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## IFRS and institutional work in the accounting domain

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### ABSTRACT

This study highlights how the implementation of International Financial Reporting Standards, in a context of minimal readiness, induces power imbalance between corporate accounting and audit, and changes acceptable accounting practices, and roles. Using the concept of institutional work, I analyze data from interviews and secondary sources, focusing attention on the practices of issuing financial statements. I find that the technical dependency of corporate accounting on audit blurs the boundaries between the two fields. I argue that this generates conditions for implicit negotiations, in which both groups (corporate accountants and auditors) engage in institutional work. Two subtypes of institutional work are identified as corporate accountants *relinquish* some of their traditionally institutionalized activities to the 'expert' auditors, to maintain field stability, while auditors *encroach* on the corporate accounting field, to remove obstacles during the implementation of IFRS. While there is no shortage of research documenting the economic outcomes of the adoption of IFRS, there is hardly any examination of how this technical disruption, has affected practices and relations within the accounting domain. Incorporating views and actions from the much-ignored corporate accounting field enables a more holistic view of how responses to IFRS are constructed, especially in contexts where IFRS are adopted for legitimacy.

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### 1. Introduction

The interpretive stream of research argues that the adoption of International Financial Reporting Standards (IFRS) across many countries is motivated by seeking the legitimacy from powerful states and transnational organizations, within a context of increased institutional complexity and the interconnectedness of national and global forces (e.g. Arnold, 2005; Chand & White, 2007; Gallhofer, Haslam, & Kamla, 2011; Guerreiro, Rodrigues, & Craig, 2012; Irvine, 2008; Mir & Rahaman, 2005). Prior research explains developing countries' decisions to adopt IFRS with economic dependence, pressures from the World Bank and the International Monetary Fund (IMF), absence of national accounting standards, and a perception of the neutrality of IFRS, (Annisette, 2004; Chua & Taylor, 2008; Judge, Li, & Pinsker, 2010; Mir & Rahaman, 2005). In one example, Al-Akra, Jahangir Ali, & Marashdeh (2009) argue that Jordan's economic and political dependency is critical in explaining the whole-sale adoption of IFRS. Institutional theorists suggest that, in light of legitimacy-seeking acts, we can expect at least loose coupling between the formal processes, and subsequent technical activities (Bromley & Powell, 2012; Meyer & Rowan, 1977).

Abd-El salam and Weetman (2003) point to the lack of familiarity with international accounting standards, and the linguistic challenges involved in producing compliant financial statements, in Egypt. In Australia and the EU, preparers expressed concerns about their lack of preparedness, given the complexity of IFRS, evidenced with the issuance of 29

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new standards and amendments, within a period of 13 months (De George, Li, & Shivakumar, 2015). The ambiguity inherent in principles-based standards requires the development of new knowledge, and stronger business acumen to make the required judgments (Carmona & Trombetta, 2008). The new standards constitute a technical disruption, or following Greenwood, Hinings, & Suddaby (2002), a *jolt* that can be accompanied by shifts in power relations, occupational control, and opportunities. With such a regulatory change, actors' interests can influence the implementation of the standards and result in practice variation (Albu, Albu, & Alexander, 2014; Guerreiro, Rodrigues, & Craig, 2015; Lounsbury, 2007). Despite these acknowledgments, accounting research has not yet examined how IFRS can influence corporate accountants' practices, the preparers of financial reports,<sup>1</sup> who are likely the group most affected by this regulatory change. Research however, has dedicated much attention to the big four audit firms.

Researchers characterize the large audit firms as key actors in accounting harmonization, as they increasingly control the profession, and the production of knowledge (Arnold, 2005; Bakre, 2008; Botzem, 2014; Botzem & Quack, 2009; Gallhofer et al., 2011; Ramanna, 2015). Even with the increased managerial subjectivity, and the increased audit risk under IFRS (De George et al., 2015), mainstream research still argues that large audit firms contribute to improved accounting outcomes (e.g. Francis & Wang, 2008). This research however, has remained at a high level, and has not offered nuanced explanations of how these auditors improve outcomes, despite the financial reporting knowledge shortfall among corporate accountants.

Prior to proceeding, two assumptions on which the paper rests need to be clarified. First, accounting is an institution, a system of prevailing thoughts and organizational routines involving actors and power (Burchell, Clubb, Hopwood, Hughes, & Nahapiet, 1980; Cooper & Robson, 2006). Second, corporate accounting is viewed as an institutional field with its own knowledge system, defined roles, and collective beliefs. This is amplified in the Jordanian context by the geographic proximity of the actors, and a shared threat (Greenwood et al., 2002). In this case the perceived threat stems from the heightened uncertainty brought about by minimal training, and the lack of support during the implementation of IFRS, and the possibilities of outsourcing the bookkeeping functions either to accounting firms, or abroad. Like other professions, the corporate accounting field relies on knowledge for its legitimacy (Abbott, 1988).

The paper draws on the theoretical concept of institutional work (Lawrence and Suddaby, 2006; Suddaby, Saxton, & Gunz, 2015) in analyzing data from interviews with Jordanian corporate accountants and auditors. The aim is to understand the relevance of regulation to the power dynamics between the two fields and their joint practices. According to Currie, Lockett, Finn, Martin, and Waring (2012: p. 939) 'Institutional work focuses on how actors are continually engaged in the partial re-enactment of routines and practices that may ultimately lead to field dynamism, but may also result in strengthening of existing institutional arrangements'. Focusing attention on the practices relating to financial statement preparation, I find that corporate accountants, under pressure of complying with the new standards, and with their claim to knowledge decreasing, *relinquish* some of their traditionally institutionalized activities to auditors. Theory suggests that in times of instability and uncertainty actions are motivated by the protection of legitimacy and enhancement of trustworthiness, and maintaining the flow of resources (Suchman, 1995). Accomplishing stability requires constant negotiation and institutional work (Lounsbury, 2008), regardless of intentionality, as actors' efforts may or may not be coordinated (Empson, Cleaver, & Allen, 2013; Lawrence, Suddaby, & Leca, 2011). I further find that auditors *encroach* on the corporate accounting field and assume financial reporting activities institutionalized within the latter. Auditors engage in additional institutional work by employing rhetoric to mask this controversial behavior. I argue that these practices, while expansionary, reduce obstacles to implementing IFRS and support the institutionalization of the standards. Harmonization has shifted legitimacy in favor of expertise, and a regulatory process in which big accounting firms have influence and interest (Botzem & Quack, 2009; Chiapello & Medjad, 2009; Ramanna, 2015). The current paper adds insights into how this expert role influences daily financial reporting practices as well as field boundaries.

The paper contributes to existing research firstly, by offering new dimensions to how we understand the relationship between regulation, accounting practice, and field institutionalization. Secondly, in a theoretical contribution to institutional work, the case of Jordanian accounting suggests that institutional work can involve *relinquishing* activities, or willingly giving up traditionally institutionalized work activities to those perceived as experts, to maintain stability during uncertainty. It also suggests that actors may resort to *encroaching* on another field, or assuming work activities typically within another domain, to reduce obstacles to the implementation of regulations, in which they have a vested interest.

