

PUBLIC ACCOUNTING PRACTICE: OBLIGATORY  
PASSAGE POINTS

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## ABSTRACT

Actor-network theory is an analytical framework used to study the roles played by humans and non-humans (such as technology) in the structuring of relationships. This theoretical framework is used to discuss the construction of actor-networks in public accounting practices and how information provided by the client of a public accounting practice is combined with previous 'facts' such as legislation, accounting standards and generally accepted accounting principles to produce business reports such as business plans, profit and loss statements and balance sheets. The framework also suggests that the ultimate goal of the accountant is to make the public accounting practice an obligatory passage point. Clients must utilize the 'facts' produced by the profession to solve problems. In this way, the status and influence of the accountant in particular and the profession in general is increased.

## Introduction

“Accounting firms... help to produce, as well as reproduce, the identity not just of accountants, but also the way economic and social life is to be conceived, managed and changed” (Cooper & Robson, 2006: p 436)

Accountants use rules and regulations, their knowledge and expertise to produce an account of an individual or organisation, a description of activities that is important to those individuals and organisations, because it is used to control the allocation of resources within our society. This description is presented as neutral and unbiased, a reliable source of information for third parties to use in the decision making process. Researching how accountants produce this account, the methods and resources they use and the decisions that they make to produce this account is therefore important to the society in which they operate.

Accountants work in industry, in finance (for instance banking and investment) and in public accounting practices. Public accounting practices, both large and small, may offer any combination of services to clients, including, but not limited to, taxation advice and compliance, auditing, superannuation advice, investment advice and succession planning. As a profession, accountants make claims to specific activities and expertise (Cooper & Robson, 2006) How does the accountant use their knowledge and expertise, the rules and regulations to fashion this advice? It is the process of accounting and the how accountants use their knowledge and expertise that as members of a profession they claim to have, that is the focus of this paper.

Professions can be defined as “occupations based on advanced, or complex, or esoteric, or arcane knowledge” (Macdonald, 1995, p. 1). By ensuring that the users of this knowledge limited to the accounting profession, are obliged to use that same profession as a source of account without which the users cannot exist in society, accountants can increase their influence and power. Actor-network theory can be used to explain how the control of resources and knowledge within an professional accounting firm will lead to the creation of obligatory passage points.

Tomkins and Groves (1983) called for more research into the reality of accountants’ everyday life, pointing to the importance of making research more relevant to practicing accountant. The use of field studies is a recognised way of gaining an understanding of a phenomena in it’s natural setting (Yin, 1989) and would therefore be of use in exploring how accountants build the account within the public accounting firm. Field studies of firms which investigate how accountants make decisions are few (Cooper & Robson, 2006). This paper does not present empirical evidence to illuminate how public practicing accountants use their knowledge and expertise to produce an account for their clients, but rather it seeks to discuss how the use of actor-network theory may explain how the account is assembled within the firm, building on a suggested approach to field studies by Cooper and Robson (2006, p. 435).

The next section will explore previous research into the accounting profession and public accounting practices. A discussion of actor-network theory and how it can be used to explain accounting practice will be followed by an explanation of information flow through the actor-network that constitutes a public accounting firm. The following section will put forward how the principal actor controls the network to produce the desired outcome, the accounting reports. The section discussing the existence of external allies will be followed by the conclusion.

## **Professions, Accounting and Public Accounting Practice**

Until the early seventies, the study of the sociology of the professions in general was approached from a functionalist perspective and was concerned with defining the different traits of the professional and comparing the 'ideal professional' with the various actual groups within society who claim to have professional status (Macdonald, 1995). Some early researchers in America, however, took a more interactionist approach to the research of the professions, building on work by Everett Hughes (1958; , 1971) investigating the actions and interactions of individuals and groups in the medical profession and how doctors were able to exercise power over others (Becker, Greer, Hughes, & Strauss, 1961; Friedson, 1970). The focus moved time as sociologists changed the research question from whether or not a particular occupation could be described as a profession, to a more fundamental "what professions actually do in everyday life to negotiate and maintain their position" (Larson, 1977, p. xii). This question considers the actions undertaken by professionals rather than the evaluating professional traits or professional power (Macdonald, 1995).

