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## Insights into neo-institutional theory in accounting and auditing regulation research

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# Insights into neo-institutional theory in accounting and auditing regulation research

## Abstract

**Purpose:** Neo-institutional theory (NIT) has strengthened its position as one of the theories and frameworks used to investigate accounting as organizational, legislative, social, and policymaking phenomena. This study aims to review how aspects of NIT are used and understood by accounting researchers. As a growing body of accounting and auditing articles in recent years has used NIT as a theoretical framework, this paper reviews and analyzes articles utilizing NIT to date.

**Design/methodology/approach:** This study develops a comprehensive synthesis of current academic knowledge about NIT in accounting and auditing regulation literature. Further, it reveals areas requiring further examination.

**Findings:** The findings of this study indicate that prior studies have found evidence that accounting and auditing regulation is associated with all forms of isomorphism (coercive, mimetic, and normative). For instance, institutional pressures influence the accounting and auditing standards adoption in different environments. Therefore, the synthesis of the literature suggests that coercive, mimetic, and normative pressures have played a significant role in the harmonization of accounting and auditing practices worldwide. Furthermore, the findings indicate that NIT is used to describe, understand and interpret the activities, processes and dynamics of the recent accounting and auditing regulation practices. To conclude, NIT has become one of the relevant alternative approaches used to explore accounting and auditing regulation as a complex phenomenon.

**Research implications:** Accounting has often been referred to as a “narrow” and “technical” topic. In a way, NIT broadens the research field by extending, for instance, the approach of which external and internal pressures are associated with accounting standards adoption and why different accounting practices are adopted.

### **Originality/value:**

This study informs accounting scholars as to how NIT has been applied, and can be applied, in the accounting and auditing regulation literature. This benefits accounting researchers if they are considering whether to utilize NIT in their research. This study evaluates the contribution of NIT within this research field. It can be suggested that accounting researchers need to become more aware of the debates within the NIT literature, particularly as the theory is seen as conceptually ambiguous. To conclude, the synthesis highlights that NIT has offered a range of important contributions and has drawn attention to the link between accounting and auditing regulation research and the institutional environment.

**Keywords:** neo-institutional theory; harmonization; isomorphism

## 1. Introduction

Carruthers (1995) argued that the neo-institutional theory (NIT) is a useful concept in organization theory with great relevance to accounting research. Carpenter and Feroz (2001) examined institutional theory and accounting rule choice and they argued that institutional theory is complementary to economic theory. Furthermore, they stated that NIT is complementary to the resource dependency theory in particular. Hence, the institutional theory allows the investigation of economic resource dependency incentives for accounting rule choice through another lens (Carpenter and Feroz, 2001). Therefore, NIT has strengthened its position as one of the theories used to understand influences on global and organizational structures, such as accounting harmonization (Hassan *et al.*, 2014). For instance, Osinubi (2020) suggested that a combination of pressure to follow societal norms, pressure to follow acknowledged professional practices, and pressure to benchmark against others affects the accounting harmonization.

Prior literature suggests that different aspects of the NIT have provided a theoretical framework for research in the accounting field, including articles which focus on the accounting profession (Carpenter and Dirsmith, 1993; Dirsmith *et al.*, 1997; Suddaby *et al.*, 2007), accounting standards adoption (e.g., Boolaky *et al.*, 2020; Osinubi, 2020; Hassan *et al.*, 2014; Alon and Dwyer, 2014; Judge *et al.*, 2010; Hassan, 2008; Albu *et al.* 2011), and auditing (Baker *et al.*, 2014; Boolaky and Soobaroyen, 2017). Furthermore, prior literature has discussed management accounting and the use of neo-institutional theory critically (e.g., Parker, 2012; Damayanthi and Gooneratne, 2017). Moreover, Alvesson and Spicer (2019) examined the development of neo-institutional theory in the *Organization Studies* journal from a marginal topic to the dominant theory. However, previous studies have been silent about how aspects of NIT have been used and understood by accounting and auditing regulation researchers over the years. Moreover, prior

studies have not evaluated how NIT has been applied, and can be applied, in the accounting and auditing regulation literature. Therefore, this study is filling this gap in the literature. In addition, this study examines how researchers justify the use of NIT.