Thirdly, the paper shows that the dependency of corporate accounting on audit, blurs the boundaries between the two fields and enables practice changes that shrink the corporate accounting field, as the audit field expands. Much of the prior literature building on the influential work of Abbott (1988) argues that professions guard against intruders (e.g. Zietsma & Lawrence, 2010). However, Empson et al. (2013) provide an example of how professional intrusion may be invited. The authors show that as the legal practice transitioned into more corporatization, partners who lacked the new management skills required, introduced external expertise (management professionals) and willingly delegated the work to them. The institutional work identified in the current paper supports the argument that IFRS generate conditions that blur the boundaries between the two close fields, and support auditors' exercise of power over corporate accounting, creating opportunities for economic benefit. One such example is hidden consultancy fees.

Finally, this analysis is conducted in the less-familiar Jordanian context where institutional and economic pressures can explain accounting and economic change (Al-Akra et al., 2009). The Jordanian government mandated both statutory audit

<sup>1</sup> Or accountants in industry.

and compliance with international accounting standards by listed companies in the Company Law of 1997, and later by all limited liability companies in the Company Law Amendment of 2002. Concurrently, several laws were enacted to liberalize trade, privatize government assets, and develop capital markets.<sup>2</sup> Thus, on the spectrum of IFRS adoptions, the case of Jordan represents significant efforts made to integrate with Western international financial markets, although accounting education, and training remained largely unchanged (Al-Akra et al., 2009).

In the next section I review the concept of institutional work then discuss the extension of institutional concepts to the literature by analyzing the consequences of IFRS implementation. Section three offers an overview of the Jordanian economic and political environment surrounding IFRS, while section four describes the research methods. In section five, I report the findings, and finally section six concludes with further discussion, and suggestions for future research.

## 2. Theoretical context

### 2.1. Institutional work

Institutional theory concepts assume that organizations (and fields) are motivated by preserving and maintaining their social structure (Meyer & Rowan, 1977). Institutional research progressed from explaining how institutional pressure acts on organizations, to how organizations respond to such pressure, to actors' roles in manipulating their surroundings under institutional pressure. According to Oliver (1991) organizational action is motivated by uncertainty reduction to preserve or maintain the existing structure, by conflict resolution, and the increased awareness of institutional pressure. Oliver's (1991) framework, which predicts types of responses to institutional pressures, pointed research towards the agency of individuals and small actors, in relation to dominant institutions. Within this dimension, the theoretical concept of 'institutional work' was termed and developed by Lawrence and Suddaby (2006) to explain the institutionalization resulting from daily organizational routines, and to balance the domination of large actors within institutional theory, by directing the analysis to the field level (Bjerregaard, 2011). Emphasizing that institutions are a product of action, the authors define institutional work as 'the purposive action of individuals and organizations aimed at creating, maintaining and disrupting institutions' (Lawrence & Suddaby, 2006: p. 215).

Creating institutions involves reconstructing rules, identities and meanings, while disrupting institutions involves practices of dismantling various mechanisms that support compliance with institutional arrangements (Lawrence & Suddaby, 2006). The focus of the current paper is the third category of maintaining institutions, particularly maintaining the institutionalization of the corporate accounting field on the one hand, and the institutionalization of IFRS on the other. While institutional maintenance may be considered less relevant, as institutions are self-reproducing, actions of ongoing maintenance are nevertheless necessary for stability, given institutions' association with social control (Lawrence & Suddaby, 2006; Suchman, 1995). Institutional work that aims to maintain institutions is typically generated from conditions of instability, like those under IFRS, and efforts of restabilization where actors may resort to 'supporting, repairing or recreating the social mechanisms that ensure compliance' (Lawrence & Suddaby, 2006: p. 230). Types of institutional work may involve promoting or demonizing rhetoric, routinizing activities, creating rules, enforcing them, auditing, monitoring, diverting resources, and establishing barriers. The current case further suggests that institutional work may include *relinquishing* activities, to maintain the institutionalization of a field, and *encroaching* on a field, to reduce obstacles to the implementation of regulations.

Key elements or assumptions underlying institutional work are first, awareness, skill and reflexivity of individuals and collective actors. This indicates that actors are competent and creatively navigate their surroundings, yet, their actions remain within the limits of a field's boundaries and logics. Second, is the central role of the actions of actors in relation to institutions, and third, the focus on mundane actions as practice constitutes institutions (Suddaby et al., 2015). Intentionality, and awareness do not necessarily involve deliberate strategic action. In particular, when actors are attempting to maintain routines and rituals, there is limited intentionality, or 'comprehensibility' and they can be largely unaware of an ultimate outcome of their actions (Lawrence & Suddaby, 2006). In the case of corporate accountants, intentionality can be subtle as accountants are handling the daily work, and it is not easy for them to link their actions to the larger goal of institutional maintenance (Dacin, Munir, & Tracey, 2010). Intentionality is also expected to decrease with organizational level (Ahrens & Chapman, 2007) thus, in the current context, junior accountants, are less likely to make a cognitive link between their daily practices and institutionalization goals, especially as the field is less structured, relative to those organized by professional bodies. Yet, exploring individuals' smaller actions can provide insights into the relationship between the effort being made and the patterns of institutionalization (Lawrence et al., 2011). Examples of actions analyzed include dining rituals (Dacin et al., 2010) using rhetoric (Riaz, Buchanan, & Bapuji, 2011; Suddaby et al., 2015) theorizing and defining roles, policing, and networking techniques (Currie et al., 2012). Such examination may also elaborate how discreet alliances are formed between internal and external actors to maintain formal structure (Meyer & Rowan, 1977).

<sup>2</sup> Trade Secrets and Unfair Competition Law No.15 of 2000; The Privatization Law No. 25 of 2000; Law of Leasing and Selling Immovable Properties to Non-Jordanians and juristic persons No.24 of 2002; Investment law No.68 of 2003; Enterprise Development Law No 71 of 2003; Investment Promotion Law No. 67 of 2003; Competition Law No. 33 for 2004.

As the attention to practice entails addressing activities and motivations of actors within the field, it typically entails power dynamics related to field boundaries (Lawrence & Suddaby, 2006). Field boundaries are a mix of governance mechanisms, a sense of 'being in the same boat', normative rules, and the interdependencies 'borne of technical connections or dependence on similar types of material resources'; as any of these change, we can expect a redefinition of field boundaries (Dacin, Goodstein, & Scott, 2002). Zietsma & Lawrence (2010) highlight the importance of the interdependence between boundaries (distinctions among people and groups) and practices (shared routines) to the stabilization of fields and changes to them. As boundaries define legitimate field practices, practices in turn support (or change) group boundaries. If boundaries restrict intended practices, actors may engage in boundary work by creating conditions where they can influence practice. Applying these concepts to the case on hand suggests that the expansion of big audit firms at the macro, global and regulatory level, generates conditions that enable them to influence micro-level practices as well. Relevant to the corporate accounting case, Zietsma and Lawrence (2010) argue that actors may affect changes to their field by connecting with external actors and developing practices to overcome challenges. Empson et al. (2013) provide an example by highlighting the collaboration and delegation of work that takes place between law managing partners and management professionals, to stabilize the legal field, as it becomes more professionalized requiring different expertise. Technical change also creates opportunities for structural change. For example, Goretzki, Strauss, and Weber (2013) analyze how the introduction of a new ERP system enables an incoming CFO to reconstitute the management accountant role and institutionalize a new 'business-partner' role. More recently Canning and O'Dwyer (2016) argue that institutional work is fluid, and less sequential than suggested by Lawrence and Suddaby (2006), and that types of institutional work can support or enable each other. Institutional work in this paper helps address the micro dynamics around the production of financial statements, and the deliberate, but less intentional behavior of actors, offering insights into transformed practices and field boundaries with the implementation of IFRS.