Similarly to the study of the professions generally, early investigation into the accounting profession was approached from a functionalist perspective (see Cooper & Robson, 2006 for a more complete review). A profession must lay claim to knowledge that is restricted to the group and not available to society in general, before it can call itself a 'profession' and limit the use of that knowledge by others. The history and development of the accounting profession has been explored to uncover how the accounting profession claimed legitimacy and power over time (see for instance Macdonald, 1995; Willmott, 1986). As the focus of research moved from the functionalist perspective in the sociological research of the professions, so too did researchers in accounting consider how the accounting profession maintained its status as a profession. A variety of methods and social theories have been used, for instance the 'Professional Project' was conceptualized by Larson (1977) using the insights of Marx and Weber. Researchers also looked into how accountants attempted to increase their sphere of influence by using the legitimacy given by society in new areas (Gendron & Barrett, 2004).

The research focus moved from the profession as a whole and turned to the firm as the environment in which accountants lived their daily lives, attempting to explore the phenomena in a naturally occurring setting. It is in accounting firms that professional identities are mediated and accounting practices emerge (Cooper & Robson, 2006). It is the decisions accountants make with the firm that influence the profession, how it is constituted, what an 'accountant' looks like. Questions were asked regarding who the accounting profession include and exclude according to gender, class or race using theories based on Giddens and Feminist discourse (Anderson-Gough, Grey, & Robson, 2005; Haynes, 2004; Whiting, 2004). Others investigated how professional accounting firms managed to balance the need for productivity and control with a need for their employees to be creative (Chang & Birkett, 2004).

To explore how accountants in public practicing firms make decisions that affect how the 'account' is assembled, what resources they use, Cooper and Robson (2006) have suggested the use of actor-network theory. This theory has been used in research within management accounting. Baxter and Chua (2003) found that actor-network theory to be a legitimate framework for investigating management accounting. This framework has been used to study management accounting systems (Briers & Chua, 2001; Lowe, 2001; McNamara, Baxter, & Chua, 2004) in an organizational setting. Latour (1987: p 255) and Law (1992) both recommend that actor-network theory can

be used as a framework study other disciplines besides 'science and technology'. Accounting, as a "crucial and pervasive science", is worthy of study in this manner (Latour, 1987: 253). Public accounting practices can be construed as networks of humans and non-humans (technology) that produce the 'account' a knowledge object, or 'claim', after all accountants construct facts by engaging with technology and information systems (Lowe, 2004).

The next section will discuss how this knowledge is assembled within a public accounting practice using the example of the production of reports.

### **Actor-Network theory and the Public Accounting Practice**

This section will propose how it is possible to use actor-network theory (Callon, 1986; Latour, 1988; Law, 1986) to explain how both people and technology can combine in public accounting practice to produce reports as knowledge claims for clients. Whilst there are many kinds of information, including differing reports, produced by accountants for clients, such as, but not limited to, advice on business structures, investments, general purpose financial reports, business plans and auditor's reports, this discussion concentrates on the production of general purpose financial reports as an example. Actor-network theory can also be used to explain how other types of information are produced

In public accounting practice, paper forms (inscriptions) are combined by actors (human and non-human) with other sources of information to form a knowledge claim, presented as a 'fact' to those external to the organization which produced it (Latour, 1987) The public accounting practice uses documentary evidence provided by the clients, with legislation, accounting standards and generally accepted accounting principles to produce such as business reports, profit and loss statements and balance sheets. These accounting artefacts are considered to be knowledge objects (Lowe, 2001). These are given to the clients as 'facts', representations of themselves and their businesses that are allegedly neutral and unbiased (as proposed by the conceptual framework including the IASB Framework for the Preparation of Financial Statements).

Clients then use these 'facts' to communicate this neutral and unbiased view to external users such as banks and government bodies for taxation calculations and oversight purposes. These 'facts', produced by the public practicing accountant, are indispensable for clients who are required to have them by these external users. The client is required to utilize the services of the public accounting practitioner to pursue his own goals. This makes the public accounting practice an obligatory passage point.