By evaluating accounting and auditing studies using NIT, this study contributes to the existing literature in the following ways. Firstly, this study follows calls to build bridges between NIT and international accounting research (Carruthers, 1995; Judge *et al.*, 2010). This synthesis recognizes the substantive contributions emerging from this body of research. For instance, Judge *et al.* (2010) encouraged accounting scholars to consider NIT for future IFRS adoption studies, as well as for other international accounting research. Therefore, it is important to raise awareness of the applicability of NIT in accounting and auditing regulation research. Secondly, accounting has often been referred to as a “narrow” and “technical” topic. In a way, NIT broadens the research field by extending, for instance, the analysis of which external and internal pressures are associated with accounting standards adoption and why different accounting practices are adopted. Thirdly, NIT suggests that much organizational behavior occurs in response to social pressures arising from the symbolic environment created by other organizations (Suddaby *et al.*, 2013). Hence, it is indicated that NIT gained popularity because of its ability to explain organizational behaviors that defy rational economic explanations (Suddaby *et al.*, 2013). Concerning this, NIT embraces the importance of isomorphism, particularly for how the social world is constituted and formed by social actors. Moreover, NIT highlights how much organizational structure is shaped by the social environment (e.g., Carruthers, 1995). For instance, Osinubi (2020) emphasized that social institutions influence organizational characteristics within and between countries. Relatedly, Chua and Taylor (2008) critically discussed the increasing pressures on the global harmonization of accounting standards and particularly the inexorable rise of IFRS. Hence, they argued that “the

development and diffusion of IFRS are more about political and social dimensions of globalization than it is about the alleged economic benefits of convergence in international accounting standards” (Chua and Taylor 2008, p.463). To be precise, they discussed in detail the alternative explanations for the origin and diffusion of IFRS that incorporate social and political factors. Their paper was not an empirical explanation, but rather a discussion about the factors aside from economic affecting IFRS adoption. They suggested examining the role of NIT in IFRS adoption. Therefore, this article provides an examination of this role and furthermore, it evaluates the contribution of NIT to accounting and auditing regulation research in a wider context. To conclude, it can be suggested that the contribution that NIT has made to accounting and auditing regulation research continues to increase over time, which is why applications of neo-institutional theory to international accounting research deserve a closer investigation. Moreover, it can be suggested that accounting and auditing researchers need to become more aware of the debates within the NIT literature, particularly as the theory is seen as conceptually ambiguous.

To summarize, prior studies in recent years have used NIT as a theoretical framework (see for instance, Osinubi, 2020; Boolaky *et al.*, 2020; Boolaky *et al.*, 2019; Carneiro *et al.*, 2017; Mantzari *et al.*, 2017; Baker *et al.*, 2014). This paper critically (but sympathetically) reviews this literature and provides fruitful suggestions for the future. There has seemingly so far been no review of studies examining NIT and accounting and auditing regulation. Therefore, the academic community would benefit greatly from a framework that categorizes the related research streams. In addition, this paper especially benefits accounting researchers who are considering the use of NIT in their research, because it synthesizes the applicability of NIT in the accounting and auditing regulation literature. This study provides a comprehensive analysis revealing, for example, that isomorphic pressures are associated with the accounting and auditing standards adoption process

on the international and national level. It is important to evaluate how the isomorphic pressures are affecting accounting and auditing standards adoption because, for instance, Kenny and Larson (2018) concluded that the development and adoption of IFRS is one of the most significant accounting developments in recent history. Relatedly, Haapamäki and Sihvonen (2019) emphasized that the globalization of auditing standards is one of the most significant regulatory changes in auditing. Therefore, the examination of NIT in the context of accounting and auditing regulation is essential.

Furthermore, this paper conducts citation analysis, which is vital for analyzing the most-cited articles in a specific research field. Citation analysis is important because it allows influential authors to be identified, which, in turn, provides researchers with a solid basis for positioning current contributions. Hence, citations are increasingly used to assess the impact and quality of articles, journals, researchers, and research institutions (Meyer *et al.*, 2018).