## 2.2. IFRS institutional perspectives and the accounting domain

Prior research offers many examples of IFRS adoptions by countries seeking to gain access to foreign aid and political power, including Egypt (Kholeif, 2010), Syria (Kamla, 2007; Kamla, Gallhofer, & Haslam, 2012), UAE (Irvine, 2008), Vietnam (Phuong & Richard, 2011), Fiji (Chand & White, 2007), and Jamaica (Bakre, 2008). This research argues that IFRS adoption is a result of coercive pressure exerted by powerful states, and transnational institutions, in the form of recommendations, conditions in agreements, credit ratings, economic dependence, political hegemony; and normative pressures from multinational audit firms (Annisette, 2004; Kamla, 2007; Bakre, 2008; Gallhofer et al., 2011). Mir and Rahaman (2005) show that in Bangladesh, the adoption of IFRS without a supporting structure limits their relevance and favors some actors over others. The adoption also leads to confusion to the extent that some accountants do not even know if the standards are mandatory or voluntary. At the firm level, legitimacy can also be a main factor in IFRS adoption decisions, as firms align their accounting practices with those of their constituents (Guerreiro et al., 2012).

Going from the adoption to the implementation phase of IFRS, research insights into the behaviors of accountants and potential consequences are still limited. Albu et al. (2014) and Guerreiro et al. (2015) contend that the institutionalization of the rules can result in practice variation among organizations within a country, because of actors' perceptions of legitimacy, practical challenges, inability to meet users' needs, and the standards' flexibility. The multilevel analysis of Guerreiro et al. (2015) offers a view of the pressure being exerted from the higher political and economic level all the way to the organizational level. Their analysis shows that resisting actions at the field-level result in changing practices at the macro political level, namely, the adoption of more context-relevant standards for organizations. Some research provides insights into what the lack of IFRS preparedness entails in different contexts, and the distinct roles of actors in the complex harmonization networks. In the Egyptian context, lack of familiarity with the standards and accessibility to them in Arabic hinders accountants' work, and limits disclosure compliance; but not in the presence of the big audit firms (Abd-El Salam & Weetman, 2003). The problem of limited familiarity is also relevant when the standards' approach differs from local tradition, as in Kazakhstan, where accountants, used to government-provided accounting rules, have inhibitions about making judgments needed with IFRS (Tyrrall, Woodward, & Rakhimbekova, 2007). Thus, variation among countries in how the standards are implemented stems from both technical barriers, as well as actors' interests. Albu et al. (2014) examine IFRS in Romania, which like Jordan, is characterized by a State that is gradually receding control over accounting practice yet, remains the main user of financial reports. With the limited role of professional associations, a weak system of standards' enforcement, and an ascending expert and enforcement role of big audit firms, the authors find that the implementation of IFRS is shaped by different actors, leading to varying practices among organizations. The politicization of the standards is also consistent with the case of the EU, which privatized accounting standard-setting largely to facilitate agreement among the constituents, but lost control over the content of the standards, and expertise became the only source of legitimacy (Chiapello & Medjad, 2009). Given their position in the field (Currie et al., 2012; Empson et al., 2013; Lawrence & Suddaby, 2006) big audit firms engage in institutional work by providing large funding, volunteers, and staff to the IASB (Camfferman & Zeff, 2007), which questions their goal of serving the public, and the independence of standard-setting (Chiapello & Medjad, 2009; Ramanna, 2015).

Overall, prior research shows that in different contexts IFRS are associated with power relations, that can be exploited especially in the presence of linguistic barriers, ambiguity in translations, proximity to standard setting, the receding role of governments and professional bodies. Despite these acknowledgements, research remains quiet about any role corporate



accountants may have in this institutional change and does not yet account for how the change can influence their practices, especially as they interface with the more powerful auditors.

### 3. IFRS in Jordan: multi-level institutional aspects

#### 3.1. The political/economic structure and IFRS

The political/economic structure is relevant to understanding the extent of the influence that can be exercised by various institutional actors (Camfferman and Zeff, 2007, 2011; Chiapello & Medjad, 2009). Jordanian accounting rules and the entities responsible for them have historically been controlled by the government. Accounting practices aimed primarily at meeting the requirements of tax rules, and the Ministry of Trade. The late eighties however, presented gradual change as it was a period of high government debt, reaching nearly \$8 billion in 1989, or 174% of GDP (IMF, 2005). During the same year, Jordan entered a 15-year economic and financial program monitored by the IMF. The IMF became a participant in setting economic policy and structural changes affecting privatization, pensions, subsidies on goods, tariffs, banking, financial markets, power sector, taxes and social policies. The IMF is also an advisor to the Paris Club, a group of financiers, to whom Jordan owed \$3.8 billion in 2002. This dependency generates coercive pressure for 'reforms' oriented towards a capitalist agenda (Arnold, 2012). Some examples of privatization of government assets included the sale of 33% of the Jordan Cement Factories to the French company Lafarge in 1998; 26% of the Arab Potash Company to the Canadian Potash Corporation of Saskatchewan Inc. in 2003; and an agreement with the French Lyonnaise Des Eaux Company to manage the water network in 1999. Following the signing of the last agreement Jordan received a \$55-million loan from the World Bank to maintain the water network.<sup>3</sup>

In 2001, Jordan became a member of the World Trade Organization and entered into a Free Trade Agreement with the United States. Several laws were issued aiming at the liberalization of trade (footnote 1 earlier). Typically, with international trade expansion, the role of multinational auditors grows, as does the case for accounting harmonization, conformity, and comparability (Camfferman & Zeff, 2007; Botzem & Quack, 2009). Against this backdrop, Jordan mandated an early compliance with international accounting standards<sup>4</sup>. Companies were also required to present audited financial statements according to internationally recognized accounting and auditing standards. As predicted by economic dependency theoretical concepts, IAS/IFRS were adopted in full, with no exception (Al-Akra et al., 2009).<sup>5</sup>

#### 3.2. Corporate accounting and audit: organizational conditions

With the adoption of IFRS, the Jordanian discourse of accounting gradually became market and investor oriented, even though practically in most medium and small companies it remained tax oriented. This logic change influences behaviors and opens the field to different practices (Guerreiro et al., 2015; Lounsbury, 2007). As no national entity was tasked with providing financial reporting guidance, the responsibility for interpreting, implanting and enforcing the rules was vague (ROSC, 2004). The High Council of Accounting and Auditing (HCAA)<sup>6</sup> became responsible for the determination of standards based on the recommendations of Jordan Association of Certified Public Accountants (JACPA), but not for their dissemination, interpretation, nor enforcement.<sup>7</sup> This presented an opportunity for the 'expert' audit firms who enjoy credibility and resources, to extend their services and become valuable (e.g. Albu et al., 2014; Canning & O'Dwyer, 2016; Christensen, Lee, Walker, & Zeng, 2015; Greenwood & Suddaby, 2006; Suddaby, Cooper, & Greenwood, 2007). Thus, the hiring of big four audit firms by listed companies increased by 66% between 1996 and 2004 (Al-Akra, Eddie, & Ali, 2010).