### **Accounting and Actor-Network Theory**

Sometimes referred to as the 'sociology of translation', actor-network theory is an analytical framework used to study the roles played by humans and non-humans (such as technology, science and nature) in the structuring of relationships (Callon, 1986; Latour, 1986; Law, 1986). Latour (1987, 2005) proposes that 'Society' is made up of associations between actors<sup>1</sup> who combine primary and secondary information into new information which they then put forward as a knowledge claim<sup>2</sup>. ANT considers the process undertaken where actors, both human and non-human, form a network to support a knowledge claim in order to increase their status and influence. It is referred to as a 'claim' because it may or may not be accepted by others (Latour, 1987).

The theory assumes a particular view of society, actors and networks. Latour (2005) argues that society can be viewed in two different ways. The social scientist may take

the stance that the social world exists externally from the individual. It is real and can be described, in the same way the natural world can be described. The social world is not created by the individual; the individual is born into it. Using the social world as reality, social scientists then give certain traits to the phenomenon which they are investigating, and then go on to explain how this social world affects other domains of reality, such as law or economics.

From Latour's (2005) point of view, society does not exist as 'out there' with a precise domain and properties (including order and structure). The labels 'social' or 'society' cannot be attributed to any specific reality. There is no overarching social context in which actors can be framed or embedded. Instead, society is made up of ties, or associations, between actors. What is social is deemed to be the trail of associations between heterogeneous elements, not the elements themselves. The social is made up of the connections between actors. Research using ANT seeks to trace these associations without imposing a specific reality, devised by the researcher, upon the actors. The actors must be able to formulate their own theories regarding the structure of their social world (Latour, 1986, 2005).

### **Information flows through public accounting practices**

The following section will outline how the reports given to clients by the practitioners are built by a network containing people and technology (the public accounting practice). This network uses the information provided by the client and combines it with previous 'facts' such as legislation, accounting standards and generally accepted accounting principles. Figure 1 shows how information from outside the network, in this case the public accounting practice, is combined within the network to produce the reports.

<Figure 1 goes about here>

Financial accounting practices are built on generally accepted accounting principles, accounting standards and legislation. Many of these procedures and techniques, now accepted as normal practice by the profession, have been, and still are, subject to controversy. It is not possible to discuss in detail the many interesting and varied points of view in this paper. According to actor-network theory, when a knowledge object or claim becomes accepted it is black-boxed<sup>3</sup>. It is arguable that the profession accepts, either willingly or unwillingly, these principles and regulations as unproblematic and they have therefore been effectively black boxed within the profession. Accounting in public practice is then built on these black boxes.

Clients of public practicing accountants need to explain their business activities in a way that enables their accountant to understand what has taken place. The accountant was not present during the business year and did not physically witness these events. Robson (1992) states that when it is necessary to explain activities in other places and at other times, they are written, 'inscribed' on paper to provide information. The use of accounting numbers enables various business activities to be quantified. It is the ability to classify and quantify the various attributes of the business activity using a dollar value that enables accounting numbers to represent conceptual entities. Accounting practice does not consider these numbers not to be just similar, but identical to, the activity they represent. These numbers are represented in 'writings' or inscriptions; documents such as invoices, receipts and deposit slips. These inscriptions are forwarded to the Public Accounting Practice to be combined with other information to produce reports for the clients.

The public accounting practice is made up of both people and technology, coming together in the workplace to carry on the activity called 'accounting'. These people use technology and the information provided by the client to produce the reports requested, with reference to the accounting standards, legislation and generally accepted accounting principles. These people and their technology constitute the actor-network within the public accounting practice.

Within the actor-network actors do things; they translate (transform or change) things or "make a difference in some state of affairs" (Latour, 2005: 52). If there is no translation or difference then there are no actors; nothing has been done. When considering who the actors are, the action is not restricted to humans. Non-humans and other, smaller networks can also 'make a difference' and are therefore to be considered actors. The theory accepts that nature, science and technology, as actors can transform or change things, for instance computers can be used to collate and summarize data, and therefore they are translating and 'making a difference'. Computers then fit the definition of an actor (Latour, 1987). An actor may also be a network, an association of heterogeneous objects. Depending on that person's role within the larger network, these may include an office, a computer, a telephone and various assistants.

