivated by future potential to earn lucrative income	- Pressure being exerted to imitate larger accounting		- Do not consider PA within this role.

		- Motivated to embrace role to survive in the future	practices. - Tools and techniques not suitable to the SME market		- SME owners are focused on the maintenance of their lifestyle and need the business to survive and grow according to this need
Peer Pressure	IR role	- Motivated to implement integrated thinking as opposed to the entire IR process	- No motivation from PAs to embrace the role as there is no demand for the service. - Pressure being exerted by PAOs and PAs in larger enterprises		- Do not consider the process as applicable to SMEs - Will only adopt IR if legally required or if other SMEs use it to unlock potential economic benefits
Peer Pressure	Value of a professional designation	- Professional accountants are motivated to earn a professional designation to distinguish themselves as being credible.			- Majority of SME owners are not motivated to source the PA primarily based on their designation.

4.3. Normative Isomorphism

Normative isomorphism recognises how individuals of a similar calling organise themselves in a professional institution to promote a cognitive base, diffuse shared orientations and institutional practices, and legitimise their activities (DiMaggio & Powell, 1983). Findings suggest that normative isomorphic pressures are present. The professional accountant as provider of knowledge within the business consultancy role exhibited pressures by other professional accountants to provide the role for the benefit of the SME owners. Congruently, SME owners were inherently appreciative of this role as there was no chance of survival without them. It can therefore be inferred that the role of the professional accountant as providers of knowledge is a means to achieve legitimisation.

It was concerning that there was no evidence of normative isomorphism with respect to the public interest role from both group of participants given the recent accounting scandals, as well as the expectation of professional accountancy organisations that professional accountants serve the public interest. Such a finding is counter intuitive as it demystifies the idea that the legitimacy of the professional accountant is anchored in a public interest role within the SME environment. The impact of this is that norms develop and are transferred and the overall effect could be that the relationship between the professional accountant and SME owner disregards other stakeholders.

The final normative pressure was whether belonging to a professional accountancy organisation added to the legitimisation of the role of the professional accountant within the SME environment. The majority of professional accountants interviewed believed that belonging to a professional

accountancy organisation was not for social acceptance or for the benefit of society. Professional accountants were only motivated to join a professional accountancy organisation if there might be barriers to enter the profession without membership. Joining a professional accountancy organisation created no legitimacy and there was uncertainty as to whether it is better to belong to an IFAC accredited organisation rather than a local organisation in the absence of such barriers. It was further stated that the cost to maintain professional designations may result in the loss of clients. This is because SME owners do not see the benefits of using a professional affiliated to a professional accountancy organisation which was greater than the cost to achieve legitimacy through a professional accountancy organisation or even through IFAC. This view was corroborated by the SME owners who were only motivated by the ability of the professional accountant to deliver a quality service at an affordable price. There was a lack of understanding of the types and value of professional designations. Norms therefore are not created through the formulation of a pathway through professionalisation and belonging to a professional accountancy organisation, as long as comprehensive regulation does not create barriers for the professional accountant to operate within the SME space. In Table 4.3 the influence of normative isomorphism on the legitimacy of the role of the professional accountant within the SME environment is illustrated and the perspectives of the professional accountants and SMEs are provided.

Table 4.3. The Influence of Normative Isomorphism on the Role of the Professional Accountant and the Perceived Value of each Role

ISOMORPHISM	ROLE	PROFESSIONAL ACCOUNTANTS		SME OWNERS	
		Value in the role	No value in the role	Value in the role	No value in the role
Type 3: Normative Isomorphism					
Benefit to society	Provider of knowledge	- Majority of respondents are motivated to support the transfer of knowledge and skills to the SME owners so far as they can.		-Appreciation by SME owners for the majority of professional accountants who transfer knowledge and skills to the benefit of the business.	
	Public Interest		- Lack of awareness of public interest. - Motivated by self-interest. - Majority of respondents perceived their role to be limited to servicing the SME owner. - Majority of PA's underlying motive		- Lack of awareness of public interest. - Motivated by self-interest. - Majority of SME participants believed that the role of the PA was to ensure that the SME survives as a

			was the maximisation of fee generation		going concern to support the owner's lifestyle
Profession	Belonging to a PAO	- Motivated to join a PAO if there is a benefit to overcome barriers to enter into the profession.	- Uncertainty as to whether to belong to an IFAC accredited PAO or a local PAO - Cost to maintain designation may result in the loss of clients due to higher fees charged.		- SME owners are motivated by the ability of the PA to deliver a quality service at an affordable price. - There was a lack of understanding of the types and value of professional designations.

