Institutional theory and IFRS: An agenda for future research

Abstract

This paper highlights the capacity for Institutional Theory [IT] to render in-depth understanding of change processes associated with the adoption and implementation of international accounting standards by countries and organizations. Although the fact of requiring the adoption of IFRS could be characterized as a form of coercive power, recent developments in IT help to explore the extent to which adoption and diffusion of IFRS is shaped by three factors: agency, the interests of actors involved in the adoption process, and the role of institutional entrepreneurs and institutional work. We provide a structured review of literature that uses an IT framework in the context of adopting and implementing IFRS. The review brings together various streams of IT and current debates in the management and organization literature. This allows us to outline an agenda for future research that proposes six new research questions for investigation. These research questions are intended to encourage greater regard for the capacity of the theoretical toolkit of institutional logics to explore institutional entrepreneurship, institutional work, and the institutional dynamics of change processes associated with the adoption, maintenance and disruption of accounting systems.

Keywords: Institutional theory, change process, adoption, implementation, IFRS

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1. Introduction

Many countries have adopted International Financial Reporting Standards [IFRS] for national use, with or without adaption. Countries that have adopted IFRS often require significant changes in national accounting and financial reporting systems. The adoption and institutionalization of a new accounting system (such as IFRS), and the socio-cultural complexities of the change processes involved, offer prolific scope for investigation. To that end, this paper highlights the potential for Institutional Theory [IT] to render in-depth understanding of the change processes associated with the adoption and implementation of IFRS[1] by organizations and countries. We highlight research possibilities that arise from combining IT with international accounting. This leads us to propose an agenda for future research.

Several studies have used IT to investigate the institutional dynamics involved in the adoption of IFRS (e.g., Hassan, Rankin, & Lu, 2014; Mir & Rahaman, 2005; Nurunnabi, 2015; Touron, 2005). Most of these studies have been framed by early versions of IT (as elaborated by Meyer & Rowan, 1977; and DiMaggio & Powell, 1983). As such, they focus on stability, conformity and isomorphism. Gradually, IT has evolved to consider the effects of complexity, fragmentation, and the ambiguity of institutional requirements on organizational forms (Scott, 2008). Because of this evolution, IT now places greater emphasis on the concept of agency and the influence of significant pre-existing structures on agency (Modell, Vinnari, & Lukka, 2017). These developments in IT have encouraged accounting scholars to consider the use of agency and the influence of institutional logics when analysing the adoption of IFRS (or IFRS-based standards)[2] by organizations and nation States (Aburous, 2019; Albu, Albu, & Alexander, 2014; Alon & Dywer, 2014; Carneiro, Rodrigues, & Craig, 2017; Guerreiro, Rodrigues, & Craig, 2012a, 2012b, 2015; Irvine, 2008; Maroun & van Zijl, 2016).

The literature review we present of matters pertaining to the implementation of IFRS highlights a common concern: harmonized standards do not necessary lead to harmonized accounting practices and comparable financial reporting. In our view, this arises because the adoption of IFRS is not a binary decision – it ranges from convergence with national accounting

[1] Our focus here is on the adoption of IFRS or standards based on IFRS. However, the points raised, and the positions adopted, also apply to decisions by nations to adopt International Public Sector Accounting Standards.

[2] Hereafter, when we refer to “adoption of IFRS” we refer to adoption of IFRS without changes *and* adoption of IFRS with local (national) adaptations. The term “adoption” is used to refer to the decision of a country or a company to adopt IFRS. The term “implementation” refers to the change process that occurs after adoption.

standards under State intervention, to adoption of IFRS without modification or delay. Additionally, the scope of adoption may be varied – it can include listed or non-listed companies, consolidated and/or individual accounts, and certain industries or all industries (Camfferman & Zeff, 2018). Thus, it is necessary to gain a clearer understanding of the key factors that explain why this occurs (Albu, Albu, & Filip, 2017). Furthermore, the complexities of the IFRS implementation process have impaired the translation of these standards into effective working practices. Because IT contemplates the role of power, agency, institutional work and social institutional dynamics, it provides a helpful theoretical lens when seeking to understand the repertoire of behaviours that companies and other actors use in local institutional contexts to cope with multiple and competing institutional demands in implementing IFRS.

We make three important contributions. First, in the context of adopting and implementing IFRS, we review the IFRS literature that uses an IT framework.[3] Our intent is to benefit researchers who are using IT as a theoretical lens to investigate aspects of international accounting harmonization. We seek to illuminate the application of IT in this specific research field by presenting theoretical and methodological choices and by providing a critical discussion of theoretical approaches. Second, we highlight the capacity for IT to provide useful insights to the complex responses countries and organizations have made in adopting and implementing IFRS. We emphasize the need to go beyond economic and efficiency arguments that are usually used to explain adoption of IFRS. We need to focus on the effect of institutional pressures, institutional dynamics, and the power of actors in shaping how accounting standards are translated to organizational procedures in different countries.

What we do is present a deep and informed understanding of key matters that need to be considered when investigating organizational responses to the adoption of IFRS. This should help regulators to formulate and adjust policies regarding implementation and enforcement. High quality accounting standards help to increase the quality of financial information only if properly enforced (Arimany, Fitó, Moya, & Orgaz, 2018; Lara, Torres, & Vieira, 2008). The third contribution we make is to bring together various streams of IT thought and current debates in the management and organization literature (Casanovas & Ventresca, 2019; Greenwood, Raynard, Kodeih, Micelotta, & Lounsbury, 2011; Meyer & Höllerer, 2014;

[3] We do not conduct a complete review of *all* literature on IT. (For a deeper review see Greenwood, Oliver, Suddaby, & Sahlin, 2008; Lawrence & Suddaby, 2006; Scott, 2001). We do not review the extensive literature (that mainly uses economic rationalism) on the advantages, disadvantages, effects (e.g. increased comparability, transparency, quality of financial reporting, and cost of capital) of adopting IFRS.

Micelotta, Lounsbury, & Greenwood, 2017; Raynard, 2016) to propose six research questions as an agenda for future research.

In Section 2, we outline how several IT branches have been implicated in understanding change processes involved on adopting and implementing IFRS. In Section 3, we explain how IT has been relevant in studies of accounting harmonization. Section 4 proposes six research questions as specific avenues for future research. Subsequent section outlines the conclusions.

