

# Accounting and Hegemony in Multinational Corporations

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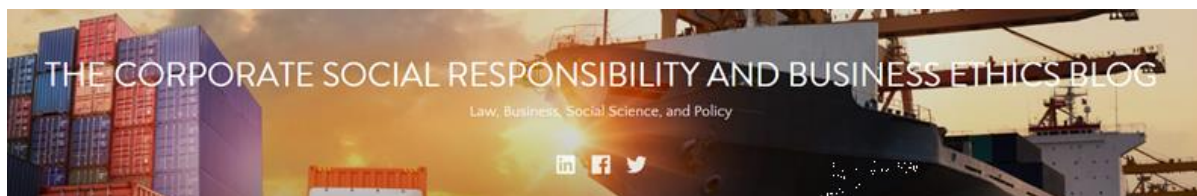
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This article illustrates Dr. Samar Riaz's doctoral research on accounting's role in reinforcing and challenging hegemonic power structures. Using Nestlé as a case study in Pakistan, the author explores how traditional accounting practices consolidate elite power at the expense of society. They draw on Antonio Gramsci's concept of hegemony to explain how the ruling class maintains dominance through intellectual leadership and control of the dominant narrative.

The author argues that accounting upholds the interests of the ruling elites, promoting the dominant economic market rationality. He criticizes the historical use of accounting to perpetuate cultural hegemony, including during the colonial era. Accounting and auditing firms are also criticized for failing to identify corporate misconduct and shaping the dominant narrative despite unethical practices.

The article emphasizes the importance of counter-accounts that challenge the dominant narrative and provide alternative perspectives. These counter-accounts should represent the voices of those affected by corporate activities and be considered alongside mainstream accounting practices. The collapse of Silicon Valley Bank and the role of accounting firms in hiding information are cited as examples of potential accounting misuse.

In conclusion, Dr. Samar Riaz calls for a more balanced and inclusive approach to accounting that includes counter-accounts. By amplifying diverse voices and perspectives, he believes a fairer future can be shaped challenging the hegemony of the accounting industry.



This doctoral study<sup>1</sup> brings together over four years of research, exploring both the hegemonic and counter-hegemonic roles of accounting, and have led to the publication of the thesis entitled: “Accounting and counter accounting of Creating Shared Value: A case study of Nestlé’s water business in Pakistan.”<sup>2</sup>

The study focuses on Nestlé, a multinational food and beverage company in Pakistan, examining how traditional accounting and auditing practices consolidate elite power at the expense of broader society.<sup>3</sup> Additionally, the research considers the emergence of counter-accounting, which offers a more emancipatory potential. Various scholarly sources, including Goddard (2002), Li & McKernan (2016), Tweedie (2022), and Ferry & Slack (2022), are referenced in this regard.

The term "hegemony" has different interpretations across disciplines. Antonio Gramsci, an Italian political thinker and activist, provides a conceptual framework for understanding hegemony as a means by which the dominant class establishes control over subordinate classes and social groups. Gramsci's analysis of hegemony originated from his efforts to comprehend how the capitalist state sustained itself in highly developed Western nations. He discovered that in advanced capitalist societies, elite rule and domination primarily relied on the consent of the subjugated masses. Legitimacy for this rule is derived through intellectual and moral leadership, as well as control of the dominant narrative within society, facilitated by social, cultural, and economic institutions. Gramsci's analysis encompasses an examination of how capitalist ideas are disseminated and normalized among the population, even when they undermine their interests.

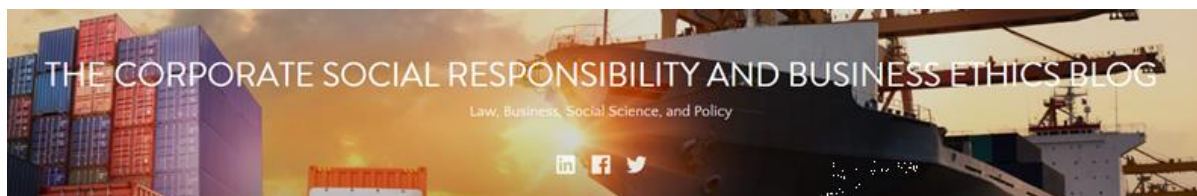
Accounting is argued to be one such institution that contributes to the perpetuation of hegemonic power. Its practices are extensively employed in contemporary society to propagate the dominant economic market rationality across social and cultural spheres, serving the interests of ruling and dominant elites. The research demonstrates how accounting, as an economic institution with origins dating back at least 10,000 years, plays a significant role in upholding elite-dominated cultural hegemony. Existing literature, including Cooper (1995) and Alawattage & Wickramasinghe (2008), extensively discusses the influence of the accounting industry in shaping narratives during colonial plundering, enriching colonial powers at the expense of the colonial