With regulatory pressure (e.g. IFRS) compliance is the likely outcome, otherwise a field's survival is threatened; yet actors under pressure seek some level of control over the situation, to assert themselves and gain legitimacy (Cooper & Johnston, 2012; Oliver, 1991). For Jordanian corporate accountants, the options are further limited by the fact that their field is not structurally organized. Unlike for example Portuguese 'official accountants'<sup>8</sup> (Guerreiro et al., 2015) Jordan does not have a professional association that provides IFRS training for accountants. To deal with the technical pressure, one of the few options left for Jordanian corporate accountants is a potential alliance with the close audit field.

To understand Jordanian accounting practices in the IFRS era, we need to look to accounting education, which has not kept up with the regulatory changes. According to Al-Akra et al. (2009) there has been no good explanation of how the gap in knowledge is addressed in practice. To clarify, University of Jordan (UJ), the trend-setter among universities, incorpo-

<sup>3</sup> <http://www.aiib.com/uploads/Privatization-Report.Feb05.pdf> and <http://www.ase.com.io/en/privatization-jordan>.

<sup>4</sup> Article 184 of the company law of 1997 for public shareholding companies, and articles 62 and 184/c/2 of the company law amendment of 2002, for all companies except those with capital below 100,000 JD.

<sup>5</sup> Even though the authors add that some IFRS accounting treatments may disagree with Islamic heritage, it is worth noting that Jordan has long abandoned most Islamic commercial rules when it adopted the French code. For example, standard daily practices include interest in borrowing and lending, insurance, and traditional banking transactions while the Islamic commercial concepts of Musharakah, Takaful, or Murabaha, exist only in a small number of Islamic financial organizations.

<sup>6</sup> Established in 2003.

<sup>7</sup> Law 73/2003, Article 5.

<sup>8</sup> Members of the Ordem dos Técnicos Oficiais de Contas (OTOC – Order of Official Accountants) who maintain accounting records and prepare financial statements for clients.

rated IFRS in its mandatory curriculum only in 2011. Prior to that, UJ offered only an elective IFRS course sporadically. One reason maintained by faculty is using American textbooks in curriculums, so incorporating IFRS in teaching, was made subject to American publishing companies. Knowledge remains largely the legitimating foundation of professions, so its lack weakens professional jurisdiction (Abbott, 1988).

As for accessibility to the accounting standards, Arabic translations of IAS and IFRS, were lagging their effective date (Abd-El salam & Weetman, 2003). In any case, translations may easily result in inaccuracies and misunderstandings when introduced in a dissimilar cultural context, because there are no semantic equivalencies among languages (Alp & Ustundag, 2009; Evans, Baskerville, & Nara, 2015).

Jordan has about 700 large and 2200 medium businesses<sup>9</sup>, with 80% located in Amman, providing proximity among business actors. Small companies likely hire independent bookkeepers, or do not perceive a need to keep accounting records, especially proprietorships. Accounting departments in medium and large companies are structured like other countries, with a CFO at the top and a treasurer, financial controller, and possibly an internal auditor reporting to him/her, or to the board of directors. A chief accountant reports to the financial controller and manages several junior accountants. As expected, particularly in public and large multinational companies, some corporate accounting managers have big audit experience, and are typically the ones more familiar with IFRS. Senior and mid-level managers, handling more complex accounting, such as reserves, adjustments, consolidations, currency translation, disclosures, and financing, are the ones expected to face the biggest challenges. Entry level accountants have at least a university degree, with employers giving preference to public over private university graduates, especially UJ.

The Jordanian audit profession is subject to the International Standards on Auditing. Like other countries, big multinational audit firms are favored by transnational institutions, and foreign parent companies. In the same or second tier, are the local Talal Abu-Ghazaleh Organization, and firms representing BDO, and Grant Thornton. While there are about 300 audit firms, with nearly 400 registered auditors, most firms are quite small and provide book keeping or tax services, to small clients, and lack training in the new standards (Kikhia, 2014; ROSC, 2004). Small firms are not in competition with the few large ones, as they are interested in small businesses, while large firms are interested in more lucrative clients (Kikhia, 2014). However, competition among large auditors themselves is high, so pleasing the client and lowballing are not uncommon (e.g. Malsch & Gendron, 2013; Sikka & Willmott, 1995). The ROSC (2004) points to limited audit accountability, and unethical practices, and maintains that audit in Jordan needs attention to quality, procedures, auditor independence, and an effective regulatory framework for compliance with the standards. These conditions can shed light on why some controversial practices (in the analysis) may go by undetected, or unaddressed.

To summarize, the adoption of IFRS in Jordan is driven by economic dependency and legitimacy from powerful actors. Neither the State nor JACPA provided enough training for corporate accountants, proposing challenges to them. As the State's accounting enforcement role subsided, large audit firms became the experts. However, Jordanian audit in general lacks accountability, and big firms are in competition among themselves.

#### 4. Method

I use interpretive analysis to understand how corporate accountants address the IFRS *jolt*, by examining how they describe their activities. Analysis of textual information, like dialogue and interviews, is helpful in unpacking the relationship between actors and their work, to understand social reality (Ahrens & Chapman, 2006; Lawrence & Suddaby, 2006). The analysis aims to identify actors, skills constituting power, incentives, and relations between the different institutional elements, in the construction of a response to IFRS. It relies primarily on semi-structured interviews in person with 22 corporate accountants, and 5 auditors, conducted in 2012 as part of a larger project that aims to understand Jordanian accounting practices, considering globalizing trends. Corporate accounting interviewees work in public and private companies ranging from small to large, and in various industries including pharmaceutical, technology, banking, manufacturing, and media (see Table 1). The audit interviews were conducted with members of multinational firms and two well-known local companies, with one closely connected with a second-tier multinational. Additionally, one interview was conducted with two officials, at the Jordan Securities Commission (JSC), to elicit information on support and enforcement of the standards, and 3 additional interviews were conducted with academics, to understand the level of IFRS training. Most interviewees were contacted initially through the researchers' network, and snowballing. Academics were randomly chosen from universities' websites, and based on availability. Interviews were conducted in interviewees' places of work and their permission to record interviews was obtained. All interviewees were assured anonymity at the beginning of each interview, and pseudonyms are used in the analysis.

The semi-structured format acknowledges that interviews are meaning-making unfolding processes, in which interviewees have a constructive role (Holstein & Gubrium, 1997). Because of the open questions, deeper questions arise based on interviewees' experiences and perceptions. While this active role in directing the interview, reduces bias (Holstein & Gubrium, 1997) the researcher's role in this construction cannot be denied. Thus, care was taken in wording questions to the extent possible.

<sup>9</sup> Data from 2011 census.