2. Applications of institutional theory in international accounting harmonization

The use of IT to study change in organizations dates from the mid-1970s — a time when leading proponents of IT argued that organizations must consider the technical environment *and* the institutional environment when contemplating change (DiMaggio & Powell, 1983; Meyer & Rowan, 1977; Scott, 2001). This call for a dual focus in IT represented a considerable shift in thinking and differed significantly from rational-choice theories that had been dominant hitherto. The general underlying assumption of IT was that organizational structures and procedures are shaped largely by external factors of "social fitness" — and not only by economic objectives of cost-minimization and profit-maximization (Moll, Burns, & Major, 2006).

An IT framework helps to understand how IFRS have become the global accounting benchmark. A critical factor prompting the rise of IFRS is a rationalized myth. This is that the standards embodied in IFRS will improve the transparency, quality and comparability of financial reports (Lara, Torres, & Vieira, 2008); and that, thereby, the needs of primary users of financial statements will be better served (Albu et al., 2013; Chua & Taylor, 2008; Mantzari, Sigalas, & Hines, 2017; Maroun & van Zijl, 2016; Rodrigues & Craig, 2007).

Accounting can be conceived as an institution because it is a system of rule-bound and standardized social practices involving actors and power. Thus, accounting practices are rationalizations to maintain appearances of legitimacy (Dillard, Rigsby, & Goodman, 2004). Indeed, economic rationales provide weak explanations for why IFRS have gained widespread acceptance. The alleged economic benefits of IFRS lack substantive empirical support (Chua & Taylor, 2008). Thus, institutional arguments have the potential to provide wider explanations for the diffusion of IFRS.

2.1 Institutional pressures and legitimacy as key-drivers of IFRS adoption

Cultural and social behaviours are critical elements of IT. They help to construct rules, values and norms, and provide legitimacy to organizations that comply with them (Meyer &

Rowan, 1977). The prevailing view is that organizations attain legitimacy by actively seeking to meet society's expectations. Achieving legitimacy in the eyes of the State, powerful professions, or society at large, is important in facilitating organizational survival (Carruthers, 1995). Many researchers who rely on IT usually assume that the primary legitimating characteristic within market capitalism is economic rationality and argue that organization structures, such as accounting standards, help to maintain the appearance of rationality and sustain perceptions that organizations are behaving properly and adequately within their cultural context. Consequently, their legitimacy and prospects for survival are enhanced (Dillard et al., 2004).

Adoption of IFRS has been widely investigated based on the legitimacy premise using a qualitative approach. Mir and Rahaman (2005) and Nurunnabi (2015) analysed the adoption of IFRS in Bangladesh using institutional pressures and isomorphism as the main theoretical resources. Both studies highlighted the importance of coercive pressures exerted by donor agencies (such as the World Bank and International Monetary Fund). Additionally, mimetic pressures to follow accounting practices in developed nations, as well as the legitimacy IFRS confer, were identified as significant driving forces for adoption of IFRS (Mir & Rahaman, 2005).

The same theoretical approach was used by Irvine (2008) and by Hassan et al. (2014). They focused on institutional pressures that explained the decision of the United Arab Emirates [UAE] and of Iraq, respectively, to adopt IFRS. Those nations are deemed to be responding to coercive pressures stemming from the regulatory requirements of major international agencies, such as the World Bank and International Monetary Fund (IMF). Similar results were found by Tahat, Omran, and AbuGhazaleh (2018) in the case of Jordan, where pressures exerted by these international donors were identified has a significant coercive pressure. Normative and mimetic pressures exerted by Big 4 accounting firms and the UAE's trading partners were identified (Irvine, 2008). Indeed, trade and economic alliances between countries help to understand how power relations and resource dependencies influence decision-making process regarding adoption of IFRS. Krishman (2018) contends that India's decision to delay adoption of IFRS was influenced by the cautious approach to the adoption of IFRS by Japan and the United States — India's major economic and trade partners. These relations counter-balanced the active promoted adoption of IFRS by powerful transnational organizations, such as IMF and World Bank. Consistent with Mir and Rahaman (2005), these studies argue that many emerging and developing nations adopt IFRS because of the symbolic benefits promised by such adoption.

Some studies that have adopted a quantitative approach investigate the relationship between institutional pressures and adoption of IFRS by countries. In a large-scale comparative study, Judge et al. (2010) examined IFRS adoption by 132 developing, transitional and developed countries as a response to institutional pressures. These authors explained adoption in terms of all three institutional isomorphic pressures (mimetic, coercive, and normative). Lasmin (2011) found similar results in 46 developing countries. However, a study by Pricope (2016) regarding developing countries revealed that only mimetic pressures significantly explain adoption of IFRS. With respect to IFRS adoption in poor countries, Pricope (2015) concluded that only coercive and normative isomorphism explain adoption. According to Koning, Mertens, and Roosenboom (2018), the decision of some countries to adopt IFRS is influenced also by the decision of successful neighbouring countries or closely related countries that have adopted IFRS. Alon and Dwyer (2014) acknowledge the existence of legitimation pressures. However, they found that IFRS adoption was more likely to occur in countries with greater transnational resource dependence.

Regarding adoption of IFRS by companies, Manzari et al. (2017) highlight the neo-liberal dimension of the power of IFRS and its affect on legitimacy. Power is an important social-economic mechanism because it regulates the behaviour of organizations by encouraging or imposing compliance to IFRS. General acceptance of the neo-liberal rationale of IFRS, and of the superior quality of these standards, has been claimed to set the values of legitimacy and to define economic fitness (Manzari et al., 2017). In the accounting field, the power of the IASB is regarded to have arisen from its capacity to establish IFRS as a dominant frame and a widely accepted meaning system. This was encouraged by increasingly integrated financial and product markets, supra-national organizations, and transnational professional networks (Suddaby et al., 2007). Accordingly, Manzari et al. (2017) argue that the motivations of Greek companies to adopt IFRS were not related primarily to the technical competence of these standards. Instead, they were largely the outcome of a coalition of powerful civil society actors such as the State, parent companies and financial institutions that accept the superiority of IFRS as taken-for-granted.

Other research focusing on the organizational level has studied the response of companies to institutional pressures to adopt IFRS. This has included studies of organizational choice regarding adoption of, or resistance to, a particular system of accounting standards that have identified several sources of isomorphic pressures. For example, *why* companies adopt specific accounting standards has been attributed to normative pressures associated with educational processes (Carpenter & Feroz, 1992; 2001), the cations of multinational audit companies, a desire to imitate leading companies (Touron, 2005), and a keenness to conform to recommended best practice (Maroun & van Zijl, 2016).