5. Conclusion

This paper uses DiMaggio and Powell's (1983) model of isomorphism to demonstrate how coercive, mimetic and normative pressures influence the legitimacy of the current role of the professional accountant within South African SMEs. The isomorphic tests revealed strong normative and coercive isomorphic pressures as well as the presence of mimetic isomorphic pressures which influence the formation and structure of the current role of the professional accountant within the SME environment. The terms of what defines an SME differs across entities and jurisdictions. This is an exploratory research and consequently isomorphic pressures, while prevalent may not be strong enough to exert change in the professional accountants and the entire SME environment. This study is the first to critically investigate the legitimacy of the role of the professional accountant within SMEs. Future research may extend this to listed companies as well as other developed and developing markets as a comparative. This research will be of significant value to professional accountancy organizations, policy makers, regulators and academics who aim to further decouple the SME environments and the role that professional accountants play.

References

- Aboagye-Otchere, F. & Agbeibor, J. (2012). The International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMES) Suitability for small businesses in Ghana. *Journal of Financial Reporting and Accounting*, 10(2), pp. 190-214.
- Berry, A. (2006). *Banks, SMEs and accountants- an International study of SMEs' banking relationships*. <https://research.brighton.ac.uk/en/publications/banks-smes-and-accountants-an-international-study-of-smes-banking>.
- Berry, A. J.; Sweeting, R. & Goto, J. (2007). The effect of business advisers on the performance of SMEs. *Journal of Small Business and Enterprise Development*.
- Carnegie, G. D. & Napier, C. J. (2010). Traditional accountants and business professionals: Portraying the accounting profession after Enron. *Accounting, organizations and society*, 35(3), pp. 360-376.
- Carruthers, B. G. (1995). Accounting, ambiguity, and the new institutionalism. *Accounting, organizations and society*, 20(4), pp. 313-328.

- Cheffi, W. & Beldi, A. (2012). An analysis of managers' use of management accounting. *International Journal of Business*, 17(2), p. 113.
- Covaleski, M. A.; Dirsmith, M. W. & Michelman, J. E. (1993). An institutional theory perspective on the DRG framework, case-mix accounting systems and health-care organizations. *Accounting Organizations and Society*, 18(1), pp. 65-80.
- Creswell, J. W. & Clark, V. L. P. (2014). *Designing and conducting mixed methods research* (2nd ed.) California: Sage Publications.
- Crotty, A. (2017). KPMG to be investigated for audit of company linked to Gupta wedding scandal. *Businesslive*. Retrieved from <https://www.businesslive.co.za/bd/companies/financial-services/2017-06-30-kpmg-to-be-investigated-for-audit-of-linkway/>.
- Deegan, C. (2002). Introduction: The legitimising effect of social and environmental disclosures – a theoretical foundation. *Accounting, Auditing & Accountability Journal*, 15(3), pp. 282-311.
- DiMaggio, P. & Powell, W. W. (1983). The iron cage revisited: Collective rationality and institutional isomorphism in organizational fields. *American sociological review*, 48(2), pp. 147-160.
- Dowling, J. & Pfeffer, J. (1975). Organizational legitimacy: Social values and organizational behavior. *Pacific sociological review*, 18(1), pp. 122-136.
- Fernando, S. & Lawrence, S. (2014). A theoretical framework for CSR practices: integrating legitimacy theory, stakeholder theory and institutional theory. *Journal of Theoretical Accounting Research*, 10(1), pp. 149-178.
- Fogarty, T. J.; Zucca, L. J.; Meonske, N. & Kirch, D. P. (1997). Proactive practice review: a critical case study of accounting regulation that never was. *Critical perspectives on accounting*, 8(3), pp. 167-187.
- Franco-Santos, M.; Lucianetti, L. & Bourne, M. (2012). Contemporary performance measurement systems: A review of their consequences and a framework for research. *Management accounting research*, 23(2), pp. 79-119.
- Greenwood, R.; Suddaby, R. & Hinings, C. R. (2002). Theorizing change: The role of professional associations in the transformation of institutionalized fields. *Academy of management journal*, 45(1), pp. 58-80.
- Hawley, A. H. (1986). *Human ecology: A theoretical essay*: University of Chicago Press.
- Hoque, Z. (2014). 20 years of studies on the balanced scorecard: Trends, accomplishments, gaps and opportunities for future research. *The British Accounting Review*, 46(1), pp. 33-59.
- ICAEW. (2011). *The Finance Function: A Framework for Analysis*. <https://www.icaew.com/-/media/corporate/files/technical/business-and-financial-management/finance-direction/finance-function-a-framework-for-analysis.ashx?la=en>.
- IFAC. (2016). *The relationship between accountancy expertise and business performance*. <https://www.ifac.org/publications-resources/relationship-between-accountancy-expertise-and-business-performance>.
- Ismail, K. & Ajagbe, A. M. (2013). The Roles of Government in the Commercialization of Technology Based Firms. *Middle-East Journal of Scientific Research*, 16(2), pp. 229-236.
- Kamyabi, Y. & Devi, S. (2012). The impact of advisory services on Iranian SME performance: An empirical investigation of the role of professional accountants. *South African Journal of Business Management*, 43(2), pp. 61-72.
- Kim, J.; Hatcher, C. & Newton, C. (2012). *Professional identity of management accountants: leadership in changing environments*. https://eprints.qut.edu.au/50798/1/Professional-identity_Final_report.pdf.
- Lepoutre, J. M. & Valente, M. (2012). Fools breaking out: The role of symbolic and material immunity in explaining institutional nonconformity. *Academy of management journal*, 55(2), pp. 285-313.
- Lieberman, M. B. & Asaba, S. (2006). Why do firms imitate each other? *Academy of management review*, 31(2), pp. 366-385.
- Lose, T. & Tengeh, R. K. (2015). The sustainability and challenges of business incubators in the Western Cape Province, South Africa. *Sustainability*, 7(10), pp. 14344-14357.
- Louw, A. (2016). *The FRIP as a mechanism of accountability in the South African financial reporting environment*. Masters Research Report University of the Witwatersrand, Johannesburg, South Africa. <http://hdl.handle.net/10539/22214>.