**Table 1**  
Interviewees' profile.

Pseudonym	Age	Gender	Position	Industry	Type of entity	Size*
Mohammad	30–35	M	Accountant	Agriculture	Non-profit	Small
Ahmad	30–35	M	Chief Accountant	Web development	Private company	Medium
Ammar	35–40	M	Accountant	Web development	Private company	Medium
Lara	25–30	F	Junior Accountant	Technology	Private company	Large
Ahed	35–40	M	Senior Accountant	Technology	Private company	Large
Ragad	40–45	M	Finance Manager	Engineering	Private company	Medium
Sanad	40–45	M	Financial Controller	Accounting services	Private company	Medium
Maher	45–50	M	CFO	Finance	Private company	Medium
Nayef	35–40	M	Financial Controller	Technology	Private company	Large
Yazan	45–50	M	CFO	Pharmaceutical retail	Private company	Large
Rania	35–40	F	Chief Accountant	Technology	Private company	Large
Haytham	55–60	M	CEO	Accounting services	Private company	Medium
Fahed	50–55	M	Finance Director	Manufacturing	Private company	large
Khaled	50–55	M	CFO	Manufacturing	Private company	large
Faten	30–35	F	Accountant	Pharmaceutical wholesale	Private company	Small
Azza	20–25	F	Accountant	Investment	Private company	Medium
Luma	20–25	F	Accountant	Pharmaceutical retail	Private company	Large
Sana	30–35	F	Finance Manager	Media	Private company	Large
Nasser	50–55	M	Head of Finance	Banking	Listed company	Large
Khaldoun	45–50	M	CFO	Manufacturing	Listed company	Large
Imad	55–60	M	CFO	Banking	Listed company	Large
Samir	50–55	M	CFO	Manufacturing	Listed company	Large
Hisham	45–50	M	Partner	Audit	Audit	Large
Mamdouh	55–60	M	Managing Partner	Audit	Audit	Small
Kasim	35–40	M	Audit Manager	Audit	Audit	Large
Salim	25–30	M	Senior Auditor	Audit	Audit	Large
Walid	45–50	M	Partner	Audit	Audit	Large
Salem & Shahm	40–45	M	N/A	Securities Commission	Government	
Adel	40–45	M	Assistant Professor	Education	Education	
Basim	55–60	M	Associate Professor	Education	Education	
Majed	50–55	M	Professor	Education	Education	

\* Small is <20 employees, and large is >100.

The interviews lasted between 40 and 110 min and were recorded to facilitate the translation from Arabic to English, and transcription. I compared the translated and transcribed interviews to the recording twice, and another researcher subsequently validated the transcriptions. Next, I analyzed the transcripts for commonalities and disagreements, and identified patterns that I grouped into themes, guided by institutional theory (e.g. [Guerreiro et al., 2015](#)).

In addition to interviews, I consulted several laws and regulations to understand the statutory environment<sup>10</sup>, and reviewed annual reports of multiple companies to learn about their practices. I referred to the latest available census for a view of the corporate landscape. For the overall business context, I reviewed The Privatization Program in Jordan Report issued by Arab Jordan Investment Bank in 2005, World Bank Report No. 5811, IMF Country Report No. 12/343, and the [ROSC \(2004\)](#).

## 5. Analysis: IFRS and the accounting domain

### 5.1. IFRS implementation: corporate accounting-audit power imbalance

As mentioned, there is large evidence of limited IFRS knowledge among Jordanian corporate accountants, except where individuals were trained earlier as auditors in the multinational firms. Many corporate accountants expressed either their limited knowledge, and/or lack of interest in the standards, as in the case of this CFO of a medium-size company:

*To be honest, and perhaps this is a fault of mine, I remember that during the final review with auditors I looked at the audit report and asked about the mention of IFRS. I realized that things had changed, and I did not know about it. I feel I am behind in this area (Fahed).*

Some corporate accounting executives with prior experience in large audit firms do not update their financial reporting knowledge, instead they depend on their auditors. Examples include Khaled, CFO of a large private multinational company, and Haytham, who had worked in audit much earlier in his career:

*There is no legal requirement from any regulatory body in Jordan to use IFRS as far as I know. . . Personally I do not stay up-to-date on IFRS (Khaled).*

<sup>10</sup> See footnote 1.

*I realized as I was trying to help one of my accountants who is trying to get his CPA license that some information I was telling him was outdated, however the essence of accounting does not really change much, and it is like religion, the framework is consistent. You must give a correct and fair snapshot of the financial situation that is comparable year-over-year. That's what we follow and at one point if there is an issue with the auditor, or the auditor says the rules have changed we usually follow the auditor's recommendation (Haytham).*

The quotes further show that corporate accountants believe that IFRS are not needed much and that accounting rules do not change significantly. In particular, fair value accounting rules are not considered relevant because they are not acceptable for tax reporting (e.g. [Guerreiro et al., 2015](#); [Ramanna, 2015](#)). This reduces the motivation to learn the new rules, even if an opportunity to learn arises. As they are under pressure to comply with the new regulation, corporate accountants devise practices to adapt. For example, in a privately held company one interviewee mentioned that he presents two sets of financial statements to the owners, one IFRS-compliant set, and another showing results based on prior depreciation rules without impairment. According to the interviewee the owners consider the second set more useful.

The data show that some Jordanian CFOs may not be interested in keeping up with financial reporting changes. This is likely because accounting work, apart from audit in big firms, is not considered prestigious, (e.g. [Aburous, 2016](#); [Carnegie & Napier, 2010](#); [Carrera & Carmona, 2013](#)). Interview themes suggest that CFOs perceive their organizational value is by doing system implementations, internal controls, devising policies and procedures, budgeting, financing, business continuity planning, and (limited) mergers. CFOs described their roles as 'strategic' or 'value-added' and not about 'debits and credits', so most prefer to leave the accounting for others, whether juniors or auditors.

Moving down the corporate ladder, there is more evidence of limited IFRS skills. A veteran chief accountant in a medium-size company was not aware that compliance with IFRS is required by her company, even though the company's annual report states it:

*Maybe we do not use them [IFRS] in this company. . . I only worked in this company (Rania).*

In another example, a junior accountant took a while before she realized what accounting standards are applicable in Jordan, in the context of a discussion about her education. A hiring manager, with prior audit experience lamented that job candidates are not familiar with impairment and other IFRS concepts. Overall, corporate accountants maintained that there is little attention given to IFRS training and enforcement, largely because their field is not organized by a professional body<sup>11</sup>, and because the government is perceived as interested in tax collections only:

*We do not have an Association or a union, there is no attention given to training people in the standards, and there is also no good enforcement of the standards. There is minimal attention to what companies are doing, they are only interested in income and sales tax [reporting] (Faten).*

Auditors agree that corporate accountants were not prepared for IFRS. While their comments may be self-serving, they are used here to confirm corporate accountants' description of their own state of IFRS knowledge. At the same time, auditors' comments reflect their perceptions of themselves as IFRS gatekeepers.

*Accountants in listed companies are more sophisticated and educated, their CFOs have better understanding of IFRS, still it is limited. They believe that the role of IFRS in Jordan is limited due to the size of companies. . . in limited liability companies IFRS knowledge is almost nonexistent, it all falls on the auditor to educate them because they know very little. Sometimes people do not know that IAS and IFRS are the same, they think that they are two different sets of standards (Hisham).*

*About 90% are not aware of any updates, new regulations, drafts. . . sometimes if he does not understand [a proposed audit adjustment] he will not say so and embarrass himself (Salim).*

Given their lack of IFRS knowledge, Jordanian corporate accountants face challenges on daily basis. First, with little exception, most corporate accountants do not find the standards easily accessible, as they are initially in English, and translations were not easily available earlier. Even though in later stages translations were undertaken by the private sector and the International Accounting Standards Board (IASB), some interviewees expressed concern about their accuracy and usefulness (consistent with [Evans et al., 2015](#)).