Below we discuss research that has sought to achieve a better understanding of the complex social-cultural dimensions associated with the adoption and implementation of IFRS by drawing on more recent approaches of IT.

2.2 The importance of interest, agency and institutional logics in shaping adoption and implementation of IFRS

Analysis of organizational responses to institutional pressures allows a better understanding of the motivations for adoption of practices and institutional change processes. Commonly, responses are explained by recent approaches of IT using *instrumental rationality* (an actor-centric approach) and *institutional rationality* (grounded on the concept of logic) (Lounsbury, 2008).

Instrumental rationality conceives agency in a way that contends individuals have greater autonomy to make self-serving decisions (Lounsbury, 2008; Modell et al., 2017). Three important streams of instrumental rationality are institutional entrepreneurship (DiMaggio, 1988), strategic responses to institutional pressures (Oliver, 1991) and “institutional work” (Lawrence & Suddaby, 2006) — all have been applied in accounting harmonization studies. Each of them is discussed below.

DiMaggio (1988) introduced the idea of *institutional entrepreneurship* to explain how new institutions arise. He argued that institutional entrepreneurs regard institutions as an opportunity to realize interests that they valued highly. However, this view has been criticized for portraying institutional entrepreneurs as under-socialized, rational and disembedded actors (Modell et al., 2017). This criticism has been addressed in studies that highlight the embeddedness of actors in their institutional environment (Battilana, Leca, & Boxenbaum, 2009; Greenwood & Suddaby, 2006; Hardy & Maguire, 2008).

Battilana et al. (2009) specified two types of enabling conditions for institutional entrepreneurship: field-level conditions and the social positions of actors. These enabling conditions are particularly useful in understanding the activities of social actors during the implementation of IFRS (Guerreiro et al., 2015). For example, in Portugal, the disruption of professional consensus on code-law traditions due to regulatory changes and the embeddedness of important actors in multiple fields enabled entrepreneurial action by the national accounting standards setting body. The entrepreneurial action taken by Portuguese actors involved harnessing political support and mobilizing the social groups involved in the accounting change through a *theorization* process (Battilana et al., 2009).

Oliver's (1991) *strategic approach* to agency combined institutional and resource dependence arguments to classify the variety of behaviours that organizations exhibit in response to institutional pressures. These behaviours were described as conformity, compromise, avoidance, defiance and manipulation. Oliver (1991) described the contexts where each response is more likely to occur and argued that "organizational responses to institutional pressures toward conformity will depend on *why* these pressures are being exerted, *who* is exerting them, *what* these pressures are, *how* or by *what* means they are exerted, and *where* they occur" (Oliver, 1991, p. 159, italics applied). Oliver's strategic response model has been applied widely to study how organizations respond to institutional pressures (Clemens & Douglas, 2005; Goodstein, 1994; Ingram & Simons, 1995; Jamali, 2010). Studies of this matter in the accounting field include those by Abernethy and Chua (1996), Etherington and Richardson (1994), Hyvönen, Järvinen, Pellinen, and Rahko (2009), and Modell (2001).

Some studies of local adoption of IFRS combine isomorphism with Oliver's (1991) model to broaden the scope of institutional analyses. Oliver's (1991) strategic response model has helped to understand the variety of strategic responses in Romania to the pressures applied by local preparers, auditors, experts and regulators regarding the adoption of IFRS (Albu et al., 2014). This study confirms the usefulness of Oliver's (1991) framework in discussing organizational responses and highlights the importance of intra-organizational relationships, conflicts and knowledge on the implementation of IFRS by organizations.

Guerreiro et al. (2012a) combined Oliver's strategic response framework with institutional logics to explain the willingness of organizations to conform to institutional pressures or pursue other active strategies. They found that voluntary adoption of IFRS is a strategic response that reflects the relative importance companies assign to different institutional elements — and as one that occurs notwithstanding the possibility of avoidance strategies (decoupling).

The concept of *institutional work* broadened thinking about institutional change by directing attention to purposive actions that sought to create, maintain and disrupt institutions (Lawrence & Suddaby, 2006; Lawrence, Suddaby, & Leca, 2011). The institutional work approach emphasizes the need to conceive individual and collective agency as institutionally embedded. Accordingly, institutions are viewed as shaping every aspect of social life; motivating the actions of individual and collective actors; and supporting the material and symbolic structures that trigger and shape those actions. At the centre of this stream of research are the micro-practices of individual and collective actors who drive broader institutional processes (Hampel, Lawrence, & Tracey, 2015).

Most empirical studies in the accounting field that apply this theoretical lens examine professions as arenas of institutional change; and they explore how and why professionals work to effect or resist change (Aburous, 2019; Hampel et al., 2015; Canning & O'Dwyer, 2016). For example, Aburous (2019) focused on financial statement preparation practices of Jordanian corporate accountants after the adoption of IFRS. Their lack of training and knowledge of IFRS (increased by the language barrier) lead corporate accountants to *relinquish* some of their routine activities to auditors. Dependence on auditors' expertise shifted the power in their favor and allowed them to *encroach* on the corporate accounting field. Aburous (2019) highlights the lack of research on the implementation of IFRS and the lack of identification of how field boundaries are shaped by concrete practices of institutional work and how power is distributed among actors.

These lines of research have enhanced our understanding of how entrepreneurial processes lead to institutional change, how organizations engage in strategic responses to institutional pressures, and how specific practices of institutional work emerge during the implementation of IFRS. However, studies of the adoption and implementation of IFRS should explore how deeply-held values, beliefs and cultural norms, guide actors' decision-making (Lounsbury, 2008; Thornton & Ocasio, 2008). This conceptual tool was applied in several studies, explained below.

Institutional rationality relies on the idea of *institutional logics* and on a collective approach to rationality. These concepts were brought into institutional theory by Friedland and Alford (1991). Institutional logics are "the socially constructed, historical patterns of material practices, assumptions, values, beliefs and rules by which individuals produce and reproduce their material subsistence, organize time and space, and provide meaning to their social reality" (Thornton & Ocasio, 1999, p. 804). By viewing society as composed of interacting institutions, heterogeneity and agency are observable from the contradictions between the logics of different institutional orders (Thornton & Ocasio, 2008). Indeed, multiple forms of rationality (multiple logics) provide a basis for explaining organizational variety (Lounsbury, 2008) and resistance to change (Marquis & Lounsbury, 2007). Agency is conceived as an institutionally-embedded phenomenon: the means and ends of individuals' interests and agency are enabled and constrained by prevailing institutional logics (Thornton & Ocasio, 2008).

