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Rethinking accountability in developing countries: an institutional pillars perspective

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Abstract

Purpose – This paper aims to fill gap in the literature and explore policy options for resolving the problems of accountability by framing three research questions. The research questions are (i) whether certain elements of Scott's (2014) institutional pillars attenuate (accentuate) corporate and public accountability; (ii) whether the presence of ruling party-affiliated enterprises (RPAEs) create an increase (decrease) in the degree of corporate (public) accountability; and (iii) whether there is a particular form of ownership change that transforms RPAEs into public investment companies.

Design/methodology/approach – Using a qualitative research methodology that involves term frequency and thematic analysis of publicly available textual information, the paper examines Mechkova *et al.*'s (2019 forms of government accountability. The paper analyzes the gaps between the de jure and de facto accountability using the institutional pillars framework.

Findings – The findings of the paper are three. First, there are gaps between de jure and de facto in all three (vertical, horizontal and diagonal) forms of government (public) accountability. Second, the study finds that more than three fourth of the parties that contested the June 2021 election did have regional focus. They did not advocate for accountability. Third, Ethiopia's RPAEs are unique. They have regional focus and are characterized by severe forms of agency and information asymmetry problems.

Research limitations/implications – The main limitation of the paper is its exploratory nature. Extending this research by using cross-country data could provide a more complete picture of the link between corporate (public) accountability and a country's institutional pillars.

Practical implications – Academic research documents that instilling modern corporate (public) governance standards in the Sub Sahara Africa (SSA) region has shown mixed results. The analysis made in this paper is likely to inform researchers and policymakers about the type of change that leads to better corporate (and public) accountability outcomes.

Social implications – The institutional change proposed in the paper is likely to advance the public interest by mitigating agency and information asymmetry problems and enhancing government accountability. The changes make the enterprises investable, save scarce jobs, enhance diversity and put the assets in RPAEs to better use.

Originality/value – To the best of the authors' knowledge, this is the first paper that uses the institutional pillars analytical framework to examine an SSA country's corporate (public) accountability problem. It demonstrates that accountability is a domestic and a (novel) traveling theory. The paper identifies the complexity of resolving the interlock between political institutions and business enterprises. It theorizes that it is impossible to

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instill modern corporate (public) accountability standards without changing regulatory, normative and cultural cognitive pillars of institutions. The paper contributes to the change management and public interest literature.

Keywords Accountability, Governance, Developing countries, Institutional change, Ethiopia, Public interest

Paper type Research paper

1. Introduction

Accountability is both a word and a bundle of concepts (Brooks, 1995). As a word, accountability is "notoriously ambiguous" (Brooks, 1995) and "chameleon-like" (Sinclair, 1995), standing for synonymous terms such as answerability, liability, transparency and responsibility. Sinclair (1995) states that there are at least five forms of accountability: political, public, managerial, professional and personal. Mechkova *et al.* (2019, p. 42) define "political accountability as constraints on governments." For researchers in public administration, accountability is reconciling the permanence of expertise of public bureaucracy with political control (Bovens *et al.*, 2016).

Bovens (2010, p. 947) distinguishes between two main concepts of accountability: "accountability as a virtue and accountability as a mechanism." He states that "in the former case, accountability is used primarily as a normative concept, as a set of standards for the evaluation of the behavior of public actors and in the latter case, is seen as an institutional relation or arrangement in which an actor can be held to account by a forum." For financial economists, accountability is a monitoring mechanism in a principal-agent relationship (Jensen and Meckling, 1976; Demsetz and Lehn, 1985). For macro- and development economists, it is about mitigating economic distortions and preventing corruption (Canen and Wantchekon, 2022; Hellman *et al.*, 2000; Laffont and Tirole, 1991; Levine and Forrence, 1990). For researchers in the corporate governance field, accountability is whether corporations are responsible for broader society beyond the shareholders of the company (Aguilera and Jackson, 2010; Clarke, 2004).

The segment of the literature dealing with accountability does not examine the link, if any, between corporate accountability and public accountability (Chizema and Pogrebna, 2019). Studying the link between corporate governance and government accountability requires the examination of institutions (Aguilera and Jackson, 2010; Clarke, 2004). For Scott (2014, p. 56), "institutions comprise regulative, normative, and cultural cognitive elements that, together with associated activities and resources, provide stability and meaning to social life." Institutional change aimed at advancing corporate (public) accountability in developing countries and elsewhere, therefore, entails changes in regulations, norms and cultural-cognitive elements with minimum instability while concurrently "creating meaning to social life."

For Scott (2014, p. 60), the regulative pillar is composed of expedience, rules, coercion, instrumentality, laws, sanctions, fear, guilt and innocence. The normative pillar comprises social obligations, binding expectations, norms, appropriateness, certification, shame/honor and morally acceptable practice. The cultural cognitive pillar is composed of behaviors that are taken for granted, shared understanding, a constitutive schema, mimetic, orthodoxy, isomorphism and culturally supported and comprehensible action. Citing Thomas North, Scott (2014, p. 182) distinguishes between institutions and organizations and states that "institutions provide the rule of the game whereas organizations act as players" and "assist in constructing the rules." Thus, a deeper understanding of corporate (public) accountability problems requires the contextual examination of institutions (Scott, 2014, p. 114; Di Maggio and Powell, 1983). One also needs to observe how states "exert highly significant effects not only on individual firm structures and behaviors but also on the structuration of organization fields." (Scott, 2014, p. 120).

One factor that is not getting sufficient attention in corporate (public) accountability studies is whether elements of Scott's (2014, p. 60) cultural cognitive pillars have been instrumentalized for capturing economic and political powers (Canen and Wantchekon, 2022; Easterly and Levine, 1997; Laffont and Tirole, 1991). For Mechkova *et al.* (2019), there are three forms of government (public) accountability: vertical, horizontal and diagonal. Hence, understanding whether Scott's (2014) institutional pressures attenuate (accentuate) corporate (public) accountability requires a more nascent analysis. The institutional pillars (pressures) framework provides an opportunity for explaining why gaps occur between *de jure* and *de facto* forms of accountability. The present work aims to examine whether certain elements of cultural cognitive pressures introduce unique forms of corporate (public) accountability problems in one of the Sub Sahara Africa (SSA) countries (Kuruppu *et al.*, 2021; Bovens, 2010; Sinclair, 1995; Jensen and Meckling, 1976; ACGN, African Corporate Governance Network, 2018; King, 2016) [1].

There are three reasons for deploying this research. First, there are disciplinary silos in accountability research. There is a need to explore a novel traveling theory that cuts across disciplines. Second, while previous research has documented the ineffectiveness of anti-corruption and audit agencies in SSA, they have not directly examined the connections between corporate and public accountability by examining ruling party-affiliated enterprises, RPAEs (Lassou *et al.*, 2021; Rozenfeld and Scapens, 2021; Chizema and Pogrebna, 2019). Third, studying contextually waved relationship between political institutions and businesses is important because it has the potential to guide policy and practice. RPAEs are present in few SSA countries, including Ethiopia, Rwanda, South Africa, Sudan and Zimbabwe (Abegaz, 2013). Their impact on the economy and on the political landscape have not been adequately examined (Budryte, 2005; Easterly and Levine, 1997; Elischer, 2014; Bogaards, 2004). Hence, this paper aims to fill gaps in the literature and explore policy options. The research questions for the paper are whether elements of Scott's (2014) institutional pillars attenuate (accentuate) corporate (public) accountability, whether the presence of RPAEs increases (decreases) corporate (public) accountability and whether there are specific institutional changes (reform options) for transforming RPAEs into public investment/interest entities (PIEs).

The study targets Ethiopia. It is the second-most populous country in Africa. Most "good" governance indicators rate the country low (World Bank, 2022; Ibrahim Index, 2022; Heritage Foundation, 2023; African Peer Review Mechanism, 2023). Peace research organizations such as the Fund for Peace 2023 and the Stockholm International Peace Research Institute report that SSA countries are mostly "fragile" and Ethiopia is in the "high alert" cluster. In addition, Ethiopia ranks 16th out of 43 SSA countries, showing moderate levels of cultural and ethnic "fractionalization" in the region (Fearon, 2003; Alesina and La Ferrara, 2005). Over the last three decades, ethnicity has been the basis of political mobilization and organization (Bleaney and Dimico, 2017; Elischer, 2014; Deng, 1997; Welsh, 1996). Like most SSA countries, there is no formal stock market that has depth and liquidity (MSCI's, 2022; ABSA, 2022), where market microstructures generate particular types of regulatory, normative and cultural cognitive pressures of corporate (public) accountability. The study site is an ideal place to contextually examine the link between corporate (public) accountability and a country's institutional pillars (Scott, 2014; Aguilera and Jackson, 2010; Mechkova *et al.*, 2019; Bovens, 2010; Chizema and Pogrebna, 2019; ACGN, African Corporate Governance Network, 2018).