Second, with regard to applying the standards, corporate accounting interviewees (triangulated with regulations) explained that they have limited support because of the lack of a standards' interpretation body to provide guidance. Some considered implementing deferred tax and asset valuation rules quite challenging. JSC staff confirmed that implementing IFRS 40 resulted in extreme income fluctuations, upon which the JSC prohibited fair value and mandated historic cost. A further point made by the interviewees was the ambiguity surrounding IFRS for SMEs, which they attributed to the lack of a domestic entity to define SMEs, and the involvement of multiple actors.

Third, corporate accountants' financial reporting knowledge is what determines their professional jurisdiction. Jurisdictional boundaries however are fragile, and with the erosion of knowledge they may become unstable and require maintenance ([Abbott, 1988](#)). With auditors becoming the IFRS 'experts' this may suggest a power struggle between the two fields. However, [Ramanna \(2015\)](#) describes big firms as a special interest group that gains expertise through its own activities, thus their knowledge does not exist outside them, which makes it less likely that they encounter resistance. The Jor-

<sup>11</sup> JACPA's membership is limited to auditors.



danian data are consistent with the notion of no-resistance and support the idea of increased corporate accountants' dependency on auditors in implementing IFRS.

As mentioned, auditors, particularly in large audit firms lack no training (Carmona & Trombetta, 2008; Botzem, 2014) and became the main resource for accounting knowledge (Albu et al., 2014; Arnold, 2005; Botzem, 2014) as this ex-auditor's quote shows:

*We had e-learning which was thousands and thousands of courses. You can look up anything from IFRS to economics to management to ethics. . . . Every time there was a standard update we had inhouse training for four or five days (Sana).*

Suddaby et al. (2007) contend that with industry expansion, the ascension of large auditors was enabled by unregulated space accompanied by a neo-liberal political agenda offering opportunities for them, their clients, and transnational trade organizations, to pursue the removal of trade controls, and the reduction of local government involvement. In Jordan, as the government role was shrinking with IFRS, the space was being occupied by the large audit firms via formal representations, random workshops, corporate consultations, and publications. Similar to Syria, these firms became actors in the conduct of government, (Kamla, 2012) and the preferred auditors to secure financial support, especially from USAID<sup>12</sup>, credit outside Jordan, and for foreign subsidiaries.

Even though the responsibility for the enforcement of the standards became unclear, Al-Akra et al. (2010) argue that accounting disclosures in Jordan improved post-IFRS, and attribute this finding to big audit firms, the JSC which regulates listed companies, and the Companies Control Department (CCD) which regulates all companies. However, JSC interviewed staff contended that they do not have the authority to monitor compliance with IFRS (triangulated with Law 76 for 2002). They maintained that they only conduct a partial review of financial statements to ensure investment property was valued at historic, not fair value any more (IAS 40), and to monitor the proper classification of financial instruments (IFRS 9). For other matters, they rely on auditors' reports and the CCD:

*One challenge we face is the gap in regulations which do not clarify who is responsible. We see the CCD as the entity responsible for monitoring compliance with standards, but CCD staff claim it is our responsibility . . . everyone thinks it is not their role (Shahm).*

Almost all interviewees maintained that the CCD monitors compliance with administrative, but not technical regulations. None of the companies in which the interviews were conducted had ever received an IFRS-related comment from the CCD<sup>13</sup>. Generally, IFRS are viewed as belonging to the auditors' domain:

*If there are external auditors then we must follow the international standards, smaller companies that do not have external auditors do not need to use international standards (Ahmad).*

*Who enforces the standards? . . . It is the ones who are reviewing the manager's work, effectively these are the income tax department and auditors. . . . The income tax department is only interested in tax collection and evasion issues, so the auditors are the number one in this (Ragad).*

*Other than the auditors I do not think that there is any entity that enforces IFRS and I do not think it's easy (Majed).*

The only exception to the corporate accounting limited IFRS skills, and dependency on auditors can be found in a limited number of organizations. In three large publicly traded companies, I found that the corporate accounting function is better positioned, as the CFOs were former auditors, and kept their technical skills updated.

## 5.2. Institutional work: relinquishment and encroachment

Dependency on the auditors is not limited to Jordan and can take different forms. In Europe, empirical analysis shows that large audit firms employ model financial statements to influence clients' disclosures (Christensen et al., 2015). What appears interesting about the Jordanian case however, is that the dependency blurs the boundaries between the two close groups and enables implicit agreements in which corporate accountants *relinquish* some of their routine activities to auditors. Multiple Jordanian corporate accountants maintained that they record the basic transactions, then the auditors complete the complex transactions, the production of financial statements, and any disclosures. For example, a mid-level corporate accountant in a medium-size company states:

*The financial statements presented to the government are not issued by us, the auditors issue them using the data from our system. They take our trial balance and generate the financial statements that are then submitted to the ministry (Rania).*

Another senior accountant at a medium size company states:

*I give them everything and they review the accounts one by one. They generate the financial statements and they do the foreign currency translation (Ragad).*

<sup>12</sup> <https://oig.usaid.gov/node/1393>.

<sup>13</sup> I was unable to conduct interviews at CCD to gain more insight into enforcement. I relied on interview data and ROSC (2004).

Even though the production of financial statements is a practice that is highly institutionalized within the corporate accounting field, it appears that IFRS generate conditions for changing that. The decoupling between formal rules and actual work increases the discretion of those doing the work (Oliver, 1991). In such situations, new practices are tried out, and with no or limited contestation, they spread and gradually become established, and eventually institutionalized (Reay, Golden-Biddle, & Germann, 2006). Corporate accountants showed little concern or resistance to these practices, likely because of their embeddedness, that facilitates the redefinition of the practices as acceptable, or because the technical shortfall generates a level of fear that makes it difficult for them to challenge auditors (Cooper & Johnston, 2012). Either way, corporate accountants' *relinquishment* of financial statements' production activities and disclosures is rather unique and can be viewed as another example of institutional work that is directed towards stabilizing their field and preserving their professional structure.

Reflexivity and purposeful action, characteristic of institutional work, aim to find a balance between agency and dominant institutions (Lawrence and Suddaby, 2006). Actors are perceived as competent and skilled in navigating their organizational environment, within the confines of the prevailing social structure. As this reflexivity likely decreases with the decrease in organizational level (Ahrens & Chapman, 2007), it is quite unlikely that CFOs are unaware of the institutional dimensions of their actions. CFOs, especially, appear to be engaging in two types of institutional work simultaneously (Canning & O'Dwyer, 2016; Empson et al., 2013), the first is using rhetoric to enact and institutionalize the CFO role (mentioned earlier), and the second is *relinquishing* complex accounting to the auditors, likely to neutralize the IFRS threat, and maintain the appearance of a compliant corporate accounting function, upon which they preside. CFOs will not likely act in ways that threaten the relationship with auditors, as decoupling is enabled with getting along (Meyer & Rowan, 1977). One corporate accountant, who was formerly an auditor in a large firm and mostly audited large clients, elaborates:

*The smaller the company the more we were involved in helping them compile the financial statements and with disclosures. . . we had templates to help clients. . . As per audit standards it is the company's responsibility to provide us with financial statements and we are supposed to issue the opinion. But in some companies, that did not know what to do they kept asking us questions, so we ended up doing the financial statements ourselves. We would get the trial balance, ask them some questions and then compile the financial statements and give the opinion. . . but banks and insurance companies knew what to do. . . because I worked on financial institutions and banks . . . if I worked on 10 clients we would do that for 2 (Sana).*

The 'templates' here are a reminder of the 'model financial statements' mentioned by Christensen et al. (2015). But, the quote shows that the Jordanian auditors' role goes beyond just guidance (Albu et al., 2014), to assuming routines typically institutionalized within the corporate accounting field. At the same time, the quote suggests that auditors, at least superficially, continue to value their claim to independence, as in 'it is the company's responsibility to provide us with financial statements' even when the company provides them with the trial balance, not the financial statements.