Recent work using the logics approach has studied the relation among logics. This was done either by analysing situations where one logic dominates other logics, or by portraying cases of different co-existing logics, labelled as *institutional complexity*. Institutional complexity helps explain how organizations face divergent cultural expectations, values and identities prescribed by multiple logics that impose conflicting demands (Greenwood et al., 2011). However, analysis of institutional complexity also requires systematic appreciation of how logics converge synergistically (Raynard, 2016). Consequently, multiple logics can co-exist peacefully or in permanent conflict. They can also blend to form a new hybrid logic (Casanovas & Ventresca, 2019). These developments provide opportunities to explore the different kinds of institutional change that derive from institutional complexity and how organizations behave when searching for legitimacy in an environment characterised by social complexities. Currently, the institutional logics perspective is seen as one of the most viable frameworks within institutional theory (Meyer & Höllerer, 2014; Micelotta et al., 2017).

Carneiro et al. (2017) analyzed the process of accounting harmonization in the 13 countries of the Group of Latin American Accounting Standards Setters [GLASS]. These authors found that in the financial sector, institutional logics that were intended to ensure resilience in a financial crisis, impeded adoption of IFRS. In most GLASS countries, banks and financial institutions have resisted adopting IFRS because of concern about the technical complexity of financial instruments standards and the effect of fair value accounting measurements. Implementation of IFRS in non-financial companies was impaired in GLASS countries by the lack of trained accountants, unreliable enforcement systems, and the competing institutional logics of taxation systems. Additionally, institutional logics related to taxation are preventing some GLASS countries from converging with IFRS.

Institutional logics are also useful in analysing the accounting choices of companies. Guerreiro et al. (2012b) found that the evolution of accounting practices in organizations is shaped largely by competing institutional logics. Resistance within the Portuguese accounting profession, and the embeddedness of code-law practices in the prevailing logic, negatively influenced the preparedness process of large non-listed companies in Portugal to adopt a new accounting system based on IFRS. Additionally, the choice of organizations regarding accounting standards was found to be constrained by prevailing institutional logics that moderated the interests, values and assumptions of organizations (Guerreiro et al., 2012a). Maroun and van Zijl (2016) found that the coercive pressures of stakeholders' expectations influence *how* companies complied with IFRS 10 and 12. These authors emphasize the logic of resistance that occurs when the specific accounting standards are operationalized in complex social settings shaped by the interests of users.

An important criticism of these versions of IT is the failure to explain adequately how a multi-level institutional context constitutes the framework for organizational processes. Studies on institutional change, and particularly those on accounting harmonization, cannot ignore the "interrelatedness of structures and practices on the organizational and/or field level both diachronically (i.e., over time) and synchronically (i.e., in relation to other, already existing structures and practices)" (Meyer & Höllerer, 2014, p.1228).

Although various models of institutional change explain the processes of creating and disbanding institutions (Greenwood et al., 2002; Lawrence, Winn, & Jennings, 2001; Oliver, 1992; Seo & Creed, 2002), many models neglect the full range of institutional dynamics involved (Dillard et al., 2004; Hopper & Major, 2007; Modell, 2009). Dillard et al. (2004) responded to these criticisms by proposing a model that articulates the institutional dynamics over three levels of social systems. This is presented below.

2.3 Consideration of institutional dynamics in understanding IFRS adoption and implementation

By integrating Weber's ideas of rationality and power with structuration theory (Giddens, 1976, 1979, 1984), Dillard et al. (2004) contended that agents use the primary inter-related contextual structures of legitimation, signification and domination to promote change or reinforce the *status quo*. Accordingly, Dillard et al. (2004) proposed a model with a hierarchy of institutional influence that articulates institutional dynamics over three levels of social systems: *political and economic*, *organization field*, and *organization*. Within this framework, institutionalisation is regarded to be a process whereby the political nature of institutional change is recognised, and the relative power of organised interests (and the actors mobilised) is incorporated. Several studies have adopted Dillard et al.'s (2004) ideas of institutional dynamics to explain institutional practices (Cruz, Major, & Scapens, 2009; Hopper & Major, 2007; Irvine, 2008; Tsamenyi, Cullen, & González, 2006), including the adoption of IFRS (Albu et al., 2011; Guerreiro et al., 2015; Irvine, 2008).

Specifically, Albu et al. (2011) confirm the importance of the cascade of institutional influence in Romania, where external forces, such as the World Bank and the EU, influenced the actions of the national regulator at the economic and political level. In turn, these constrained the legitimate criteria established by professional bodies at the organizational field level to address issues of limited professional judgement and a tax-driven approach to IFRS. Dillard et al.'s (2004) institutional change model, combined with the idea of institutional entrepreneurship, also helped Guerreiro et al. (2015) explain how the evolving socio-economic and political context of Portugal (which has been influenced by regulatory changes in the EU, and the positioning of social actors) enabled entrepreneurial action by the main actors in the Portuguese accounting field. In respect of Portugal, Guerreiro et al. (2015) identified political opportunity, mobilization of important allies, and accommodation of the interests of major protagonists, in the change process involved in adapting IFRS. Irvine (2008) highlights the usefulness of this institutional change model in understanding how powerful international actors influence nation states, who, in turn, exert pressure at the organizational field level (banks and listed companies), that in turn influence IFRS implementation at the organizational level (individual organizations).

We outline in Table 1 the studies reviewed that applied the IT framework to investigate adoption and implementation of IFRS.