However, this study acknowledges that NIT has also been criticized in prior studies. For instance, Ezzamel *et al.* (2012) stated that NIT and the problem of institutional change have formed a complex relationship. Furthermore, Dacin *et al.* (2002, p.45) argued that “institutional theory has often been criticized as being largely used to explain both the persistence of and the homogeneity of phenomena.” Relatedly, Alvesson and Spicer (2019) argued that NIT has become increasingly vague with unclear boundaries. They claimed that this might be due to the fact that NIT confuses researchers because it has been challenged as to whether it is a lens or a particular phenomenon—or a whole range of very different phenomena. Alvesson and Spicer (2019) clarified that the main problem related to the use of NIT is that it is riddled with tautologies and too overly simplistic to be used for an in-depth critical analysis. The current study aims to take these concerns into account. For instance, this study partly supports the view that NIT can be utilized controversially. For

example, according to NIT, isomorphism is a concept that was created to explain behavior, and usually studies that utilize NIT are not searching for a quantification but rather an explanation, so it might be controversial to talk about isomorphism as a variable that can be quantified. However, the results of this review reveal that empirical accounting and auditing studies using NIT have done so. For instance, a few studies examining different factors affecting the adoption or implementation of global accounting and auditing standards have formed different variables to measure isomorphism.

To conclude, the results of the synthesis suggest that NIT has become one of the relevant alternative approaches used to explore accounting and auditing regulation as a complex phenomenon. Furthermore, the findings suggest that accounting and auditing researchers conceptualize NIT with common procedures. Hence, the synthesis highlights that NIT has offered a range of important contributions and has drawn attention to the link between accounting and auditing regulation research and the institutional environment. NIT suggests that all three isomorphic pressures explain unique variance in adopting institutional norms, this synthesis focuses on the institutional precursors of common worldwide reporting standards. To conclude, NIT suggests that organizations operate not only in economic environments but also in institutional environments. In institutional environments, organizations compete also for social fitness.

The remainder of the study is organized as follows. The next section introduces a summary of the core concepts and fundamental arguments of NIT. Next, Section 3 describes how the articles were collected and analyzed, followed by an articulation of the findings organized around the themes identified. Thus, the findings are discussed in Section 4. This study also conducts the citation examination, which is discussed in Section 5. In the concluding section, the findings are summarized and suggestions for future research are presented.

## 2. Neo-institutional theory: an overview

Meyer and Rowan (1977) and DiMaggio and Powell (1983) are the two key works of neo-institutional theory. It must be emphasized that NIT was initially developed within the field of sociology (Baker *et al.*, 2014). However, NIT was introduced into the accounting and auditing literature some 25 years ago and it has evolved into a starting point for many studies in the field (e.g., Boolaky *et al.*, 2020; Boolaky *et al.*, 2019; Dedoulis, 2016; Baker *et al.*, 2014; Guerreiro *et al.*, 2012). Below, this paper sketches out the fundamentals of NIT.

### 2.1 Core concepts and assumptions

Within the general framework of NIT, institutional isomorphism is presented as a process by which organizations tend to adopt the same policies and structures (DiMaggio and Powell, 1983). Further, the adoption of the same practices is a response to common institutional pressures, which may occur at the individual and organizational field level (Carpenter and Feroz, 2001). Therefore, the NIT is based on the assumption that organizations respond to pressures from their institutional environments and adopt practices that are socially accepted as being the appropriate organizational choice (e.g., Carpenter and Feroz, 2001; Boolaky and Soobaroyen, 2017). Kim (2016) argued that under pressure from various institutional forces, organizations' practices tend to become homogenous. Relatedly, Boolaky *et al.* (2020, p.9) contended that "a key assumption underlying the neo-institutional perspective is that participants seek legitimacy from the prevailing institutional environment by conforming to particular standards of behavior that are themselves seen to be appropriate and socially acceptable." Furthermore, it should be clarified that in many studies organizations are interpreted as countries or economies when utilizing NIT. For instance, Boolaky *et al.* (2020) suggested that according to the NIT nation-states are conceptualized as social



actors and they are subject to transnational, international, and national pressures. These pressures are suggested to shift the nations toward the adoption of similar practices (Nurunnabi, 2015; Osinubi, 2020). When examining NIT in detail, DiMaggio and Powell (1983) identified three types of isomorphism.