The paper applies a qualitative research procedure that involves term frequency and thematic analysis of documents (Creswell and Poth, 2016; Bowen, 2009; Braun and Clarke, 2006; Dicle and Dicle, 2018; Grimmer and Stewart, 2013). The documents relate to laws and regulations, political parties, RPAEs and media coverage of these enterprises. The findings of the paper are three. First, for the framers of the 1994 Constitution, government (public) accountability (vertical, horizontal and diagonal), though appear in form, was not their primary concern. There are noticeable deficits in the supreme law in that it does not aim to advance public accountability (Mechkova *et al.*, 2019; Canen and Wantchekon, 2022; Shleifer and Vishny, 1993). Second, the paper finds that more than three-fourths of the political parties that contest elections have regional focus. They do not explicitly and effectively advocate for corporate (public) accountability (Alcantara-Lizarraga and Jima-Gonzales, 2022; Elischer, 2014; Kajsiu, 2014; Budryte, 2005; Gunther and Diamond, 2003). Third, the examination of the ownership and information disclosure practices of RPAEs reveals that, in substance, the enterprises are public interest (investment) holding companies. Hence, they require changes that mitigate problems arising from agency and information asymmetry (Jensen and Meckling, 1976; Demsetz and Lehn, 1985).

The contributions of the paper to theory and practice are three. It is the first paper to examine the problems of change by studying the institutional pillars of corporate (pubic) accountability (Mechkova *et al.*, 2019; Scott, 2014; Sinclair, 1995). The work demonstrates the difficulties of instilling corporate (public) accountability when cultural cognitive factors undermine the regulatory and normative pillars of accountability (Mechkova *et al.*, 2019; Canen and Wantchekon, 2022; Shleifer and Vishny, 1993; Laffont and Tirole, 1991). Second, following Oswick *et al.*'s (2011, p. 325) typology of theory building, the paper demonstrates that accountability is a novel traveling theory that cuts across disciplines. Third, on the policy and practice sides, the case proposes regulatory intervention that aims at increasing (decreasing) normative (cultural cognitive) pillars.

The rest of the paper is organized as follows. Section 2 reviews the relevant literature and presents the theoretical framework used in the paper. Section 3 presents the context of the research and outlines the research questions and the methodology. Section 4 analyzes textual data and reports the findings. Section 5 provides a discussion and explores the types of institutional changes (reforms) that have the potential to advance corporate (public) accountability. Section 6 presents the conclusions of the paper and outlines directions for future research.

2. Review of the literature

Reviewing the accountability literature is tricky in that the concept features in many disciplines. It suits theoretical pluralism (Hoque *et al.*, 2013). We, therefore, limit the scope of the review. The political science literature explains the accountability problem in the SSA region using the neo-patrimonial concept (Bratton and van de Wall, 1994); Bach and Gazibo, (2012 eds) describe neo-patrimonialism as a "conceptual framework" and define the term as "a system whereby rulers use state resources for personal benefit to secure the loyalty of clients." Booth and Golooba-Mutebi (2012) and Gökgür (2012) associated patrimonialism with development. Accounting researchers stretched the neo-patrimonial school's conception to SSA's corporate sector (Kimani *et al.*, 2021; Ndemewah and Hiebl, 2021; Lassou *et al.*, 2019; Hopper, 2017). However, Pitcher *et al.* (2009, p. 125) argue that patrimonialism and neopatrimonialism are "conceptually problematical" and "amounts to a "serious misreading of Weber." Mkandawire (2015, p. 598) in turn questions the power of the theory to explain the governance problems in SSA and documents that "[. . .] neopatrimonialism has had an enormous impact on how Africa is perceived and to a large degree informs the attitudes and knowledge of many individuals who deal with African governments and societies."

Sigman and Lindberg (2017) also questioned the neopatrimonialism thesis. They used three broad measures (indices) of neo-patrimonialism. The index is composed of clientelism, presidentialism and regime corruption. Sigman and Lindberg (2017) find that SSA's degree of clientelism and presidentialism is close to the indices for the rest of the developing world. Furthermore, they show that regime corruption is high in the SSA region, and clientelism and regime corruption are mutually reinforcing. The link between "quality" of government and economic growth has also been a subject of much debate in development and financial economics (La porta *et al.*, 1999; Glaeser *et al.*, 2004). Mechkova *et al.* (2019) in turn examined accountability in government and documented that it is realized in sequence. They stated that "de-facto vertical accountability precedes other forms of accountability." Mechkova *et al.* (2019) used the Varieties of Democracy V-Dem (University of Gothenburg) data stream that relates to 173 countries. The period covered by the study was 1900–2012. In other words, it is important to examine whether elements (pillars) of normative and the cultural cognitive pressures in a nation-state increase (decrease) one or more of the elements of neopatrimonialism that hinder corporate (public) accountability (Mechkova *et al.*, 2019; Chizema and Pogrebna, 2019; ACGN, African Corporate Governance Network, 2018).

Another cluster of the literature documents the link between board diversity and quality of corporate governance. Capital market-based accounting research provides a cue about the link between board ethnic diversity (an element of cultural cognitive pressure in Scott's, 2014 institutional pillars framework) and agency and information asymmetry problems in emerging markets. In this respect, Gul and Zhang (2016) examined the association between earnings management (distortions) and ethnic composition on the boards of Malaysia's listed companies [2]. Nasir *et al.* (2019) and Tee and Rashia (2020) documented the association between corporate governance (accountability), board ethnic diversity and fraudulent financial statements. They also found political connections attenuating the association between board ethnic diversity and higher levels of earnings distortions. Furthermore, using a sample of 349 firms listed on the Indonesian Stock Exchange, Harymawan and Nowland (2016, p. 340) examined the earnings quality of politically connected firms and reported that "increased government effectiveness reduced the benefits of political connections, requiring politically connected firms to be more responsive to market pressures." Hung *et al.* (2012) found that Chinese state-owned enterprises (SOEs) with strong political connections are "more likely to list overseas than non-politically connected firms" and reported that the "connected firms' post-overseas listing performance is worse than that of non-connected firms." Waweru (2018), using limited SSA data (Kenya and Tanzania), reported that "board ethnic diversity [is] negatively and significantly related to earnings management."

To make the paper readable, Table 1 provides a synthesis of the accountability literature. The table demonstrates that corporate (public) accountability relates to several disciplines. Figure 1 assembles, diagrammatically, the context and meaning, forms (political, public, managerial, personal), institutions (regulations, norms, cultural cognitive), schools (disciplines), theories, methods of theorization, measurement and the evidence.

Oswick *et al.* (2011, p. 322) document a typology of four forms of theory-building endeavors, which they refer to as radical traveling theory, innovative domestic theory, novel traveling theory and orthodox domestic theory. They outline the methodology for the blending of a new theory with existing theories. Fauconnier and Turner (2002, pp. 40–50) provide a notional network model of conceptual integration that aims to connect "mental spaces" and "blends." We choose a theory that is domestic to accounting. It has the power to explain the types of agentic and information asymmetric problems in corporate and public settings.

Using accountability as a conceptual framework, we qualitatively analyze textual data that relate to the Constitution, political parties and media coverage of a sample of RPAEs to identify the elements of Scott's (2014) institutional (regulatory, normative and cultural cognitive) pillars that attenuate (accentuate) corporate (public) accountability. The paper examines whether deficits in corporate (public) accountability are associated with one or more of Scott's (2014) elements of institutional pillars. That is, following Scott's (2014) institutional pillars (pressures) framework, the paper inquires whether changes in the regulatory, normative and cultural-cognitive pillars increase (decrease) Mechkova *et al.*'s (2019) vertical, horizontal and diagonal

Perspective	Description	Indicative literature
Discipline	Accounting, economics, finance, law, management, political science, psychology, public administration, sociology	Sinclair (1995), Jensen and Meckling (1976); Laffort and Tirole (1991); Mechkova *et al.* (2019), Kuruppu *et al.* (2021); Boven *et al.* (2016); Scott (2014): Di Maggio and Powel (1983)
Context and meaning	Accountability as a word and as a bundle of concepts; "ambiguous;" "chameleon-like;" answerability, liability, transparency and responsibility; the buzzword of modern governance; agency, as a virtue and mechanism; constraints on government	Brooks (1995), Boven, *et al.* (2016); Jensen and Meckling (1976), Boven (2010); ACGN (2018); Mechkova *et al.* (2019)
Forms	Five forms of accountability: - political, public, managerial, professional and personal Government (public) accountability: vertical, horizonal and diagonal; government efficiency Corporate accountability (governance): Principal-agent; stewardship, corporate social and environmental responsibility (public accountability)	Sinclair (1995), Mechkova *et al.* (2019); Boven *et al.* (2016) Clarke, ed. (2004); Jensen and Meckling (1976), Aguilera and Jackson (2010)
Institutions	Regulatory, normative and cultural-cognitive pillars- factors (individual and group behavior), organizations, institutional actors	Scott (2014), Hofstede (1984); Di Maggio and Powell (1983)
Schools and theories	Accounting: Agency, information, managerial, ESG, corporate governance (accountability), board diversity Economics: Regulation/State capture; political economy, corruption; ethnicity and development Law: Constitution and constitutionalism, administrative justice Political science: Neopatrimonialism, ethnicity, corruption Public administration: modern public governance, Weberian meritorious bureaucracy Sociology: culture, ethnicity, institutions, ethics and morality, social behavior	Canen and Wantchekon (2022), Easterly and Levine (1997); Shleifer and Vishny (1993); Laffort and Tirole (1991); Clarke (2004), Bach and Gazibo (2012); Bratton and van de Wall (1994); Sigman, and Lindberg (2017); Pitcher *et al.* (2009), Welsh (1996)
Methods of research and theorization	Quantitative (empirical), qualitative, mixed, document analysis, thematic analysis, triangulation, pluralism, methods of theory building/construction (inductive, deductive)	Guba and Lincoln (1994); Creswell and Poth (2013); Oswick et al (2011); Hoque, *et al.* (2013); Lewellyn (2003); Laughlin (1995). Aligica, (2006), Braun and Clarke (2006)
Measurement indicators (instrumentalization)	*Government*: clean elections and political parties; legislature, independent judiciary and other oversight bodies; media freedom and civil society); voice and accountability, corruption perception, latent variable models; International	World Bank, Mechkova *et al.* (2019), Shleifer and Vishny (1993); Transparency International, La porta, et al (1999); Glaeser, *et al.* (2004) Harymawan and Nowland (2016), Gul and Zhang (2016); Nasir *et al.* (2019)