Table 1 – Papers using an IT framework to analyse the adoption and implementation of IFRS

Study	Theoretical IT resource	Change Process	Research Design/ Method
Aburous (2019)	Institutional work	Country-based: Jordan	Empirical/qualitative approach: archival data and interviews
Albu et al. (2011)	Dillard et al.'s (2004) model – Institutional theory and structuration theory	Country-based: Romania	Empirical/qualitative approach: archival data and interviews
Albu et al. (2014)	Institutional pressures and Oliver´s (1991) strategic responses	Country-based: Romania	Empirical/qualitative approach: archival data and interviews
Alon and Dwyer (2014)	Institutional pressures and resource dependence theory	Comparative study: 71 countries	Empirical/quantitative approach: data from World Bank, World Value Survey, Deloitte & Touche, among others
Carneiro et al. (2017)	Institutional logics	Comparative study: 13 countries of the Group of Latin American Accounting Standards	Empirical/qualitative approach: archival data and interviews
Guerreiro et al. (2012a)	Oliver´s (1991) strategic responses and institutional logics	Country-based: Portuguese largest companies	Empirical/quantitative approach: survey
Guerreiro et al. (2012b)	Institutional pressures and institutional logics	Country-based: Portuguese largest companies	Empirical/quantitative approach: survey
Guerreiro et al. (2015)	Dillard et al.'s (2004) model and institutional entrepreneurship	Country-based: Portugal	Empirical/qualitative approach: archival data and interviews
Hassan et al. (2014)	Institutional pressures/Isomorphism	Country-based: Iraq	Theoretical
Irvine (2008)	Institutional pressures/Isomorphism	Country-based: United Arab Emirates	Theoretical

Judge et al. (2010)	Institutional pressures/Isomorphism	Comparative study: 132 developing, transitional and developed countries	Empirical/quantitative approach: data from World Bank
Koning et al. (2018)	Institutionalism diffusion theory	Comparative study: 168 countries between 2002 and 2012	Empirical/quantitative approach: data from World Bank and IMF, Big four's information, research report by Simon Fraser University
Krishman et al. (2018)	Power relations in multiple fields, resource dependency	Country-based: India	Empirical/qualitative approach: archival data and interviews
Lasmin, 2011	Institutional pressures/Isomorphism	Comparative study: 46 developing countries	Empirical/quantitative approach: data from World Bank
Mantzari et al. (2017)	Institutional pressures/Isomorphism	Country-based: Greek companies	Empirical/qualitative and quantitative approaches: interviews and surveys
Maroun and van Zijl (2016)	Institutional pressures and institutional logics	Country-based: South African companies	Empirical/qualitative approach: interviews
Mir and Rahaman (2005)	Institutional pressures/Isomorphism	Country-based: Bangladesh	Empirical/Qualitative approach: archival data and interviews
Nurunnabi (2015)	Institutional pressures/Isomorphism	Country-based: Bangladesh	Empirical/Qualitative approach: archival data and interviews
Pricope (2015)	Institutional pressures/Isomorphism	Comparative study: 45 poor countries for the period of 2008- 2013	Empirical/quantitative approach: data from World Bank and IMF databases, PWC and Deloitte information, research report by Simon Fraser University
Pricope (2016)	Institutional pressures/Isomorphism	Comparative study: 97 developing countries	Empirical/quantitative approach: data from World Bank and IMF databases, PWC and Deloitte information
Tahat, Omran, and AbuGhazaleh (2018)	Institutional pressures/Isomorphism	Country-based: Jordan	Empirical/qualitative and quantitative approaches: interviews and surveys
Touron (2005)	Institutional pressures/Isomorphism	Country-based: French companies	Empirical/qualitative approach: comparative case studies

3. Limitations of existing literature on IFRS adoption and implementation

Studies relying on institutional pressures and the legitimacy framework have two important limitations. First, is the prevalence of legitimacy arguments to explain the decision to adopt IFRS through institutional pressures. These studies over-rely on institutional isomorphism to explain change and conceive the adoption of practices (such as IFRS) to be motivated largely by desire to attain legitimacy. Consequently, they reflect a narrow conceptualization of institutional dynamics — something that is particularly evident in quantitative studies. In qualitative studies, usually the various interested parties in the process of IFRS adoption are identified, but individual and collective agency, and the role of institutional logics, are neglected. Thereby, such neglect ignores the capacity of social expectations to influence the way rules and structures are institutionalized (e.g. Carpenter & Feroz, 2001; Covaleski & Dirsmith, 1988; Powell, 1991; Scott, 1991). The second limitation is that studies focusing on the organizational level do not undertake a holistic approach. They underplay the interrelatedness of structures and practices, which limits their capacity to provide insights into the interrelationship of organizing, organizations and institutions (Meyer & Höllerer, 2014).

Additionally, the studies reviewed do not consider the "equally relevant, but unexpected, outcomes, such as change efforts that result in unexpectedly *unsuccessful* outcomes" (Micelotta et al., 2017:15) in the international accounting harmonization field. Little is known about unsuccessful endeavors of institutional entrepreneurship or institutional work, or about their unintended consequences.

Furthermore, the institutional logics perspective has been under explored in most of the studies reviewed. This is a powerful integrative lens that helps explaining institutional change by recognizing the conflicting and/or synergistic demands of the institutional environment that provide opportunities for change (Micelotta et al., 2017; Raynard, 2016). Accordingly, this theoretical tool should be deployed to help better understand power struggles, power disparities and agency; and to improve explanations of how entrepreneur's agency and institutional work and practices are embedded in social structures and always shaped by available institutional logics (Thornton et al., 2012).

Institutional logics are also helpful in addressing the complex and collective nature of institutional change. The inter-institutional system and nested levels of analysis presented by Friedland and Alford (1991) provide a more accurate picture of change processes. They foster understanding of how different institutional logics, which are societal or field level constructs, result in challenges and/or opportunities to organizations and to the individuals within them (Casanovas & Ventresca, 2019). Accordingly, analysis of institutional dynamics should integrate the institutional logics that provide the frames of reference through which individuals and organizations understand and categorize their activities and infuse them with meaning and value (Thornton et al., 2012). The different institutional orders shape individuals' interpretation of rationality, their preferences, interests, repertoires of actions, and their use of power.

Accordingly, the social structures that enable and constrain human action that are acknowledged by the change model of Dillard et al. (2004) reflect the variety of the institutional orders of society. However, this insight is yet to be explored.