### *2.1.1 Coercive isomorphism*

The first type of isomorphism that they identified was “coercive” isomorphism, which results from resource dependence and legitimacy concerns (Judge *et al.*, 2010). For instance, Boolaky *et al.* (2020, p.10) stated that “coercive isomorphism is premised on a financial and technical dependency that makes organizations subject to the demands of resource suppliers.” Therefore, higher institutions can exert pressure on lower institutions due to the latter’s dependence on higher institutions’ support. Mantzari *et al.* (2017, p.187) defined coercive pressures as occurring “when external powerful parties, such as the state and other constituents upon which an organization is dependent, force the adoption of an organizational practice or element, usually by using sanctions.” Furthermore, Kholeif (2010, pp.33-34) stated that “coercive isomorphism is primarily related to the political influence exerted by institutions on which organizations depend for critical resources and long-term survival, such as the State laws and regulations.” Nurunnabi (2015, p.139) suggested that coercive isomorphism arises from asymmetric power relationships and therefore, change is imposed by external bodies. Relatedly, Boolaky *et al.* (2020) stated that coercive pressure emanates from financial dependency and other relations associated with donor nations or international financial institutions. In addition, Dedoulis (2016, p.31) stated that “coercive isomorphism captures broader organizational pressures on the focal organization to behave and structure itself in a certain way.” On the other hand, Reichborn-Kjennerud *et al.* (2019) defined coercive pressure as the social pressure to follow existing norms in society. They highlighted that

norms may be formal or informal. Formal coercive norms are based on laws and regulations while informal coercive pressure includes expectations from the media and the public (Reichborn-Kjennerud *et al.*, 2019).

### 2.1.2 *Mimetic isomorphism*

The second type of isomorphism that DiMaggio and Powell (1983) recognized is “mimetic” isomorphism. This type especially refers to the trend of social actors to imitate those other social actors (i.e., individuals, organizations, economies and nations) which are seen as prosperous (Judge *et al.*, 2010). Carpenter and Feroz (2001, p.571) suggested that “mimetic isomorphism is a response to organizational uncertainty in identifying the best course of action.” Touron (2005) discussed the association between mimetic isomorphism<sup>1</sup> and imitation and emphasized that in situations of uncertainty, organizations model themselves on others. In particular, Touron (2005, p.856) suggested that “the managers of companies facing situations of uncertainty are more likely to adopt the behavior of organizations with which they would like to be assimilated. The benchmark firms are either companies exercising the same activity (the sector) or the most talented companies (leaders).” Similarly, Kholeif (2010, p.34) stated that “mimetic isomorphism stems from the tendency of organizations to imitate each other in response to symbolic uncertainty.” Mantzari *et al.* (2017, p.187) defined mimetic pressures as occurring “when an organization attempts to imitate a more successful referent organization or improve upon the practice of other organizations.” Relatedly, Nurunnabi (2015, p.140) clarified that “mimetic isomorphism arises from the tendency of organizations to imitate each other’s best practices.” Finally, Boolaky *et al.*

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<sup>1</sup> One might consider other possible explanations for firm’s incentives to adopt (or not to adopt) more standard practices. For instance, the Alchian (1984) construct of firms as 'unique combinations of resources and routines' which cannot be easily imitated is one. This fact keeps firms different as we observe (and is not explained particularly well by NIT. The firm differences are observed even in the same industry, despite some systems being more standardized. Hence, the Alchian (1984) construct should be kept in mind when discussing mimetic isomorphism.

(2020, p.3) highlighted that “mimetic isomorphism arises from the replication of practices across nations, whereby there is a tendency to emulate what more successful countries have done to secure benefits and social acceptance.”