Auditors appear unwilling to spend time educating corporate accountants, rather they view the corporate accounting knowledge shortfall as an opportunity to take over the work, with little exception. The quote clarifies the knowledge/field boundary dynamic; the *encroachment* is made possible only when dependency is generated. In this case the former auditor's clients were typically public financial institutions, yet even among those, nearly 20% of corporate accountants are still not skilled enough to do the work, despite regulatory enforcement being more stringent in the financial industry than in other industries. The Central Bank of Jordan (CBJ) and the Insurance Commission (IC) work with large auditors, to develop and send annual reporting guidelines to banks and insurance companies on financial presentation, measurement, and disclosure, and closely monitor their compliance. According to Arnold (2012) this increased attention to financial institutions is not unusual given the importance of this sector to the globalizing capitalist agenda. The same interviewee explained her prior experience with new clients:

*I would be surprised at how some clients did not even ask [prior auditors] for a breakdown of the numbers that showed up in their financial statements. They did not even know the makeup of their own numbers (Sana).*

It appears that corporate accountants are at times sidelined by auditors even when the work is central to their field. An audit partner in a big audit firm was asked about his views on these practices:

*We are helping them, we are not doing it on their behalf, otherwise sometimes we may never finish the work, so it's easier to do it this way. However, the accounting policies are the client's. If for example we have a client such as a bank that is required to disclose a loan we may review the contract and use the relevant line and disclose what needs to be disclosed, but this is done for the less sophisticated clients . . . In big organizations you do not find this process, just in smaller ones (Walid).*

The same audit partner responded with a 'yes' when asked if auditors prepare the financial statements' footnotes. I found that auditors are involved directly in determining complex journal entries, the production of financial statements, and the preparation of most footnotes and other disclosures using information from the client. In two other large audit firms the same practice prevails:

*The auditor gives an opinion on the financial statements, that's what the standards require, but in almost 90% of the cases the auditor prepares the financial statements using the company's trial balance. In other countries, the auditor takes the financial statements as they are, the company prepares the statements and all disclosures. But the professionals in Jordan are not many,*

even though you might find many accountants. Many times, I wonder how a chief accountant or financial manager has made it to that level (Kasim).

Since the auditor is auditing the financials he should not be preparing them, we do not. We consult with the customer let's say or client if it's okay with him if we can do the compiling of the numbers of the trial balance, or if he prefers to do it. We just make sure that it is in accordance with international financial standards (Salim).

In the last quote it becomes clear how the auditor starts with the proclaimed audit independence rhetoric, then gradually describes the preparation of financial statements (compilation) as a negotiation to ensure that IFRS do not propose an obstacle. However, the same interviewee's following narrative suggests a struggle between the formal audit rhetoric on the one hand, and actual practice on the other:

*Most of the time we prepare the financial statements, even though it is not our responsibility, this is because if the client does it he might be lost in the standards and not fairly represent, or might not disclose enough information. You must go through it again and ask where did you get this number or that number from? How did you arrive at this total? So, it saves time to prepare them ourselves (Salim).*

The last few quotes offer a few insights. First, large audit firms employ institutional work to make IFRS operable and remove obstacles through micro-level routines, not just through broad political and promotional activities. Second, with the institutional change intensifying issues of organizational integrity (Dacin et al., 2002), auditors use rhetoric such as 'compilation' uttered in English to distinguish it from financial statement preparation and insist that they are 'helping' corporate accountants. These 'vocabularies of structure' (Meyer & Rowan, 1977) are interpreted as framing the controversial practices morally, and generating a compelling story that normalizes these practices and reduces resistance to them. Rhetoric is also employed to blur the distinction between practice (producing financial statements) and boundary work (generating dependency and encroachment). Third, auditors are willing to risk their independence, a core institutional professional rule (Sikka & Willmott, 1995) in favor of expanding their field, their privilege, and business opportunities (Malsch & Gendron, 2013). Their expert position enables large audit firms to employ institutional work, and gain more influence and control over corporate accounting, in the presence of limited accountability and scrutiny (ROSC, 2004). But, the 'help' auditors offer, is not free, as an audit partner in a small local audit firm, affiliated with a second-tier multinational, states:

*As you know auditors are not supposed to advertise so they gather all financial managers in a hotel for a reception and at the same time offer a free workshop. We also send newsletters by email. When needed by the client, for example in cases where the client was just starting to apply a specific standard, then we give advice and send the client a separate bill. This became a source of income (Mamdouh).*

This auditor's comments are quite candid as this discussion was in the context of ethics within the audit profession, which he considers are low due to competition. In Jordan, professional independence rules follow the global ones preventing the combination of audit and consulting, however these rules are not always observed (ROSC, 2004). While he is describing his firm's actions, (in unquoted data) the interviewee attributed this behavior to the mode of operation set by the larger multinational audit firms. In a more rationalized statement and using 'vocabularies of structure', a former auditor unintentionally highlights the commercial logic of large audit firms:

*Our work was not just auditing and giving an audit opinion, we also tried to improve the client's system. We had standard management letters that we would modify based on the client and we used those to help clients do things better like cash controls for example. . . We made recommendations and suggested ways for improving the accounting and internal controls (Yazan).*

The above quotes show that large audit firms engage in multiple types of institutional work at the field and organizational level, and in no particular order like advocacy, constructing normative networks, and educating (Canning & O'Dwyer, 2016; Lawrence & Suddaby, 2006). The global shift to a market logic results in close audit/client relations, and 'client capture' behavior which can eventually impair auditor's judgment (Suddaby et al., 2007). Thus, auditors are willing to jeopardize their claimed independence by acting on the client's behalf, and by reducing fees considerably in one type of service to gain a more lucrative one (Zeff, 2003). In this case IFRS are a tool that facilitates the generation of hidden fees from consulting for audit clients. Unethical behavior further extends to situations where some audit firms provided both external and internal audit services to the same client (ROSC, 2004). In the case of one firm this was achieved by registering two firms with different names, but with the same staff. This also helped the firm superficially comply with the requirement for auditor rotation. A former auditor in that firm states:

*You cannot provide internal and external services to the same clients . . . the trick at [X] was that they had two firms, one operating as [X, the multinational firm name] and the other as [Z, a local firm name] so they would rotate from one firm to the other. . . same partners but two names (Sana).*

## 6. Additional discussion and conclusion

This paper examined social dimensions of implementing IFRS in a developing country, by employing institutional work, to shed light on power dynamics and practices within the accounting domain. The analysis contributes to research by extend-

ing the institutional work concept to accounting research, to highlight the roles and actions of two groups in changing accounting practices to protect their interests, in the IFRS era. By doing that, the paper emphasizes the need for more research within the social dimension of IFRS implementation. The analysis shows that the limited IFRS training is relevant to understanding how, and why, corporate accountants engage in institutional work, as it increases their dependency on auditors, and shifts power in favor of the latter. Prior to IFRS, we can think of Jordanian corporate accounting as a service field with practices largely built around governmental accounting regulations. However, as the rules change, and related knowledge is no longer easily accessible, corporate accountants face daily challenges, with limited options. Their field is threatened with delegitimation if it becomes apparent to owners and managers that corporate accountants no longer have the taken-for-granted knowledge that differentiates them. At the same time, the paper contends that large audit firms' expertise enables them to engage in institutional work at the micro level, to remove obstacles and make the standards operable.