Finally, we need to acknowledge that adoption of IFRS does not necessarily mean full compliance with new accounting standards (Albu et al., 2011; Alon & Dwyer, 2014; Arimany et al., 2018; Irvine, 2008; Judge et al., 2010; Mantzari et al., 2017). As Mir and Rahaman (2005) argue, a highly problematic aspect of the adoption of IFRS centres on the process of implementation. In emerging and developing economies, the educational processes during implementation of IFRS is very significant in embedding new practices because those countries generally have a lower-skilled cohort of accounting professionals (Albu et al., 2013; Albu et al., 2014; Nurunnabi, 2015; Tahat, Omran, & AbuGhazaleh, 2018). Additionally, if undemocratic decision processes exclude interested parties and a coordinated structure is absent (Mir & Rahaman, 2005), this can result in corruption, weak enforcement mechanisms, and low levels of compliance with IFRS (Nurunnabi, 2015). Capital market regulations, economic development policies, and corporate governance rules are some local factors that may impair effective IFRS implementation (Albu et al., 2011).

Context-specific research is needed to understand the social characteristics that influence the relevance of institutional pressures on the operationalization of IFRS by accountants and preparers (Aburous, 2019; Maroun & van Zijl; 2016). The different strategies local actors adopt to achieve legitimacy, and to pursue their interests, encourages adoption of a multifaceted analysis. This will help improve understanding of the complexity of implementing IFRS and actual outcomes (Albu et al., 2014). Research needs to address the nation-state level by analysing regulatory decisions concerning the implementation of infrastructure regarding IFRS. At the organizational field level, there is a need to analyse how the accounting profession or higher education systems can provide proper training and expertise and establish enforcement mechanisms. At the organization level, there is a need to assess how construction of local meaning of IFRS is developed in daily accounting practices.

4. Proposed agenda for future research

In this section, we propose six research questions. Investigation of these research questions is likely to inform understanding of how and why IFRS are adopted and implemented by companies and nation States. The research questions were formulated after considering the deficiencies that need to be addressed on the topic; and the adequacy of recent developments of IT.

4.1 Institutional entrepreneurship in adoption and implementation processes

In terms of international accounting harmonization, adoption of IFRS is often presented as "a powerful legitimizing force" (Irvine, 2008, p.131). Generally, extant studies do not explore the role of institutional entrepreneurship in the decision to adopt IFRS. The institutional entrepreneurship approach encourages consideration of agency, power and interests when analysing institutional change. Institutional entrepreneurs have special characteristics (such as social position) that distinguish them and allow them to envision and promote alternative institutional arrangements (Sánchez-Matamoros, Araújo Pinzón, & Álvarez-Dardet Espejo, 2014; Battilana et al., 2009). Specific field conditions (such as uncertainty, existing tensions and contradictions) provide institutional entrepreneurs with the opportunity to reflect on present institutional arrangements and to promote institutional change to solve problems in their organizational field (Sánchez-Matamoros et al., 2014; Hardy & Maguire, 2008). Institutional entrepreneurs usually bargain and negotiate with other actors in their field due to dependency relationships (Battilana et al., 2009). Nonetheless, the agency of individuals is constrained and enabled by prevailing institutional logics that influence the choice of the problems attended to, the solutions likely to be considered, and how power is enacted (Thornton & Ocasio, 2008).

Institutional entrepreneurs can belong to the political field, to national standard-setters, to professional associations, or to another major group of actors. They are identified by how they use their social and the political skills to mobilize other actors to participate in the change process (Hardy & Maguire, 2008). To overcome the view of "heroic" entrepreneurs, and to capture the process of institutional change more fully, researchers should *privilege process-centric* narratives, instead of *actor-centric* narratives. Consideration of the former provides several research opportunities. These involve analysing the role of opponents and non-cooperating members of the field and their counter-strategies; and exploring resistance to institutional entrepreneurship (Hardy & Maguire, 2008). Because change is described usually as the successful and intended outcome of institutional entrepreneurs' actions, attention is also needed to explore the behaviour of change agents who are unsuccessful in their intended endeavours (Micelotta et al., 2017). Researchers studying the adoption of IFRS should explore conflict, failed cases of institutional entrepreneurship in achieving effective collective action, and unintended consequences of institutional entrepreneurship. Thus, future research could beneficially address the following research question [RQ]:

RQ 1: How does entrepreneurial action and resistance to institutional entrepreneurship affect the adoption of IFRS?

Analysis of this question will help to capture the role of all actors involved in the adoption process, including non-cooperating members of the fields. Results of such analysis can help to improve understanding of the wide range of possible decisions (Camfferman & Zeff, 2018) such as non-adoption, full adoption, or partial adoption of IFRS by countries and organizations.

Establishment of a new regulatory framework involves realigning power relationships that arise from new formal and informal structures and practices. Adopting a new accounting system implicates negotiations among various actors. This need arises due to the authority of specific groups (e.g., professional associations) that confer legitimacy on the new practices. In turn, these negotiations help to establish new power positions and the features of the resulting accounting system (Alon & Dwyer, 2016; Guerreiro et al., 2015; Hyvönen et al., 2009; Krishnan, 2018).

Power disparities among different actors involved in implementing IFRS help to explain why some actors are successful in getting their views translated into action (e.g. corporate lobbyists or professional associations) and others are not (Krishnan, 2018; Guerreiro et al., 2015). This matter has not been investigated extensively. However, we draw attention to the expectation that prevailing institutional logics shape the use of political skills, the leverage of resources, the mobilization of allies, and the enactment of power by actors involved (Thornton et al., 2012). Therefore, there seems good reason for researchers to investigate how institutional logics shape the enactment of power and agency among institutional entrepreneurs; and how contradictory institutional logics help explain resistance and the accommodation of interests that can impair successful implementation of IFRS. Moreover, on the contrary, how complementary logics potentially interact to facilitate a more effective implementation of IFRS.

Thus, it is useful to investigate the following RQ:

RQ 2: How do political skills, leverage of resources, and mobilization of allies and enactment of power by actors involved in the entrepreneurship process shape implementation of IFRS?

Exploration of this question offers fertile grounds for understanding how power relations and the enactment of power differ, across organizations and countries; and how these are shaped and informed by the institutional logics of the social context. Answering this question will help to explain how new relations and practices emerge and evolve after the adoption of

IFRS. These matters can be fundamental in developing enforcement mechanisms, training and expertise for organizational actors, and other structures that ensure compliance with IFRS and minimize decoupling practices.

4.2 Institutional work and the adoption and implementation of IFRS

Lawrence and Suddaby's (2006) concept of institutional work addresses the ongoing production of institutions: that is, the *creation*, *maintenance* and *disruption* of institutions. This theoretical approach shifts the focus from macro dynamics of fields to the lived experience of organizational actors. Because there has been little analysis of what institutional entrepreneurs do precisely, we recommend focus be applied to the experience and motivations of the individuals who consciously and strategically reshape institutions (Lawrence et al., 2011).