### *2.1.3 Normative isomorphism*

The third and final type for isomorphism within NIT is identified as “normative” isomorphism (DiMaggio and Powell, 1983). Normative isomorphism refers to collective values and manners that bring out conformity of thought and deed within institutional surroundings (DiMaggio and Powell, 1983). Mir and Rahaman (2005) suggested that normative pressures result primarily from professionalization. Mantzari *et al.* (2017, p.187) stated that normative isomorphism occurs “when an organization is motivated to respect social obligations and participates in professional organizations to provide a cognitive base, diffuse shared organizational practices, and legitimize its activities.” Kholeif (2010, p.34) argued that “normative isomorphism is the institutionalization of social practices as a result of professionalization by means of professional groups such as accounting associations.” Relatedly, Hassan (2014, p.383) emphasized that “normative pressure resulting from the norms and values of the profession also influences the degree to which a nation will adopt international best practice.” Finally, Boolaky *et al.* (2019) suggested normative isomorphism occurs when individuals are trained under similar educational systems and tend to engage in similar conventional practices. Boolaky *et al.* (2019) concluded that a firm that draws from a standard pool of professional staff will be able to improve their systems and practices because their ability to harmonize and enhance accounting quality may be greater.

## *2.2 Further developments*

NIT has developed further (see the work of Oliver [1991]) extending the work of DiMaggio and Powell, and providing a more complex and nuanced analysis of the relationship and responses of organizations to institutional pressures. Oliver (1991) suggested five forms of organizational strategic responses to institutional processes, ranging from passive conformity to active resistance: acquiescence, compromise, avoidance, defiance, and manipulation. However, Oliver's framework has only relatively recently been used in accounting and auditing regulation studies. For instance, Albu *et al.* (2014) contend that local actors play a more important role in triggering organizational responses than is implied by Oliver's (1991) framework in the application of IFRS. Albu *et al.*, (2014) stated that this is because organizational responses to IFRS are conditioned by the interplay between actors, who are searching for legitimacy and the attainment of their own (mutually conflicting) interests. In addition, Mantzari *et al.* (2017) considered the role of hegemony and the taken-for-granted assumptions of preparers that shape their motivations to adopt IFRS. They emphasized that broadly diffused accounting practices become more legitimate and hegemonic (Greenwood *et al.*, 2008; Oliver, 1991). Relatedly, Baker *et al.* (2014) utilized Oliver's work in their study while examining the regulation of statutory auditing.

### **3. Method**

This synthesis was conducted as follows. To review and analyze the extent of research on NIT, a list of published articles was identified from a number of sources. The search was made using Scopus, ABI/Inform, and EBSCOhost, with keywords relating to neo-institutional theory, accounting, auditing, and regulation. The search included publications up to September 1, 2020. The articles were selected based on the following criteria: i) published in highly ranked journals, ii) had regulation focus, and iii) there was substantial use of NIT. As a result, the following types

of papers were removed from this synthesis: i) unpublished works, including conference papers/proceedings and working papers, and ii) papers with only a marginal accounting or auditing focus. In total, this synthesis examines 32 studies using neo-institutional theory; the majority of the articles were published in accounting and auditing journals from 1995 to 2020. Internationally recognized peer-reviewed journals were defined according to the UK's Association of Business Schools (ABS) journal quality ranking guide (i.e., those categorized as 2-star, 3-star and 4-star journals). Figure 1 presents the trends of NIT-related studies in accounting and auditing regulation literature.

After the selection of the papers, the studies were carefully read and analyzed, in a rather inductive manner. Thus, the main objective is to discuss and evaluate the applications and applicability of NIT in accounting and auditing regulation research. To clarify, based on an initial review of each article, notes were made on various aspects, such as research questions, the use of key NIT fundamentals, references, and conclusions. Furthermore, particular attention was paid to how the studies under examination defined isomorphism. The similarities and differences between the articles were compared resulting in a number of emerging themes for the synthesis. Within these themes, taxonomies were developed to characterize and review the accounting and auditing regulation literature using NIT.

To conduct additional analyses, the articles under review were also investigated chronologically to analyze the evolution of NIT in accounting and auditing regulation and how NIT was used in accounting research over the years. This investigation enables the assessing of trends in NIT.