ANT uses the concept of a network as a tool to describe the flow of action (Latour, 2005). A network is formed, initially, as an actor combines the 'facts' produced by others with information that has been produced by both human or non-human actors within the organization to produce a knowledge claim (Latour, 1987). It is important, at this point, not to confuse a network with a group of actors. A network is made up of the ties that exist as the flow of information takes place between actors. It is the associations between the actors, not the actors themselves, and therefore the network only exists when action is taking place (Latour, 2005).

The network within an accounting firm is not the employees; it is associations between the employees and their technology, produced as work is carried out by the firm. As the information supplied by the client moves through the accounting firm, it is transformed from a complicated and diverse set of data and reduced into the accounting statements. Accounting statements are combinable inscriptions (Robson, 1992). The actor-network in an accounting firm therefore, collates data to meet the requirements of their clients. The action is initiated when the client sends the data to the accounting firm. The data, in the form of inscriptions sent by the clients (for example trial balances, bank statements, computer outputs), is collated together by the accounting firm and presented to the clients in the form of other inscriptions such as general purpose financial reports or business plans. The client then presents the accounting figures as 'fact' to others (banks, external and internal stakeholders).

### **Control within the actor-network**

Networks are composed of both people and technology which interact. The purpose of the network, the public accounting practice is to collate the data together into the clients' reports. It is important to the principal actor to ensure that the actors within the network cooperate to achieve this goal (Callon & Law, 1982). As the actor 'acts', it is not possible for that action to take place in isolation, because as actors translate things or make a difference, their actions will affect others. As others are affected by the change or difference that has been made, it is then possible their behaviour will change accordingly. Consequently, actors within the network may not necessarily be the source of the action; the actor may be made to act by, or for, many others (Latour, 2005).

These associations, networks, are built by the actors to support the knowledge claim or objects they will make or have made (Callon, 1986; Callon & Law, 1982). Each principal actor uses a set of strategies to define and inter-relate the various roles that they assign other actors as they build the network. The term 'enrolment' is used to describe this set of strategies (Callon, 1986). The easiest way to enrol another actor into the network is to be enrolled by them, to convince them that they need to join the network to achieve their goals. Actors will become enrolled in the network because they perceive that their interests align with others within it. It may be necessary for an actor to negotiate with others to convince them that the actor's network will assist them in achieving their goals (Latour, 1987). When a person is first employed with an accounting firm, there will be a series of negotiations in which both the new employee and the employer will agree to the conditions of employment. These will include rate of pay, status within the firm, expected responsibilities and expected outcomes. In these negotiations the employer is attempting to enrol the employee in the network, by offering pay and various incentives<sup>4</sup> that will align the employee's interest and goals with those of the firm.

Once enrolled in the network the principal actor may wish to control the behaviour of others so that the expected outcomes are achieved. Since the network consists of both people and technology, it is possible to use machines to control the human actors and tie them together. Machines insist on specific behaviours from any humans that interact with them and by making the users directly interested in the machines' output it is possible to have the machine, and the network of which it is comprised, monitor the people who use it (Latour, 1987). By using accounting numbers it is possible to use the budget to control the employee. The employee themselves inscribe specified actions, which are collated and compared to expectations. Work targets are used to promote an impersonal and internal form of control (Robson, 1992). A computer can be used within the accounting office to control the behaviour of the employees. The computer insists on the user inputting the accounting figures in a predefined way. Failure to input the data correctly will lead to incorrect output. An accountant, as the principal actor, can attempt to control the employee's behaviour by making the employees interested in the accuracy of the machines output and by also insisting that employees record the minimum billable time on a regular basis. This forces the employees to monitor themselves using the machine, the computer making them allies as they assist the principle actor in achieving the organizational goals.

### **External Allies**

Public accounting practices are embedded in society. The theory accepts that society consists of associations between actors. The public accounting practices, as networks, therefore have associations with actors external to this network. Those associations which support the work of the accountants are called compliant allies. External allies to the firm can include the professional accounting bodies and government departments such as the taxation office. They become part of the actor-network as the principle actor uses facts produced by these allies to produce the knowledge claim. Accountants use taxation legislation and rulings, accounting standards and company legislation to produce the business reports. These external bodies can be called upon to strengthen the knowledge claims contained in the reports.