(*continued*)

Table 1.
Synthesis of the accountability literature

Perspective	Description	Indicative literature
	Public sector Accounting Standards (IPSAS) *Corporate:* Firms specific variables; board size, board composition, board (gender and ethnic) diversity, ownership structure, debt financing; corruption, earnings distortions, cost of capital; IFRS, audit quality, codes and listing requirements	
Evidence	Relationship between quality of government and growth Relationship between government accountability and corporate accountability Relationship between neopatrimonialism and corporate governance Relationship between board ethnic diversity and earnings distortions	Easterly and Levine (1997); La Porta, *et al.* (1999); Shleifer and Vishny (1993) Chizema and Pogrebna (2019), Ndemewah and Hiebl (2021); Kimani, *et.al.* (2021) Harymawan and Nowland (2016), Gul and Zhang (2016); Waweru (2018)

Table 1.

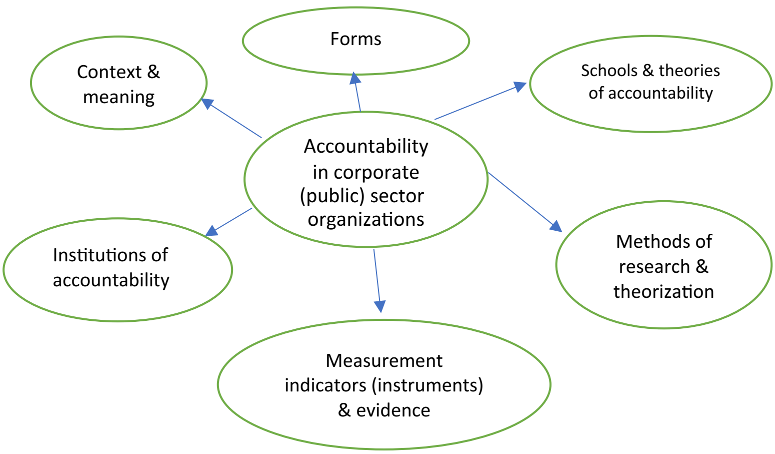

Figure 1. Conceptual framework for the study of accountability

accountability. It explores the roles of RPAEs in increasing (decreasing) corporate (public) accountability.

3. Research questions, methodology and data

3.1 Context and research questions

SOEs, RPAEs, family-owned enterprises such as Mohammed International Development Research and Organization Companies, and few share companies dominate Ethiopia's corporate sector. RPAEs are major actors in the small economy. Four RPAEs, that is, Endowment Fund for the Rehabilitation of Tigray (EFFORT), Tiret Corporate, Tumsa/Dinsho and Wendo Trading and Investment, control over 100 enterprises. The RPAEs pay taxes and provide permanent and temporary employment to tens of thousands of workers and party loyalists. Ethiopia's RPAEs are different from RPAEs in the rest of SSA in that they have a regional focus (Abegaz, 2013; Gökgür, 2012; Booth and Golooba-Mutebi, 2012; Vaughan and Gebremichael, 2011).

A new Constitution was adopted on December 8, 1994 "through representatives," which reconfigured Ethiopia from a "socialist" state to a federation of "nations, nationalities, and peoples." Article 8(1) states that "all sovereign power" resides in the nine (founding) ethnic territories. Article 48 provides how the borders of the territories may be changed. Article 39 (1 and 4) permits that every territory has "an unconditional right to self-determination, including the right to secession." Studies on comparative federalism, minority rights, and legal pluralism indicate the many features of the Ethiopian federation. This institutional arrangement is one of the reasons why each power block in the ruling United Front has its own regional RPAE. In 1995, EFFORT became a "charity" organization, and its subsidiaries were "transformed into a shareholder company" and "managed by professionals." In 2001, "all EFFORT companies were re-registered from shareholder companies to private limited companies." The pattern was similar for the other three RPAEs [3].

A shift took place within the four power blocks of the ruling party in 2018. Disappointed with the "new direction" of the coalition, in May 2019, one of the founding members of the United Front, the Tigrayan People's Liberation Front (TPLF), left the Ethiopian People's Revolutionary Democratic Front (EPRDF) coalition. It also withdrew from the federal government and the federal parliament. Following the breakup, just before the "Tigray War" that began on November 4, 2020, both EFFORT and Tiret Corporate were either made to report to regional legislative bodies or scheduled to be privatized in a particular way (*Addis Fortune*, July 13, 2019; *Ethiopian Express-News* July 19, 2019). Two weeks after the start of the war, on November 17, 2020, the federal government froze the accounts of the 34 companies subsumed under EFFORT, and the companies were put under a "commercial caretaker." In its November 19, 2020 edition, *Foreign Policy* magazine carried an article entitled "Tigray's war against Ethiopia isn't about autonomy. It is about economic power," and used EFFORT as evidence. In March 2022, *The Ethiopian Reporter* reported that for the three other RPAEs (Tiret, Tumsa/Dinsho and Wendo Trading), the situation was business as usual. On November 2, 2022, a peace agreement was signed between the TPLF and the rest of the front (federal government) under the auspices of the African Union, South Africa, Kenya and the USA. Following the peace agreement, the accounts of EFFORT were unfrozen, but the endowment is calling for "forensic audit" for the period when the assets were under the caretaker (The Reporter, August 19, 2023). In July 2023, a new war started in the region where Tiret Corporate is operating [4].

In January 2022, the federal government announced the reorganization of SOEs under the Ethiopian Investment Holdings (Council of Ministers Regulation No. 487/2022). The regulation does not refer to the RPAEs. Hence, studying Ethiopia's corporate (government) accountability problems and the roles played by the RPAEs provides insight into the knitted links between political institutions and business entities. It has practical implications for understanding the problems of change management when institutions are structured in a particular way. The research questions (RQs) for this paper are:

RQ1. Whether Scott's (2014) institutional pillars attenuate (accentuate) accountability;

RQ2. Whether the presence of RPAEs creates an increase (decrease) in the degree of corporate (public) accountability; and

RQ3. Whether there are feasible contextual changes (reforms) aimed at transforming RPAEs into publicly accountable companies (Chizema and Pogrebna, 2019;

ACGN, African Corporate Governance Network, 2018; Independent Regulatory Board of Auditors, IRBA, 2016; International Ethics Standards Board of Accountants, IESBA, 2022; International Federation of Accountants (IFAC), 2023).

3.2 Research design and data

Guba and Lincoln (1994), Creswell and Poth (2016) and Hoque *et al.* (2013) show that the choice of methodology may also be the choice of theory. In a seminal work on the nature of paradigms, Guba and Lincoln (1994, p. 107) discuss "competing paradigms" and state that a "paradigm may be viewed as a set of basic beliefs. It represents a worldview that defines, for its holder, the nature of the 'world,' the individual's place in it, and the range of relationships to that world and its parts. . ." Furthermore, there is also tension between those researchers, reviewers and journal editors that prefer a single (discipline-specific) theory and those that subscribe to theoretical pluralism (Hoque *et al.*, 2013). Connecting Mechkova *et al.*'s (2019) forms of accountability with Scott's (2014) institutional pillars enable a researcher to contextually assess the types of changes required for advancing corporate (public) accountability.

Regarding the sequencing of the research question and methodology, most researchers agree that the former comes first, though in practice, the available data determines how a research question gets framed. Theory building in qualitative accounting and management research, however, differs, for example, in constructivist-cultural studies, where particularism (case study) and culturally "bounded system" dominate the research more than the generalizations (Llewelyn, 2003; Laughlin, 1995; Alasuutari, 1996; Ashworth *et al.*, 2019, p. 331) document the usefulness of "sound qualitative public administration research that blends rigor with richness." It sets "principles that enable researchers to make a convincing 'conceptual leap' between data, analysis, and contribution."