As conformity with the new rules is a legal requirement for the corporate accounting field, it becomes a survival priority, and action is required to reduce the uncertainty (Oliver, 1991). Actions might involve gaining the required knowledge via training courses, yet many corporate accountants referred to the language barrier, as most IFRS classes were offered in English in Jordan and the region, and translations were lagging. Another action suggested by researchers following the work of Daske, Hail, Leuz, and Verdi (2013)<sup>14</sup> is a 'label' adoption to ensure compliance, or the use of the flexibility and accounting choices within the principles-based standards to retain prior practices, as opposed to a 'serious' adoption, or changing the financial reporting practices in ways that comply with the IFRS framework (Carmona & Trombetta, 2008; Guerreiro et al., 2015). However, even a 'label' adoption requires familiarity with the principles-based standards to determine the accounting treatment, which most corporate accountants do not have. In Jordan (as the data show) only few large companies, especially those seeking foreign investments, are more inclined towards a serious adoption, and hire individuals with relevant skills. Furthermore, Jordan does not have 'official accountants' who can provide more sophisticated accounting services (e.g. Guerreiro et al., 2015). Institutional theory suggests that responses to such pressure is not always strategic and calculative, and may be subtle, or an acceptance without denying some control over the environment to achieve stability (Lawrence & Suddaby, 2006; Oliver, 1991). Corporate accountants may attempt to learn from auditors, yet the data show that the auditors are reluctant to assume an educating role. Instead, the possibility supported by the data, is for corporate accountants to complete the work they know, and then *relinquish* the more challenging tasks to the knowledgeable auditors, who take advantage of this opportunity. *Relinquishing* the work helps achieve compliance with the standards. These financial reporting practices become means to support the corporate accounting institution and patch its otherwise disrupted continuity (Lawrence & Suddaby, 2006).

Overall, there has been limited research attention to how corporate accountants, the preparers, are addressing the IFRS implementation. The current analysis highlights the importance of understanding corporate accountants' motives and practices, and not just those of audit firms. Through this contextualized account of the practices of those required to comply with the standards on daily basis, the paper provides a more holistic view of the implementation of IFRS (Potter, 2005).

The paper also argues that auditors in large firms are key actors in the institutionalization of IFRS during the implementation stage via micro discreet actions, not just via their regulatory and enforcement role suggested by prior research (e.g. Arnold, 2012; Botzem & Quack, 2009; Chiapello & Medjad, 2009; Ramanna, 2015). Auditors, in this paper, employ institutional work by assuming corporate accounting daily tasks, such as accounting for foreign currency translation, determining reserves, preparing financial statements, and preparing disclosures. I suggest that this *encroachment*, aims to make IFRS operable, and remove obstacles to their implementation. The changed financial statement practices, led by the trusted 'experts', gradually become the acceptable way of operating. This extends prior arguments of the influential and politically motivated role of big audit firms from standard setting to IFRS implementation. Explaining how and why auditors assume corporate accounting responsibilities, can further provide insights into why accounting outcomes may improve in the presence of big audit firms (e.g. Al-Akra et al., 2010).

The data show that Jordanian auditors employ another kind of institutional work, namely, using rhetoric (such as '*compiling*' and '*helping*') to rationalize their behavior and enable the changed practices, while forgoing their claimed independence. The lack of a professional ethical code of conduct, and the limited monitoring of auditors' actions locally (ROSC, 2004) and by their own leadership globally (Camfferman & Zeff, 2007) may provide explanations for such behaviors.

The paper contributes specifically to the institutional work research by identifying *relinquishing* and *encroachment* as types of institutional work. Researchers have called for identifying more concrete practices and subcategories of institutional work employed by actors in relation to maintaining institutions and fields, as their reproduction cannot be taken for granted with changes in technologies (Lawrence, Suddaby, & Leca, 2009; Riaz et al., 2011). The authors also call for additional explanations of the involvement of actors in this maintenance work, especially those with resources and power. While the current paper provides insights into the engagement of powerful auditors in the institutional work during the implementation of IFRS, it also draws attention to the importance of examining the role of the less powerful corporate accountants, as their subtle actions may also bring about institutional change.

<sup>14</sup> The authors argue that 'serious' IFRS adopters exhibit better economic results such as capital market liquidity and cost of capital, relative to 'label' adopters, indicating that serious adopters increase their commitment to transparency.



The current paper further contributes to accounting research by showing that the technical dependency under IFRS, generates conditions for implicit negotiations of boundaries demarcating the corporate accounting and audit fields. The paper argues that the change in financial statements practices constitutes change to field boundaries, as corporate accounting is shrinking, and audit is expanding. Unlike most prior research that builds on the influential work of [Abbott \(1988\)](#) and argues that professions guard against intruders because boundaries indicate prestige and access to resources (e.g. [Zietsma and Lawrence, 2010](#)) the argument made in this paper is that the *encroachment* of audit is uncontested, and even welcome by corporate accounting. The shift in boundaries appears to be serving the needs of the two close groups, at least temporarily, however, it may also be signaling the beginning of more field transformations.

While understanding current practices and the interdependencies between corporate accounting and audit is relevant for academics, practitioners, and regulators, the period of analysis may propose a limitation. As professions are in constant flux ([Malsch & Gendron, 2013](#)) actions interpreted today as maintaining the institutionalization of the corporate accounting field, may otherwise be considered deinstitutionalization of the field, with the unfolding of time, especially if no action is taken to reclaim the technical expertise. At the right cost, what prevents management and business owners from outsourcing the corporate accounting function, if their accounting departments cannot maintain the knowledge that is core to their professional field? This opens new lines of investigation into corporate accounting practices, especially in developing countries, at the intersection of knowledge and profession ([Hopper & Bui, 2016](#)).

Finally, conducting the research in Jordan provides insights into how small politically and economically dependent countries may implement IFRS, in the context of increased open markets, and the influence of transnational institutions and powerful donors. The analysis responds to calls for more research in poor countries, particularly, given the flow of policies and systems from richer Western countries, to avoid a reduction of issues of power relating to knowledge ([Hopper & Bui, 2016](#)). The data show that with the lack of IFRS preparedness the two close groups engage discreetly in changing accounting practices to meet regulatory requirements. The new practices are not opposed, especially that many view IFRS as not relevant. Even in the more financially-developed US, SME's have argued that their needs are different from those of large publicly listed companies, given the increased attention to fair value, which eventually led to the establishment of a new rule-maker for them ([Ramanna, 2015](#)). Jordanian corporate accountants are not advocating for new regulations or a new rule-maker, however, they are devising and institutionalizing new practices to adapt in the IFRS era, especially when they perceive the rules as irrelevant to their organizations.

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