Lawrence and Suddaby (2006) identified several types of institutional work that were aimed at *creating* institutions. They also recognized *theorization* as an import activity in creating institutions. In terms of international accounting harmonization, theorization involves presenting IFRS as a solution to failures of national accounting systems. Usually, this argument is made on the grounds of a misalignment with the needs and expectations of international agencies, global companies, and other important economic actors (Guerreiro et al., 2015). However, other forms of institutional work are also likely to be identified when developing and establishing a new set of accounting concepts and practices. *Advocacy*, *defining* and *vesting* work can be relevant in mobilizing political and regulatory support, and in creating new rule systems and rule structures. So too can changes in *normative* systems and the *education* of actors.

Study of institutional work highlights how "individuals change institutions both as parts of, and alongside, social movements" (Lawrence et al., 2011, p. 55). Accordingly, in this stream of IT, agency is a distributed phenomenon, accomplished through combining the efforts and contributions of individual actors. This view envisages an ontological conception of collective agency — contrary to the view of institutional entrepreneurship research that conceives actors as individual change agents (Modell et al., 2017). Thus, adoption of IFRS would be expected to be more likely to occur in countries where multiple actors engage in institutional work and operate consciously and strategically at different levels of society to favour this adoption.

Study of the adoption of IFRS needs to consider how and why actors work to change institutions and how this work is part of a broader change in society. Attention needs to be given to change processes that involve multiple institutional fields (Furnari, 2016) and multiple levels of society. We therefore recommend exploration of RQ3.

RQ 3: How do multiple actors engage in institutional work to challenge existing institutional arrangements and create the conditions to adopt IFRS?

Because accounting systems involve multiple levels of society, and multiple fields and actors, we encourage researchers to consider how different actors respond to each other's efforts, and how the accumulation of those contributions leads to institutional change through a complementary or contradictory institutional work (Lawrence et al., 2011).

Following adoption of IFRS, several forms of institutional work are necessary to maintain a new accounting system. Institutional work addresses how actors are able to *maintain* stability in a context of change: for example, by social mechanisms that ensure compliance through rewards and sanctions (Lawrence & Suddaby, 2006). Developing such mechanisms needs institutional arrangements to mandate new accounting standards (e.g. the imposition of a legal requirement), monitor how they are applied (e.g. enforcement systems), and highlight coercive barriers to institutional change (e.g., professional and legal impediments to use of another accounting system). Additionally, training and education are essential in order to reproduce shared frameworks and normative understandings in day-to-day organizational practices (Guerreiro et al., 2015; Lawrence & Suddaby, 2006).

Accordingly, maintenance of an IFRS (or IFRS-based) accounting system seems more likely to occur when actors enforce compliance with IFRS, when normative belief systems reflect the values of IFRS, and when actors cope with changes in the environment and incorporate them in existing institutional arrangements. These conditions should promote the institutionalization of IFRS and decrease decoupling practices. All of this offers much scope for investigation, given that IFRS have been accepted by most of the world's stock exchanges — and that approximately 125 countries require or permit listed companies to consolidate financial statements in accord with IFRS (IASB, 2017). All institutional arrangements, including accounting systems based on IFRS, privilege some actors who are empowered by existing institutions. Thus, the context of implementation of IFRS provides an ideal setting to investigate RQ 4.

RQ 4: How do the main actors in the accounting field maintain an accounting system based on IFRS in the face of continuous changes to IFRS, other supra-national regulations (e.g. EU regulations), and national conditions (e.g. professional regulation, composition of standard-setters)?

It would be fruitful to explore which actors benefit from existing accounting systems that are based on IFRS, how they work to preserve their power, and what resources they exploit to preclude changes in existing accounting systems. These actors include professional associations, business associations, powerful companies, and particular interest groups that have the skills and the resources to promote maintenance of the existing accounting system. We also urge researchers to explore how field boundaries and the daily practices of companies, auditors, and accountants evolve (Aburous, 2019).

4.3 Institutional dynamics, change processes and embeddedness of IFRS practices

The Dillard et al. (2004) model highlights how multi-level representation of social context allows consideration of a hierarchy of institutional influence and institutional dynamics that shape institutionalization processes. Integration of this model with institutional entrepreneurship and institutional work, under the theoretical frame of institutional logics allows consideration of the structural context in which individuals are embedded, and how this shapes the change process at different levels of society.

The potential contribution of a multi-level social approach is amenable to the study of IFRS implementation processes. This contribution arises through addressing each of the three levels of society (political and economic, organizational field, organization) rather than privileging one level. All three levels are important in understanding the implementation of a new accounting system. The legitimate norms and practices of higher levels of society influence the norms and practices adopted by lower levels. Accounting standards established at the political and economic level need to be translated to organizational field criteria that evaluate legitimate action at this level (e.g., operating practices of accounting and business associations). In turn, legitimate practices at the organizational field need to be translated to the organization level. However, the structuration perspective allows the possibility of bottom levels influencing higher ones (Casanovas & Ventresca, 2019; Dillard et al. 2004). Such influence is also expected to occur in the accounting field.

In the context of accounting standard-setting, accountants and accounting firms are represented at the organizational field level in professional and business associations. Many of these bodies have representatives at the political level (e.g., in standards setting boards). This facilitates the pressures imposed by institutional dynamics to move upwards and downwards in the social system (Guerreiro et al., 2015). However, interests are often not homogeneous among the main actors in the same social level because actors possess different interests and motivations (Albu et al., 2014). Specific field-level logics should shape how different actors translate social, economic and political values into field-specific expectations. Additionally, they should prescribe specific ideological goals and means of action (Thornton & Ocasio,

2008) and influence how agency is enacted. For example, accounting firms are subject to the logic of professional service and to the logic of the market (Greenwood et al., 2011). This is contrary to professional accounting associations who are influenced mainly by professional logic. This difference in motivating logic should result in different repertoires of behaviours and positions to accommodate interests when establishing specific features of new accounting systems. This leads us to RQ 5.

RQ 5: How do institutional logics shape the recursive nature of the change process in a country that is implementing IFRS and explain the success of the implementation process?