The research design is constrained by the availability of data and the sensitivity of the issue. Interviewing RPAEs' current and former employees and professionals was (initially) considered. However, the interview was not pursued because, at the time of doing the research, conflict news crowded the airwaves. Furthermore, evidence also shows that there is "sadness bias" in the sharing of negative political news on the social media (de León and Trilling, 2021; Mohammed, 2021; Hamborg *et al.*, 2019; Bleaney and Dimico, 2017). Despite the assurance that the interviews would follow the Institutional Review Board's standards for the study of human subjects, potential interviewees were reluctant to participate, and others feared reprisals. Hence, we adopted document analysis, an aspect of qualitative research (Creswell and Poth, 2016). Bowen, (2009, p. 27) defines document analysis as "a systematic procedure for reviewing or evaluating documents—both printed and electronic (computer-based and Internet-transmitted) material. Like other analytical methods in qualitative research, document analysis requires that data should be examined and interpreted to elicit meaning, gain understanding, and develop empirical knowledge." Altheide *et al.* (2010) state that document analysis is less rigid in comparison to quantitative or qualitative content analysis-based research and may combine steps but requires conceptually immersed conversation. Documents published after April 2018 are excluded from the analysis.

The main task in the document analysis is identifying:

- gaps in Mechkova *et al.*'s (2019) three forms of accountability; and
- whether RPAEs manifest unique form(s) of agency and information asymmetry problems.

For this, the paper applies Microsoft Word count (navigation) and thematic analysis of textual data. With the emergence of text analysis software (e.g. NVivo, MAXQDA), Dicle and Dicle (2018) state that "at the core of most common content analysis lies frequency distribution of individual words" and "show a simple word cloud graph for visual analysis of the frequent usage of specific words." Grimmer and Stewart (2013) caution about the "pitfalls of using automated methods" and urge that there "are no substitutes for careful thought and close reading and require extensive and problem-specific validation." Furthermore, content analysis and thematic analysis are common methods used in the study of textual data. The commonality and differences between the two methods are not always clear.

Braun and Clarke (2006, p. 87) outline a "6-phase guide to performing thematic analysis" and a "15-point checklist for good thematic analysis." They state that "a theme captures something important about the data concerning the research question and represents some level of patterned response or meaning within the data set." We gathered four types of textual data and adopted a two-step qualitative analytical procedure. Our data sets are composed of documents (Constitution and relevant proclamations), the list of political parties (organizational actors), press clippings about RPAEs before the breakup of the ruling coalition and information obtained from the websites of RPAEs. The first step in the analysis is word count of key terms of accountability. The terms are found in the accountability literature (Mechkova *et al.*, 2019; Boven, 2010; Sinclair, 1995; Jensen and Meckling, 1976; King, 2016; ACGN, African Corporate Governance Network, 2018). The second step involves reading and re-reading the text and manually coding the terms/phrases/sentences/provisions found in the documents. The "codes" for public accountability are vertical, horizontal and diagonal forms of accountability. The "codes" for the RPAEs are ownership (agency) and the type of information disclosed by the entities. Consistent with Braun and Clarke (2006, p. 88), a code begins either when a researcher is getting familiar with the data or when the code is grounded in a theory. For instance, by reading and re-reading the Constitution, one can classify an article, sub article, sentence, phrase or word as an indicator of one or more of the three (vertical, horizontal and/or diagonal) forms of accountability. The process gets repeated for each data set. The manuscript is composed following Golden-Biddle and Locke (2007).

4. Analysis and findings

4.1 Accountability and the constitution

In studying the constitutive rules, we focus on the formal rules (Constitution and relevant proclamations) to determine if they are accentuating (attenuating) accountability (Mechkova *et al.*, 2019). For Mechkova *et al.* (2019), horizontal accountability is a scenario in which the legislator controls resources and provides effective oversight. In addition, the judiciary is independent and accountable. This form of accountability is instrumentalized through the design of an enforceable constitution that is based on the separation of powers (constitutional) doctrine. The 1994 *Constitution* reveals the concerns of the framers of the supreme law of the land at that time[4].

In studying the Constitution, we applied a two-step procedure. Step one is word frequency. Step two is thematic analysis. Microsoft Word navigation is used to search for the following terms and phrases: accountable, accountability, corruption, bribery, ethics, public interest, public service, nepotism, independence, integrity, transparency, separation of powers, public responsibility, answerability and liability. The terms are grounded in the literature (Table 1). For the thematic analysis part, we read and re-read the Constitution and manually highlighted articles, terms and phrases found in the text to identify whether the document is advancing the three forms of (public) accountability: vertical, horizontal and diagonal (Mechkova *et al.*, 2019; Braun and Clarke, 2006; Creswell and Poth, 2016).

From the world count, we find "accountable," and "accountability" featured five times; "responsibility" nine times (frequently referring to a position of responsibility) and public interest three times [Articles 29 (3 b), 38(4) and 40(1)]. "Independent" and "transparent" appeared one time each. Corruption and ethics appeared zero times; liability appeared twice in a different context in the Constitution. The term "separation" is used in the context of separating state and religion (Article 11). Article 12 deals with conduct and accountability of government and its sub-articles state that "the conduct of affairs of government shall be transparent;" and "any public official or an elected representative is accountable for any failure in official duties."

In the thematic analysis step, we searched for an emerging recurring pattern. Accountability features are found in parts of the Constitution. Article 45 states that the form of government is parliamentarian (which suggests horizontal and vertical accountability); article 54 provides for elections (horizontal and vertical accountability) and Article 82 creates the council for constitutional inquiry (horizontal, vertical and diagonal forms of accountability). Article 31 provides for "freedom of association" (vertical, horizontal and diagonal accountability), and Article 38 (2) defines the right of the individual to be a member of a political party (vertical accountability). Articles 38, 54 and 56 require elections. Article 38(4) states that election shall also apply to "civic organizations which significantly affect the public interest." Article 55 (14 and 15) provides for the establishment of the Human Rights Commission and the "institution of Ombudsman" (horizontal accountability). Article 101 and Article 102, respectively, provide for auditor general (horizontal accountability) and an independent election board (vertical and horizontal accountability). Article 56 states that a political party or coalition that holds majority seats in the House will form the government (vertical and horizontal accountability).

What emerged from the reading and re-reading and manually highlighting of sections of the Constitution is that *vertical* accountability is a "recurring theme" (Braun and Clarke, 2006; Creswell and Poth, 2016). The concept is appearing frequently. The evidence regarding *de facto* vertical accountability (clean elections and political parties) is an extreme form of "dominant" or one-party rule (Bogaards, 2004, p. 186). Since there is no majority (more than 50%) population group, the ruling party and the federal parliament are *de facto* controlled by an alliance (a united front) of separate ethnonationalist parties that firmly control their respective regions (Fearon, 2003; Ishiyama *et al.*, 2013; Welsh, 1996).

Regarding *horizontal* accountability, Article 12 deals with "the conduct and accountability of government" and Articles 12(3), 54(4c) and 54(5) indicate the power of the electorate and the representative, but it is unclear whether the line of accountability of a parliamentarian is to the party or the public (electorate). Article 37 provides for the right to access justice, and Article 50 provides for the structure of the organs of the state. Article 40 provides for the right to own property, but its sub article (3) states that "[. . .] Land is a common property of the Nations, Nationalities and Peoples of Ethiopia and shall not be subject to sale or to other means of exchange." Article 60 (1) states that the Prime Minister may dissolve the house "with [the parliament's] consent." Articles 72, 74, 76, 78 and 101 define the powers of the executive and the judiciary. In sum, horizontal accountability is a recurring theme, but the clauses are not strong. The judiciary and the public accounts committee are neither effective nor independent. The House of Federation serves as a constitutional court. The dominant party phenomenon, when added to the absence of a clause that restricts the powers of the executive, worsens the gap between *de jure* and *de facto* horizontal accountability. By omission and commission, the Constitution allows autocratization and securitization by the dominant wing of the power blocks (Lührmann and Lindberg, 2019; Sigman and Lindberg, 2017).

Furthermore, according to Aalen (2002, p. 19), the Ethiopian federal system is asymmetrical, and "the more a system is asymmetrical, the more unlikely it is that the federation will develop harmoniously. We find that the dominant wing of the ruling party (whose constitutive schema is cultural cognitive pillars) is populating key portfolios and monitoring institutions. The evidence shows that Laffont and Tirole's (1991) "interest groups" capture the regulatory and state machinery, creating the worst forms of accountability problems (Canen and Wantchekon, 2022; Hassan, 2018; Wrong, 2010; Easterly and Levine, 1997; Shleifer and Vishny, 1993; Levine and Forrence, 1990). Decentralization (without accountability) is the focus of this "coming together" or "ethnoterritorial" federalism, eventually creating competitive principalities and network tensions within the united front (Bleaney and Dimico, 2017; Ishiyama *et al.*, 2013; Alesina and La Ferrara, 2005; Welsh, 1996).