The theoretical framework suggests that the longer term goal of the principal actor is to have the knowledge claims previously made, considered to be 'facts' necessary to solve problems. This will ensure that the knowledge claim becomes an "obligatory

passage point”. External actors will then have no choice but to pass through the obligatory passage point to achieve their own goals(Latour, 1987). For many clients, because they may not have the expertise and knowledge to produce accounting figures, they must employ accounting firms to produce them. The accounting firm becomes an obligatory passage point as the client requires the accounting figures.

Many of the accountant’s allies are already compliant. Accountants have the allies external to the firm, the clients, the governmental bodies, the legal and legislative system and the profession. On the inside accountants have the firm itself, the people, partners, juniors secretaries and the systems, computers, procedures. Accounting is already aligned with many of the goals of its allies. Clients are compelled by their external users, such as financial institutions and the taxation department, to produce accounting figures. They have to abide by legislative regulations, government department requirements and the requirements of the financial system to produce documents and accounting figures.

## **Conclusion**

Actor-network theory explains how accounting inscriptions which represent business activities can be combined to produce the account for clients. The accountant combines both people and technology within the network to achieve these goals. This theory will assist in tracing the flow of knowledge within the accounting firm. It will show how the rules and regulations of the accounting profession are combined with the knowledge of the accounting and the use of technology to produce the ‘account’. By tracing the knowledge flows it will be possible to uncover what types of knowledge are utilized by the actors in the network and how and by whom they are combined. It will also be possible to explore areas of control, how the principal accountant tries to control the network, both internally and externally to the accounting firm. As a member of the profession, how knowledge is controlled is important to both maintain the professions status and to possibly increase it.

The framework also suggests that the ultimate goal of the accountant is to make the public accounting practice an obligatory passage point. The ‘facts’, or accounts produced by the accountant are considered to be a neutral and unbiased representation of the clients and are required by the external parties as a source of information for decision making purposes. Clients must utilize the ‘facts’ produced by the profession to solve problems and receive resources. Because it is no longer possible for the client to avoid the use of the public accounting practice, the status and influence of the accountant in particular and the profession in general is increased.

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<sup>1</sup> An actor does something and can be either a human a non-human; such as technology (a computer or an instrument which measures (Latour, 1987)) or it can be natural (such as an animal (Callon, 1986) or wind and tides (Law, 1986)).

<sup>2</sup> A knowledge claim is presented by the actor as a ‘fact’ which may or may not be disputed (Latour, 1987).

<sup>3</sup> Black boxed: term previously used by technicians to indicate a piece of machinery too complicated to understand. Since there is no need to understand its internal processes, a black box is drawn around it and only its inputs and outputs are taken into account (Latour, 1987).

<sup>4</sup> These will depend on the individual being offered the position, and may include such options as free training for entry into professional associations, larger office space or higher status.

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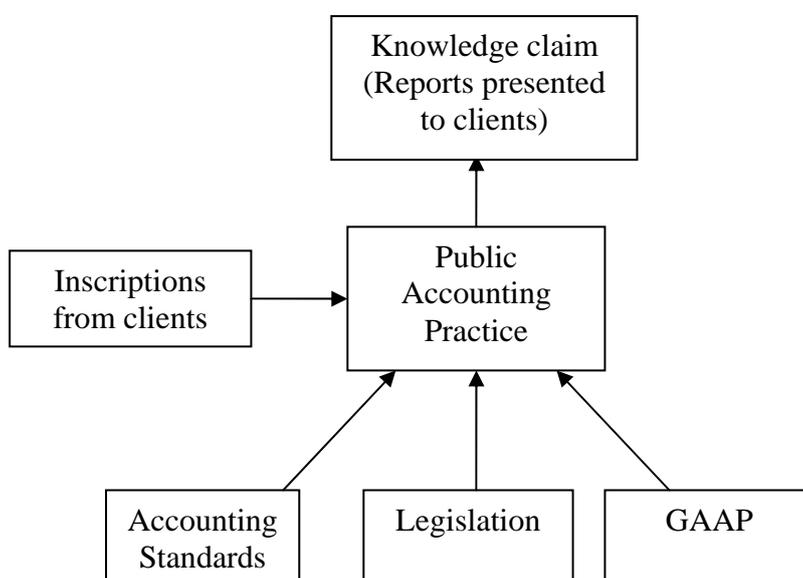


Figure 1: Accounting information flow model

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