By adopting a theoretical framework that articulates institutional dynamics over the three levels of social systems, researchers have the opportunity to investigate the vertical "nesting" of logics, and explore how society-level logics and lower-level logics are articulated (Greenwood et al., 2011; Thornton & Ocasio, 2008). This is particularly important in change processes involving implementation of IFRS. Many actors and organizations are constrained by the logics of professions (Greenwood et al., 2002) and industries (Thornton, 2002; Thornton & Ocasio, 1999). Such constraints, in turn, are influenced by higher institutional orders such as markets, professions and State. Thus, researchers should be encouraged to incorporate the vertical complexity of social systems. They should explore how multiple logics within nested fields provide actors with the resources necessary to engage in institutional work in studies of the implementation of IFRS.

Another benefit of a multilevel approach arises from the way organizational practices spread at the organizational level. Usually diffusion of practices is a two-stage process involving early and late adopters. However, institutionalization is associated more often with changing signification and legitimation structures at the organizational level than it is with merely increasing the number of adopters. Accordingly, Hopper and Major (2007) propose the translation of organizational field practices into working practices; and subsequently, the interpretation, reformulation and enactment of those practices at the intra-organizational level.

In addition to analyzing the diffusion of practices, researchers should investigate how the translation of new accounting practices occurs (Maroun & van Zijl, 2016). Translation involves significant institutional work by organizational actors. They need to convince others of the merits of the new practice, experiment with its applications, adapt practice to gain internal legitimacy, and develop practical connections between organization rules and resources and the new practice (Lawrence & Suddaby, 2006). Institutional logics provide actors with the resources to engage in these activities.

Thus, the way practices are interpreted and reformulated within (and during) the implementation of IFRS should depend on institutional logics that enable or prevent the translation of organizational field practices to organizational practices. Characteristics of organizations (such as position within a field, structure, ownership, governance and identity) make organizations particularly sensitive to some institutional logics and less sensitive to others (Greenwood et al., 2011). Thus, we propose RQ 6.

RQ 6: How do institutional logics influence the way accountants and organizations change their signification and legitimating criteria and translate those criteria into working practices for a new IFRS-based accounting system?

Exploration of RQ 6 promises to provide a fuller understanding of the diversity exhibited by organizations in translating or resisting new accounting rules.

6. Conclusions

An extensive body of literature on IT and IFRS has yielded significant insights into the importance of legitimacy arguments, entrepreneurial processes, strategic responses, and the institutional work and multi-level social complexities associated with the processes involved in the adoption of IFRS. Yet, there remain many new and fruitful research questions to study in the broad context of international accounting harmonization. Because accounting paradigms are social constructions (Rodrigues & Craig, 2007), research needs to delve into the social complexities of the functioning of accounting institutions. Consistent with Micelotta et al. (2017), we argue that the institutional logics perspective provides an overarching theory that is very useful in bringing together diverse streams of research on institutional change. Institutional complexity is helpful in understanding organizational responses to the co-existence of multiple logics, and to how multiple logics are reflected in organizational structures and practices.

Accordingly, using an IT theory-driven institutional view of accounting to investigate adoption and implementation of IFRS by nations and organizations has strong potential. This can enhance understanding of the institutional complexities of change processes involved in IFRS convergence and elicit a clearer understanding of the key factors affecting its success. We have highlighted this potential by presenting six research questions associated with IFRS adoption and implementation. These seek to broaden the agenda of future research by encouraging a more extensive use of the theoretical toolkit of institutional logics to explore institutional entrepreneurship, institutional work, and multi-level analysis of change processes.

The need to investigate political issues (such as positions of national regulators, lobbying issues and the strategies of professional bodies in the context of implementing IFRS) is highlighted too.

The six research questions proposed mostly imply qualitative studies that should yield in-depth understandings. In our view, country-based studies would be ideal to explore the successful and unsuccessful outcomes of institutional entrepreneurship processes, repertoires of institutional work in the adoption and maintenance of new accounting systems, and the flow of institutional dynamics through social systems. Such studies would be particularly viable in investigating implementation of IFRS in non-western contexts, where little is known about “translation and customization” of global (western) standards (Ezzamel & Xiao, 2011). This can be achieved using different types of data: from official documents disclosed by national standard-setters, governments, professional and industry associations, and other significant actors, to field observations and extensive interviews at multiple and complementary organizations (e.g., Guerreiro et al., 2015; Maroun & Zijl, 2016; Mir & Rahaman, 2005). Such research can be combined also with surveys at a population level to enable quantitative analyses to empirically support qualitative-driven conclusions (Lounsbury, 2007).

Future research should pay attention to how contradictory or complementary logics guide the decision-making of actors. To accomplish this, it is important to combine research that explores whether organizations understand how intra-organizational processes connect to the field level (e.g., Hooper & Major, 2007; Hyvönen et al., 2009; Sánchez-Matamoros et al., 2014). However, organizational case studies need to analyse the complexity of organizational process within its social context. Conceiving organizations as institutional actors implies that researchers investigate how their purposive actions are bounded and shaped by broader field-level processes within their social space (Casasnovas & Ventresca, 2019).

Quantitative studies could be beneficially highlight specific characteristics of countries and organizations that are likely to determine which particular logics are more (or less) effective in the process of change to IFRS. Such characteristics can be country-based (e.g., level of development, presence of international agencies such as IMF or World Bank, Continental versus Anglo-Saxon accounting practices, predominance of multinational audit companies) or organization-based (e.g. structure, ownership, governance and identity) (Greenwood et al., 2011).

We do not necessarily advocate isolated study of each of the six research questions above. It is important to bring together different perspectives on IT to capture more fully the complexity of change processes associated with the adoption of IFRS. For example, resistance, power struggles, and mobilization of allies may be exhibited by institutional entrepreneurs when they engage in specific institutional work. Moreover, their actions and agency can be constrained and enabled by prevailing institutional logics that shape how the change process evolves through the various levels of social systems.

The research agenda we outline is proposed mindful of recent criticisms of positivist research for "study[ing] accounting at distance…" with "very limited appreciation of the complexities of practice and its institutional context" (Hopwood, 2009, p. 798); and for failing to help standard setters, such as the IASB, develop better standards (see Gordon & Street, 2013). What we advocate principally is that international accounting research considers the multi-level institutional context associated with the implementation of standards. Such an outlook should be particularly useful in studies that investigate the local institutional context associated with the adoption and implementation of IFRS.

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