4.2 Mapping the actors of accountability

In advancing institutional change, Scott (2014, p. 114) states that "[. . .] if an analyst examines how an existing set of beliefs, norms and practices come under attack, undergoes delegitimization or falls into disuse, to be replaced by new rules, forms and scripts, we have a study of institutional change." Following Mechkova *et al.*'s (2019) vertical, horizontal and diagonal accountability indicators, we examine organizational actors who play according to scripts (Scott, 2014, p. 182).

The paper targets the key actors of *vertical* accountability. The analysis begins by studying the National Election Board of Ethiopia's (*NEBE*) list of political parties that were registered to contest the June 21, 2021, election [5]. The number of "countrywide" parties and "regional parties" was, respectively, 20 and 33. Three of the 33 regional parties boycotted the election. Two regional parties that were immersed in armed conflict (TPLF and a faction of OLF) were declared terrorist groups (*Africa News*, May 6, 2021). Nine of the "countrywide" parties are coalitions of ethnonationalists, and three can be classified as "somewhat ethnonationalist." From the regional parties, two of the 33 are non-ethnic, and the great majority of them are from the Southern Nations, Nationalities and Peoples' (SNNP) region (composed of *over 45 ethnicities*). By the end of July 2022, the SNNP split into three or more regional states, increasing the constituents of the federation to 11. The NEBE's classification is showing locations where the parties intended to contest the election but did not indicate the structure and political orientation of the parties.

Gunther and Diamond (2003) provide typologies for "species" of political parties using criteria such as "the nature of the party's organization," its "programmatic orientation" and whether the given party is "tolerant and pluralistic." Gunther and Diamond (2003, p. 173) classify political parties into elite-based (traditional, clientelist), ethnicity-based (ethnic, congress), mass-based (religion, nationalism, socialism), electoral-ist (personalistic, catch-all, programmatic) and movement parties (left libertarian, post-industrial extreme right). Elischer (2014) examines political parties in 10 SSA countries (Ghana, Kenya, Namibia, Tanzania, Botswana, Senegal, Zambia, Malawi, Burkina Faso and Benin) and finds that "five-party types exist: the mono-ethnic, the ethnic alliance, the catch-all, the programmatic, and the personalistic party."

We used word frequency to understand the political orientation from the naming of the parties (Ishiyama *et al.*, 2013; Kajsiu, 2014; Van Dijk, 2006; Budryte, 2005; Bogaards, 2004; Gunther and Diamond, 2003; Van De Walle and Butler, 1999; Welsh, 1996). The term "democratic" is used 25 times (mostly by ethnonationalist parties), "union" or unity two times; "movement" six times, "freedom" four times; and "revolutionary" one time. Among the 53 parties, nine included the term "Ethiopia" in their names, while five parties have neither Ethiopia nor ethnic identification. In addition to the NEBE classification (countrywide and regional) and the names of the parties, nonethnic parties are urban and less ubiquitous in the regions. For our study, we purposefully watched a sample of the pre-election television debates. In the absence of a complete program of the political parties online for thematic analysis, we drew from our own experience of observing Ethiopian affairs over an extended period. We mapped the parties following prior literature (Elischer, 2014; Ishiyama *et al.*, 2013; Basedau and Stroh, 2011; Ostrom, 2011; Aligica, 2006; Van Dijk, 2006; Van De Walle and Butler, 1999; Welsh, 1996).

Olsen (2013) and Ostrom (2011) provide frameworks for the analysis of actors in policymaking. Ishiyama *et al.* (2013) examined how political parties in Africa "close out" the electoral market. We classified the parties into those that are likely to trade on cultural and cognitive pillars (ethnicity) and those that are likely to be amenable to the very idea of institutional (regulatory, normative and cultural-cognitive) change(s) that aim to advance accountability and tame ethnicity (Elischer, 2014; Kajsiu, 2014; van Dijk, 2006; Budryte, 2005; Deng, 1997). In the classification, the discourse, naming and the direction of the party's arguments during the election debates were important inputs (van Dijk, 2006; Welsh, 1996). The monoethnic and multiethnic typology in Figure 2 allows the researcher to observe which political parties are likely to embrace/resist *de jure* and possibly *de facto* corporate (public) accountability and Weber's form of government efficiency (Mechkova *et al.*, 2019; Canen and Wantchekon, 2022; Clarke, 2004; Jensen and Meckling, 1976).

We find that less than 50% of the twenty "country-wide" parties are multiethnic. The rest (33 parties) are regional. In other words, 81.13%, or (33 + 10)/53, of the parties are either monoethnic (Group D) or ethnic alliances (Group C) in Figure 2. Regional parties are recognized per Articles 64 and 65 of the electoral and political parties' law (Proclamation No. 1162/2019). Regarding Scott's (2014) cultural cognitive pillar, ethnicity is a dominant constitutive schema, backed by norms and regulations. Regarding the normative pillars, mobilizing "own people" is considered appropriate (Ishiyama *et al.*, 2013; van Dijk, 2006; Van De Walle and Butler, 1999; Deng, 1997). Furthermore, we find that the use of the term "democratic" in the naming of a party has no bearing on whether the party is likely to advance accountability (Luhrmann and Lindberg, 2019; Alcántara-Lizárraga and Jima-González, 2022). In other words, the voices for institutional change (e.g. constitutional reform) are few. It is also important to note that the terms "multiethnic" and "monoethnic" have contextual meanings, tensions, variants and interpretations, but central to the discourse is the relationship between the state (the large organization), market and society (Zakaria, 1997) [6].

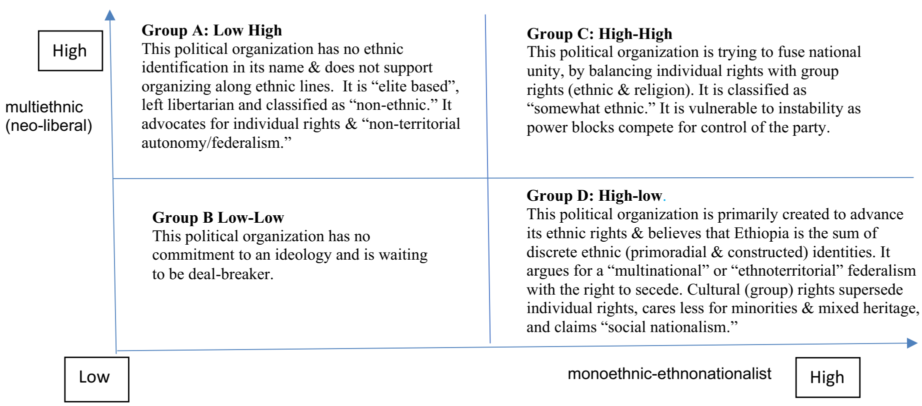

Figure 2.
Classification of Ethiopian political parties and their predisposition to accountability

In summary, the study of the actors of *vertical* accountability indicates the following. Even though Articles 56 and 73(2) of the Constitution permit multiparty politics and state that elections should be free and fair (Article 102), ethnicity is the constitutive schema. It is taken for granted, mimicked and shows an isomorphic phenomenon. In other words, cultural cognitive pillars dominate the regulatory and normative pillars, and they attenuate accountability. The actors play according to scripts. Introducing institutional (regulatory, normative and cultural cognitive) changes through legal formalism is difficult (Scott, 2014, p. 114). Like in previous elections, the June 2021 election was troublesome. In July 2021, the NEBE announced that the repackaged EPRDF and allies (Prosperity Party) won 94% (410 out of 436) of the seats in the federal parliament[5].

4.3 Accountability and the media

The presence of independent media and engaged civil society organizations are indicators of Mechkova *et al.* (2019) *de facto* diagonal accountability. For Scott (2014, p. 191), media creates legitimacy and impression. In the analysis of media, it is important to note that information is both a private and a public good (Levine and Forrence, 1990, p. 191). Article 29 (2 and 3) of the Constitution deals with freedom of the press and other mass media. Rights and freedom of association and expression are recurring themes in the text of the Constitution. However, evidence shows a wide gap between *de jure* and *de facto* forms of diagonal accountability. The periodic and occasional statements of United Nations, Committee to Protect Journalists and rights advocacy organizations indicate the state of affairs in the country.

To further examine *de facto* diagonal accountability, the study focused on the press coverage of RPAEs before 2018. Media played a significant role in the conflicts. The study focused on information that appeared in English-language newspapers and popular blogs. We tried to enhance the credibility of the sources by assembling 18 commentaries (news items) from different sources. RPAE-owned media (e.g. Fana Broadcasting Corporate and Walta Information Center) are excluded from the study. The clippings came from *Addis Standard*, *Aiga Forum*, *Ethiopian Observer, Borkena* and *Wikileaks*. The locally published English-language newspapers included in the study are *The Reporter* and *Addis Fortune.* The data is examined using word frequency and thematic analysis.