- Meyer, J. W. & Rowan, B. (1977). Institutionalized organizations: Formal structure as myth and ceremony. *American journal of sociology*, 83(2), pp. 340-363.
- Mir, M. Z. & Rahaman, A. S. (2002). *Institutional isomorphism and the adoption of IASs in a developing country: another crisis of external dependence*. <https://ro.uow.edu.au/cgi/viewcontent.cgi?article=1792&context=commpapers>.
- Mohamed, W.; Yasseen, Y. & Nkhi, N. (2020). International Financial Reporting Standards for small and medium-sized entities: A survey showing insights of South African accounting practitioners. *Journal of Economic and Financial Sciences*, 13(1), p. 9.
- Mohamed, W.; Yasseen, Y. & Omarjee, F. Z. (2019). The perceptions of South African accounting practitioners on the post-implementation of IFRS for SMEs in an institutionalised environment. *Journal of Economic and Financial Sciences*, 12(1), pp. 1-11.
- Neuman, W. L. (2013). *Social research methods: Qualitative and quantitative approaches* (7 ed.). Boston, USA: Pearson Higher Ed. USA.
- Ramsden, M. & Bennett, R. (2005). The benefits of external support to SMEs: Hard versus soft outcomes and satisfaction levels. *Journal of Small Business and Enterprise Development*, 12(2), p. 227.
- Roberts, J. (1991). The possibilities of accountability. *Accounting, organizations and society*, 16(4), pp. 355-368.
- Rodrigues, L. L. & Craig, R. (2007). Assessing international accounting harmonization using Hegelian dialectic, isomorphism and Foucault. *Critical perspectives on accounting*, 18(6), pp. 739-757.
- Strike, V. M. (2012). Advising the family firm: Reviewing the past to build the future. *Family Business Review*, 25(2), pp. 156-177.
- Suchman, M. C. (1995). Managing legitimacy: Strategic and institutional approaches. *Academy of management review*, 20(3), pp. 571-610.
- Williams, B. R. & O'Donovan, G. (2015). The accountants' perspective on sustainable business practices in SMEs. *Social Responsibility Journal*, 11(3), pp. 641-656.
- Ziady, H. (12 July 2018). How Saica. Hears no evil, speaks no evil and sees no evil. *Financial mail*.