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<sup>2</sup> The thesis is available online at: <https://diglib.uibk.ac.at/ulbtirolhs/content/titleinfo/8314195>

<sup>3</sup> For an insightful account of the challenges faced at Nestlé, see Dr. Yasmine Motarjemi, "Whistleblowing, Labour Law, corporate culture and risk management in Multinational Enterprises," Corporate Social Responsibility and Business Ethics Blog's End-of-Year Seminar Series 2020, organized by Dr. Costantino Grasso, Dr. Dawn Carpenter, and Dr. Luca d'Ambrosio, (2020), available at: <https://corporatesocialresponsibilityblog.com/2020/10/15/motarjemi-whistleblowing/>



subjects. Moreover, the power and influence of accounting firms in present-day society are undeniable. Despite their repeated failures in identifying corporate misconduct and involvement in concealing such behavior, these firms manage to maintain legitimacy and shape the dominant narrative. The corporate accounts and CSR statements audited by these firms are often regarded as the sole representation of reality, disregarding the one-sided and potentially misleading nature of such accounting practices when contrasted with counter-accounts from those directly affected by corporate activities.

Various examples highlight the use of accounting practices to conceal crucial information and reinforce hegemonic discourse. One recent example involves the collapse of Silicon Valley Bank (SVB),<sup>4</sup> which was one of three American banks to fail in March 2023. KPMG, one of the Big Four accounting firms, faced criticism for providing clean audits for SVB, Signature, and First Republic Banks shortly before their collapses. KPMG's track record has raised concerns about the auditing industry's failure to anticipate major corporate meltdowns in recent decades. In the case of SVB, accounting techniques were used to obscure the impact of market risks on the bank's financial stability and valuation. Serious deficiencies in accounting, transparency, and supervision, alongside institutional and regulatory failures, were identified as significant factors contributing to SVB's collapse, with broader implications for emerging markets. Taxpayers in the UK and USA are once again burdened with bailouts while failing bank executives receive bonuses, exemplified by SVB UK's distribution of over 15 million sterling in bonuses shortly after the HSBC rescue.<sup>5</sup>

While no whistleblower has come forward thus far, Pulte Capital CEO Bill Pulte has offered a reward for an SVB whistleblower to provide testimony on the consequences of bailing out depositors and the impact of the collapse on mortgages. Whistleblowers have previously alleged that Credit Suisse helped wealthy Americans evade U.S. taxes for years using accounting techniques to hide assets. Additionally, market observers raised concerns when the CEO of Silicon Valley Bank Financial sold \$3.6 million in stock just before the crash.

Given the abundance of recent examples, it is evident that more counter-accounts are necessary to challenge the hegemony of the accounting industry, which has repeatedly failed to protect the public from the exploitative activities of multinational corporations and the banking sector. Including diverse voices and accounts, as emphasized in the thesis, holds significant potential for a more balanced and comprehensive representation of reality, contributing to the pursuit of a fairer future.

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<sup>4</sup> See Edward Helmore, *Why did the \$212bn tech-lender Silicon Valley bank abruptly collapse?*, *The Guardian*, March 17, 2023, [www.theguardian.com/business/2023/mar/17/why-silicon-valley-bank-collapsed-svb-fail](https://www.theguardian.com/business/2023/mar/17/why-silicon-valley-bank-collapsed-svb-fail)

<sup>5</sup> For an analysis of the problematic aspects related to the relationship between power and tax abuses see Diane Ring & Costantino Grasso, *Beyond Bribery: Exploring the Intimate Interconnections Between Corruption and Tax Crimes*, 85 *Law and Contemporary Problems* 1-47 (2023), available at: <https://scholarship.law.duke.edu/lcp/vol85/iss4/2/>



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