Regarding the word count, EFFORT, Tiret, Tumsa-Dinsho and Wendo appeared 162, 44, 5 and 3 times, respectively, in the 15,074 words text file. Term frequency reveals that in the 18 news items, corruption, fraud, ethnic, accountability and responsibility appeared 20, 2, 8 and zero times, respectively. For the thematic analysis part, we classified each news item either as favorable or unfavorable. The news sources mimic one another with polarized messages. We find that negative news items dominate favorable news items, especially in online newspapers and blogs located outside of the country [7]. Favorable news items such as paying taxes, new joint venture partnerships with foreign companies, and creating employment are recurring news items that came from ruling party-affiliated blogs and newspapers [8]. In short, for the local media (*The Reporter* and Addis *Fortune)*, RPAEs were not their focus, and private media avoided the subject matter (Scott, 2014, pp. 185–186). Regarding civil society organizations, the pressure from this sector is weak and fractured. Businesses and ruling party "coopt" each other (Alcántara-Lizárraga and Jima-González, 2022; Scott, 2008). In summary, the findings indicate the answer to our first research question. We conclude that ethnicity (constitutive schema, taken for granted, mimetic) undermines the country's weak regulatory and normative pillars and attenuates accountability. In this respect, Mechkova *et al.* (2019, p. 45) and Lührmann and Lindberg (2019) document that "governments are more likely to allow for *de facto* [as opposed to *de jure*] accountability if the costs of supplying accountability decrease and the costs of suppressing the demand for accountability increase."

4.4 Accountability in ruling party-affiliated companies

4.4.1 Agency, ownership and regulatory pillars. In this section, we try to find an answer to research question #2 by closely examining the ownership and information disclosure practices of two RPAEs: EFFORT and TIRET Corporate. The analysis examines the agentic relationship between the ruling party, the governing boards of RPAEs and the public (Kuruppu *et al.*, 2021; Bovens, 2010; Sinclair, 1995). The study links the regulation (state) capture (Canen and Wantchekon, 2022; Hassan, 2018; Laffont and Tirole, 1991; Levine and Forrence, 1990; Hellman *et al.*, 2000) with the microeconomic theory of agency (Jensen and Meckling, 1976; Demsetz and Lehn, 1985). The institutional setting is where cultural cognitive pillars are the basis for business and political organization. Examining corporate (public) accountability in the presence/absence of ethnicity provides insight. Taking cue from the empirical evidence about association between board ethnic composition and earnings distortions (Gul and Zhang, 2016; Nasir *et al.*, 2019; Tee and Rashia, 2020; Waweru, 2018), the paper examined the relationship between the public, the RPAEs and the power blocks of the ruling party.

The findings are two. First, the RPAEs are neither SOEs nor share companies. The board members (trustees) of the two RPAEs are in the top echelons (executive/central committee members) of the ruling party's power blocks. In other words, the relationship changes from principal-agent (capital provider-manager) to political agency. Second, each ethnic block has its own RPAE. Each RPAE purports to serve the public interest of a particular ethnoterritorial region. The managers and employees appear as "social actors" and play "leading roles in the creation and tending of institutions" (Scott, 2008, p. 290). In this respect, EFFORT's former Chief Operating Officer and former member of TPLF's executive committee argued that the consortium is a "people's endowment."[8]

As noted earlier, RPAEs exist in a few SSA countries. They operate as "development" and "investment" organizations (e.g. ANC's Chancellor House; Zanu-PF's FBC Holdings; RPF's Crystal Ventures). In the Ethiopian case, the known RPAEs are four, and the basis of compliance is Articles 483–506 of the Civil Code of 1960; Proclamation No. 621/2009 and Proclamation No.1113/2019. Furthermore, both the boards and the management of RPAEs do not have external constraints that make them accountable. They have softer fiduciary duties. A leaked U.S. diplomatic cable (circa 2009) explains one of the RPAEs as follows[3]:

> [. . .] in 1991, the ruling Tigrayan People's Liberation Front (TPLF) liquidated non-military assets held by the movement to found a series of companies whose profits would be used as venture capital to rehabilitate the war-torn Tigray region's economy. The TPLF bestowed a portion of this initial roughly US $100 million to each of the three other component parties in the ruling Ethiopian People's Revolutionary Democratic Front (EPRDF) coalition to establish similar endeavors in each of their home regions." [. . .]. In this decade, however, no new EFFORT ventures have been established despite significant profits, lending credibility to the popular perception that the ruling party and its members are drawing on endowment resources to fund their interests or for personal gain [. . .].

4.4.2 Information disclosure and normative pillars. Narrowing the information asymmetry between insiders and outsiders is one of the primary objectives of financial reporting (International Accounting Standards Board, IASB 2018; International Public Sector Accounting Standards; IPSAS 2014; Financial Accounting Standards Board *FASB # 117*; Financial statements of not-for-profit organizations as amended in 2016). For instance, paragraph 4 of FASB #117 (1993) states that the "primary purpose of financial statements is to provide relevant information to meet the common interests of donors, members, creditors and others who provide resources to not-for-profit organizations."

Similarly, the United Kingdom's Financial Accounting Standards Board *FASB* 102, in paragraph 11, states that "the objective of the trustees' annual report (the report) and accounts is to provide information about a charity's financial performance and financial position that will be useful to a wide range of stakeholders in assessing the trustees' stewardship and management of charitable funds, and to assist the user of the accounts to make economic decisions in relation to the charity [9]". In paragraph #13, the standard underscores that "the report and accounts, when read together, should help users of the information to understand what the charity is set up to do, the resources available to it, how these resources have been used and what has been achieved as a result of its activities."

Article 5(5) of Proclamation No.1113/2019 states that the Civil Society Organizations Agency should "encourage and support organizations to make sure that they have internal governance systems which ensure transparency, accountability, and participation." Article 6(3) gives powers to the Agency to "examine the annual activity and financial reports of organizations and conduct the necessary follow up following the stipulations under this Proclamation." Article 5(c) of Proclamation No, 847/2014 (Financial Reporting Proclamation) states that charities and societies must use IPSAS.

Despite these international trends and regulatory requirements, getting published information about RPAEs either from the entities (the holding entities and subsidiaries) or from the agency proved impossible. To understand what the disclosure practice is, we extracted information from the websites of the subsidiaries of EFFORT and Tiret Corporate. The websites do not contain financial and sufficient nonfinancial information. EFFORT, whose website is down, states the following in one of its subsidiaries, Messobo Cement [10]:

> "EFFORT Corporation is committed to contributing to the sustainable development efforts in the region. In light of the changing business environment along with changes and development of the country's social, political, and economic aspects as well as the global trends, EFFORT Corporation has stipulated its mission, vision, and core values to strictly adhere to and committed by all its shareholders, management, and employees."

Tiret Corporate's website contains a similar statement [11]:

> As an endowment organization, TIRET has been engaged in profitable businesses whose profits and assets are to be used for the rehabilitation and Socio-Economical development of Amhara National Regional State and its people.

We find that, though the information revealed in the two RPAEs websites differs, the entities are regional economic entities and claim to serve in the public interest. They control assets and engage in development and charity work[11]. In form, the RPAEs appear as regional public investment holding companies. In substance, the regional wing of the party owns and governs the entities. What emerges from the pattern of disclosure is that the disclosure does not aim at mitigating agency and information asymmetry problems (Jensen and Meckling, 1976; Demsetz and Lehn, 1985). The focus is on image building and managing impression for legitimizing their existence (Scott, 2014; Di Maggio and Powell, 1983). In summary, the presence of RPAEs creates unique forms of agentic and information asymmetry problems and, hence, decreases the degree of corporate (public) accountability.

5. Discussion

The paper aims to contribute to the literature and inform researchers, policymakers and practitioners. It examines the problems of corporate (public) accountability using an improved version of institutional theory. Studying waved relationship between political institutions and businesses in culturally fractionalized SSA countries is a challenge (Canen and Wantchekon, 2022; Mkandawire, 2015; Alesina and La Ferrara, 2005; Fearon, 2003; Easterly and Levine, 1997). Using Scott's (2014) institutional pillar framework, the paper examined Mechkova *et al.* (2019) three forms of public accountability. The insight from this analysis informs policy and practice and, in part, explains why "neo-liberal" corporate (public) governance standards are not getting grounding in post-colonial SSA.

The findings from the case study are two. First, there are wide gaps between the laws in the statute books and the ontological reality (*de facto*) in all three forms of public accountability. A further analysis of the gaps revealed the dominance of cultural cognitive pillars over the regulatory and normative pillars of public accountability. Second, the presence of RPAEs in the economy exacerbates the capture phenomenon at macro level by decreasing vertical accountability (Mechkova *et al.*, 2019; Canen and Wantchekon, 2022; Easterly and Levine, 1997; Laffont and Tirole, 1991; Levine and Forrence, 1990). At micro level, we find that the owners of RPAEs are not identified, boards are populated by individuals who are in the top echelons of the ruling party and the information environment is opaque (Gul and Zhang, 2016; Nasir *et al.*, 2019; Harymawan and Nowland, 2016; Waweru, 2018; ACGN, African Corporate Governance Network, 2018). The paper theorizes that it is impossible to embrace institutional change (adoption of corporate and public governance standards and laws) when the network of (economic) interest groups coincide with ethnic/clan (political) networks. Such an institutional setting makes the formal monitoring devices ineffective.

The answer to the third research question is conjectural. Exploring whether there are feasible contextual changes (reforms) aimed at transforming RPAEs requires consideration of options beyond those advanced by the multilateral financial institutions. Following Scott (2014, p. 114), if institutional change is to enhance public accountability, the new rules must aim at improving both de jure and *de facto* forms of vertical accountability, the first step in Mechkova *et al.* (2019) sequence of government (public) accountability. Furthermore, given that RPAEs decrease vertical accountability and show severe forms of agency and information asymmetry problems, the reform agenda needs to address the ownership structure of these companies (Demsetz and Lehn, 1985; Abegaz, 2013; Lemma and Negash, 2016). A worksheet (optional Appendix) that contains options for ownership change is prepared. The worksheet outlines the pros and cons of 13 forms of ownership changes.

The list is by no means exhaustive, and the choices are not mutually exclusive. The choices are doing nothing, restricting the sectors and the regions in which the RPAEs operate, transferring the enterprises to the federal government so that they become national SOEs and splitting the ownership between federal and regional governments. Furthermore, nationalization by regional states, privatizing the companies through auctions, privatizing gradually and partially through the issuance of shares (IPOs) and getting them listed on the yet-to-be established stock exchange (Proclamation No 1248/2021) are also choices. Reinstating the debt owed to government-owned banks, which were written off, designating the companies as public interest entities (PIEs), selling the assets, and using the proceeds as seed money for the rehabilitation of war-damaged infrastructure, and restorative (transitional) justice are additional choices. The choices could be subsumed under four major categories: do nothing, privatization, nationalization and PIE designation.

In the Ethiopian case, designating the RPAEs by proclamation/regulation as PIEs is easier and advantageous. Such a designation strengthens the coercive (regulatory) pillars of corporate (public) accountability. It creates less instability (tensions) within the power blocks of the ruling party. Vertical accountability is likely to increase as RPAEs would be required to publish their audited financial statements. Such a policy subjects the RPAEs to international corporate (public) governance standards that reduce agentic and information asymmetry problems. It may lead to gender, ethnic and religious diversity on boards and in the workforce. It has the potential to transform the monoethnic corporate boards and reduce employment shelters. Listing the PIEs on the stock exchange brings further scrutiny by the market and tames regionalism (ethnicity). The proposed change is in line with international practice. For instance, Article 2 (d) of Directive 2013/34/EU of the European Parliament and Europe's 2017 survey of accountancy indicate that listed companies, credit institutions and insurance companies are PIEs within the European Union's 17 member states.

It is also important to note that the percentage of PIE designations varies widely across the globe. For instance, SOEs in post-communist economies are PIEs (International Ethics Standards Board of Accountants, IESBA 2019, as amended in April 2022; the Federation of European Accountants, 2016). Within the SSA region, the Independent Regulatory Board of Auditors (Independent Regulatory Board of Auditors, IRBA, 2016, South Africa), for example, requires "incremental independence restrictions (including certain prohibitions) that apply to the audit of a PIE." IRBA states that the nature of the business, size, number of shares or debt holders and number of employees are important variables in the determination of whether a given entity is a PIE.

6. Concluding remarks

Examining the corporate (public) accountability problems in the SSA region using an improved conceptual framework is the purpose of the paper. The additional aim is to explore whether there is a preferred form of institutional change. A review of the prior literature reveals the entrenchment of the neo-patrimonial thesis for explaining the failures of public governance in the region (Bach and Gazibo, 2012; Bratton and van de Wall, 1994). Researchers in the corporate governance and accounting fields have extended the concept to the corporate sector (Kimani *et al.*, 2021; Hopper, 2017). Economists in turn have documented the SSA's region's elevated level of corruption (state and regulation capture), cultural and ethnic fractionalization and the lack of economic growth (Canen and Wantchekon, 2022; Fearon, 2003; Easterly and Levine, 1997). Recent research, however, has begun to question the long-held view and calls for the reconceptualization of the corporate (public) governance knowledge about the continent (Sigman and Lindberg, 2017; Mkandawire, 2015; Pitcher *et al.*, 2009). Examining the concept of accountability requires synthesizing the dense and conflicting literature, connecting corporate accountability with public accountability and contextualizing it with real institutions (Chizema and Pogrebna, 2019; Sinclair, 1995). Searching for a novel traveling theory that cuts across the disciplinary silos is important. Connecting Scott's (2014) institutional pillars with Mechkova *et al.* (2019) three forms of government (public) accountability provide insight.

The paper assembled qualitative textual data that relate to Ethiopia's Constitution and proclamations, organizational actors (political parties), media coverage of RPAEs and the ownership and information disclosure practices of RPAEs. The paper employed term frequency and thematic analysis of publicly available information. The accountability literature provides the ground for the codes used in thematic analysis (Mechkova *et al.*, 2019; Sinclair, 1995; Brooks, 1995). The paper finds wide gaps between *de jure* and *de facto* in all three forms of Mechkova *et al.* (2019) accountability dimensions. Regarding *vertical* accountability, the paper finds that ethnonationalist parties by far dominate the election landscape. The ruling party, whose constitutive schema is ethnicity, has continued to be the "relevant party" and controls over 94% of the seats in the House (Elischer, 2014; Ishiyama *et al.*, 2013; Bogaards, 2004). To date, no opposition party has administered a region.

Institutional change, if any, is unlikely to come easily. That is consistent with Mechkova *et al.* (2019) and Lührmann and Lindberg (2019) observation, the costs of suppressing the demand for accountability are likely to continue to increase.

Regarding *horizontal* accountability, we find that even though the framers of the Constitution followed the separation of powers constitutional doctrine, the substance is that the executive has unconstrained powers. The party's chairperson, who is also the Prime Minister, makes all key decisions. Proclamations get pushed through the parliament without trouble, often by acclamation. Furthermore, monitoring institutions are populated by either party members or loyal bureaucrats, indicating the capture phenomenon (Wrong, 2010; Canen and Wantchekon, 2022; Easterly and Levine, 1997; Laffont and Tirole, 1991; Levine and Forrence, 1990). Analysis of the interplays within the three institutional pillars reveals that cultural cognitive pillars undermine the regulatory (coercive) and normative pillars.

Regarding *diagonal* accountability, the paper finds that media and civil society organizations (including trade unions) are weak and fractured. Media and civil society organizations refrain from engaging in discourse that relates to the advancement of corporate (public) accountability in RPAEs. They rarely engage in persistent criticism of the authorities. RPAEs are rarely a subject of discussion for the local print media. The media wing of RPAEs (Fana Broadcasting Corporate and Walta Information Center) adds to the ruling party's instruments of image building.

While the institutional-level analysis indicated a wide gap between *de jure* and *de facto* in all forms of government (public) accountability, the examination of the form of ownership and information disclosure in RPAEs reveals the type of agency and information asymmetry problems. Political agency dominates managerial agency. In substance, the RPAEs are holding companies with subsidiaries engaged in diverse businesses. The consortiums resemble public investment holding companies. Individuals from the top echelons of the party populate the boards of the RPAEs. The boards have no ethnic diversity. The subsidiaries enjoy the limited liabilities protection accorded to private limited companies. They do not release their financial statements to the public. The RPAEs avoid consolidating their financials (IFRS 10; IPSAS 35). The presence of RPAEs in their present form undermines vertical accountability. The limited information available on the websites of RPAEs aims at legitimizing what they are doing (Di Maggio and Powell, 1983).

The findings for the two research questions led to the exploration of the type of change that is feasible under existing institutional realities. After exploring 13 options, we conclude that designating RPAEs as PEIs by regulation improves corporate (public) accountability. An enforceable regulation that creates distance between the ruling party and the RPAEs is likely to have an increasing effect on vertical and horizontal forms of accountability (Mechkova *et al.*, 2019; Lührmann and Lindberg, 2019). It is also likely to have an increasing effect on public interest and a decreasing effect on the gains that could stem from regulatory capture (Canen and Wantchekon, 2022; Easterly and Levine, 1997; Laffont and Tirole, 1991; Levine and Forrence, 1990). At the firm level, the designation opens the opportunity for RPAEs to be subjected to monitoring mechanisms that mitigate agency and information asymmetry problems (ACGN, African Corporate Governance Network, 2018; King, 2016). This policy is likely to reduce corruption, save scarce jobs and put the RPAEs' assets to better use. The limitation of the PIE option stems from the apparent conflict of interest that the ruling party is gaining from the lack of accountability.

The contributions of the paper to theory and practice are three. Regarding theory, it is the first paper that contextually examined the problems of change by studying the institutional pillars of corporate (pubic) accountability. The paper connected the economics, political science, public administration and institutional sociology literature with the corporate reporting literature. Such a link provides an important insight for explaining the lack of diffusion of modern corporate (public) accountability standards in institutional settings where ethnicity is the dominant factor in institution creation and tending (Scott, 2014, 2008). Understanding how "interest groups" get organized in culturally (ethnically) fractionalized countries is central to the study of corporate (public) accountability (Kuruppu *et al.*, 2021; Bovens, 2010; Laffont and Tirole, 1991; Levine and Forrence, 1990). In other words, the important insight for researchers in the SSA region is that it is impossible to mimic modern corporate (public) governance standards (norms) that generate isomorphic outcomes without taming the powers of the cultural cognitive pillars. Second, following Oswick *et al.*'s (2011, p. 325) typology of theory borrowing/blending in management and organizational research, the paper demonstrates that accountability is both a domestic (accounting) concept and a novel traveling theory cutting across disciplines. It does not require theoretical blending. The paper contributes to Llewelyn's (2003) "context bound" and Laughlin (1995) "middle range" theory.

Third, regarding the contribution to policy and practice, the case demonstrates that RPAEs in Ethiopia require regulatory intervention that aims at decoupling the waved relationship between business entities and the ruling party. As the country is undergoing through conflict, the RPAEs are one of the areas where change is needed. The change should ideally aim at enhancing normative standards and taming cultural pressures (Scott, 2014). Understanding the institutional environment is key to the successful implementation of a reform program. The paper contributes to the change management and public interest literature. Regarding the transferability of policy to the rest of SSA, it is important to note that:

- institutional change in fractionalized SSA countries brings additional challenges as liberalization has winners and losers; and
- consistent with Aguilera and Jackson (2010) observation, corporate governance has a "multi-dimensional" character and "possess challenges when making cross-national comparisons."

We, therefore, caution that SSA countries that have high diversity indices and political polarization should be prudent in increasing (decreasing) each element of the pillars of accountability in a "big bang" form. The type and speed of change and institutional construction can trigger instability and worsen the fragility of the states.

The main limitation of the paper is its exploratory nature. Extending this research by using additional documentary and interview data provides a more complete picture of the link between corporate (public) accountability and ethnicity. A cross-country SSA study that uses mixed methods research (questionnaire and interviews) enhances the generalizability of the findings of the paper.

Notes

1. The World Bank classifies 48 of the 53 African countries as Sub Sahara Africa (SSA). The United Nations in turn indicates that about 33 of the world's 46 least developed countries are located in the SSA region (United Nations, 2021). The Fund for Peace (2023) indicates that about 35 SSA countries are in state of fragility. In 2023, there is wave of military coups. The World Bank's Voice and Accountability Index and Transparency International Corruption Perception Index, respectively, indicate low level of public accountability and (except for Botswana) high level of corruption. The Morgan Stanley Capital International index lists two of the 33 countries (Egypt & South Africa) as emerging; five (Kenya, Mauritius, Morocco, Nigeria and Tunisia) as frontier; and two (Botswana & Zimbabwe) as standalone (see www.msci.com/market-classification).

2. Reuter (2017) states that “The terms ethnic and ethnicity have their roots in the Greek word ethnos, which describes a community of common descent. In ethnic conflict research, the terms ethnic group, communal group, ethnic community, people and minority are mostly used interchangeably.”
3. See WikiLeaks’ Public Library of U.S. Diplomacy, Party-statals: How the ruling parties’ “Endowments” operate March 19, 2009. available at https://poorfarmer.blogspot.com/2011/11/wikileaks-on-ethiopia-how-ruling.html. Last accessed on 11/3/2023.
4. Analysis of the causes and consequences of the 2020–2022 war and other (existing and emerging) conflicts are beyond the scope of this paper. For more on this, see the literature on comparative federalism (territorial versus non-territorial autonomy, minorities, minorities in majority ethnic/religious/cultural enclaves, legal pluralism), Obasanjo 2022; Fund for Peace 2023; SIPRI 2023; African Union 2022, and the United Nations 2023.
5. The troubled election was held in the middle of wars in Oromia and Tigray, tight security. The NEBE did not administer election in 20.6% or 113 of the 547 federal constituencies.
6. Zakaria (1997) defines liberal democracy, as “a political system marked not only by free and fair elections, but also by the rule of law, a separation of powers, and the protection of basic liberties of speech, assembly, religion, and property; this latter bundle of freedoms, what might be termed constitutional liberalism is theoretically different and historically distinct.”
7. See Institute of Developing Economies, Japan External Trade Organization. available at www.ide.go.jp/English/Data/Africa_file/Company/ethiopia06.html?media=pc Last accessed 7/3/2021.
8. See Aigaforum.com http://aigaforum.com/news2017/interview-with-azeb-mesfin-effort.htm
9. See www.charitysorp.org/media/619101/frs102_complete.pdf Last accessed 7/4/2021
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Appendix

Reform options	Advantages	Disadvantages	Relevant literature
Do nothing: -Let the endowment companies continue as they are		High political cost; corruption; clientelism, information and regulation inefficiency; interference in elections; deters free and fair election (vertical accountability)	Sinclair (1995), Mechkova *et al.* (2019); Sigman and Lindberg (2017), Shleifer and Vishny (1993); Laffort and Tirole (1991), Canen *et al.* (2022); Easterly and Levine (1997); La Porta *et al.* (1999)
Do something by restricting their areas (economic sector; geographical region) of operation	May put constraints if they have no political influence in the shaping of regional government policy	Whether they can serve as regulated regional industries is doubtful; can create tension; clientelism and regional government capture continues	Alesina and La Ferrara, (2005); Sinclair (1995); Laffort and Tirole (1991); Canen *et al.* (2022)
Do something by keeping them under the administration of regional governments, i.e., make them regional SOEs	The political cost of endowment companies might be lowered as their status will change from party affiliated charity endowments to a regional SOE. This has already been done	So long as regional governments are controlled by the party, the level of inefficiency and corruption will be more likely to be the same as before	Easterly and Levine (1997), Wrong (2010)
Transfer them to the federal government and let them operate under the purview of the Ethiopian Investment Holdings	Opportunities to salvage funds is better; assets can be put into better working conditions	Most SOEs have had financial underperformance and this option may not be the best	Demsetz. and Lehn (1985)
Break the ownership between federal and regional governments and nationalize those shares held by fronts and shell companies	Political costs could be reduced	Managerial efficiency and effectiveness are unlikely to be different from the type observed in SOEs	Laffort and Tirole (1991);
Privatize endowment companies through direct sale	Cash inflows for regional governments and or cash trapped central government	People question where the proceeds will go to. Risk of under/over valuation, corruption	Hellman *et al.* (2000); Wrong (2010)
Privatize endowment companies through direct placement with foreign buyers	Foreign currency inflows. May attract venture capitalists/ private equity funds	Corruption and undervaluation of assets. High political cost in the regions	Hellman *et al.* (2000); Wrong (2010)
Privatize the endowments by selling limited number of shares to targeted population groups	Cash inflows including foreign currency inflows	Excessive risk for the buyers of the shares in that the new money is likely to be used to finance current deficits. More than likely to be opposed by regional nationalists and the seed funds were seen as "blood money" and legacy of combatants	Laffont and Tirole (1991); Demsetz. and Lehn (1985)

(continued)

Table A1. Optional appendix

Reform options	Advantages	Disadvantages	Relevant literature
Keep the status and allow them to issue equities, that eventually converts the endowment companies into share companies	Better than the do-nothing option, if the restructuring of board and management is serious. This would have made sense if there was an organized stock market	Same as partial privatization plus the risk of bankruptcy and unaccountability for the new investors	Laffont and Tirole (1991); Demsetz. and Lehn (1985); Scott (2008)
Increase debt finance	Debt finance may allow the lender to take over the endowment company, convert the debt into equity	Unlikely to get debt finance from the private banks and there is no organized bond market. The interest rate must be high enough to compensate for the default risk	Demsetz and Lehn (1985), Jensen and Meckling (1976); Lemma and Negash (2016)
Reinstate the debt written off (if any) and convert the debt to equity	May allow the lender (State owned banks) to get back their money back and debt has disciplining effect	Legal issues may come in that the lender must prove to the court that the write off was inappropriate/ result of corruption and political intervention	Demsetz and Lehn (1985), Jensen and Meckling (1976); Waweru (2018)
Getting listed in the share markets of foreign stock exchanges	Makes the shares investable and the list firm will be obliged to follow international corporate governance and listing requirements	Preparation and underwriting costs, and meeting listing requirements could be difficult. Least likely but remains an option	King (2016); ACGN (2018); Aguilera and Jackson (2010), Clarke (2004); Demsetz, and Lehn (1985); Scott (2008)
Designate them by regulation as Public Interest Entities (PIEs)	This option is likely to be acceptable to the ruling party. It is also likely to tame ethnicity and reduce regional sensitivities to reforms; improves vertical accountability; creates distance between the ruling party and RPAEs; improves corporate governance and board diversity, and reduces employment shelters	Risk of regulatory failure; may be resisted as party finances may be affected	Sinclair (1995); Boven *et al.* (2016); Mkandawire (2015), Federation of European Accountants (2016); IESBA 2019/2022; IFAC, IRBA 2016; EU 2013/34EU. Mechkova *et al.* (2019), Canen and Wantchekon (2022); Bovens *et al.* (2016), Bahoo (2020)

Table A1. **Source:** Created by authors

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