INSERT FIGURE 1 HERE

## 4. Findings

Table 1 presents a count of the studies reviewed, grouped by source journals. In particular, the following venues dominate, namely *Accounting, Organizations and Society* (5 articles), *Accounting Forum* (4 articles), *Australian Accounting Review* (3 articles), *Critical Perspectives on Accounting* (3 articles), *International Journal of Accounting* (4 articles) and *Managerial Auditing Journal* (3 articles). Moreover, while reviewing the papers, became evident that there has been a continuous or even growing stream of articles over the years.

Firstly, the articles under review are discussed and analyzed under the following themes: accounting practices, accounting standards adoption, accounting standards implementation, and audit regulation. Therefore, readers with interest in one or more of these specific topics should be able to benefit from reading even a limited part of this paper.

INSERT TABLE 1 HERE

### *4.1 Neo-institutional theory and accounting practices*

Carruthers (1995) outlines the central new institutionalist arguments. One of the key clarifications made by new institutionalists is the distinction between the technical and the institutional. Hence, Carruthers (1995, p.313) suggested that the new institutionalism is an important framework in organization theory with great relevance to accounting research because “new institutionalists view accounting practices as one of larger set of features that can legitimate organizations through construction of an appearance of rationality and efficiency.” Suddaby *et al.* (2007) investigated the role of large accounting firms in the emergence of a transnational regulatory field in professional services. In particular, their study utilized the NIT to illuminate the process by which new fields are created. Suddaby *et al.* (2007) emphasized a change in the structural boundaries of professional

regulation to include new actors, specifically Big 4 accounting firms and non-governmental organizations. They underlined that the elements of coercive power that galvanized relations between the nation-state and professional associations no longer apply at the transnational level. Instead, regulation is achieved by enticing cooperation through membership in a regulatory network. In other words, Suddaby *et al.* (2007) illustrated a shift in the dominant use of power within the field, from coercive to normative embeddedness.

#### *4.2 Neo-institutional theory and accounting standards adoption*

The majority of NIT studies examined the adoption of international accounting standards (IAS) or IFRS. Moreover, the studies under review consist of cross-country studies or articles that are examining accounting standards adoption within a particular country. For instance, Judge *et al.* (2010) and Alon and Dwyer (2014) conducted cross-country studies to investigate IFRS adoption. In addition, the study conducted by Boolaky *et al.* 2020 investigated the institutional drivers of IFRS adoption in 54 African countries. Further, the following studies used NIT to examine the adoption of US GAAP (Carpenter and Feroz, 2001, Touron, 2005). Before NIT was introduced to accounting literature, most studies examining accounting choice used the agency theory (Touron, 2005). Therefore, Touron (2005) suggested that it could be productive and beneficial to explain the accounting choice phenomena at least partly through the lens of NIT.

In contrast, Carpenter and Feroz (2001) combined institutional and resource dependency theories to develop a theoretical framework to enhance understanding of the processes that influence accounting choice in the public sector in the US. Carpenter and Feroz (2001) stated that institutional pressures were associated with the adoption of US GAAP in all state governments and interpreted that these institutional pressures are stemming from the federal government, professional accounting associations, and representatives of the credit markets. To conclude, they

suggested that the public sector was subjected to at least two forms of isomorphic pressures: normative and coercive. Relatedly, Touron (2005) aimed to use institutional theory to examine why US GAAP was adopted in France. The study highlighted the decisive role of auditors in the emergence of accounting practices and the results revealed that the use of globally accepted standards is not an innovation, but rather an imitation. Imitation was associated with the explanation of adoption and this was referred to as mimetic isomorphism. Further, Touron (2005) emphasized a mechanism of normative isomorphism on behalf of the professional accountants (i.e., auditors) and argued that normative isomorphism played a determinant role. To conclude, the study summarized that NIT partly allowed the explanation of the behavior of companies because the study was not able to find evidence any mechanism of coercive isomorphism. This was an interesting finding because other studies have especially emphasized the dominant role of coercive pressures. Touron (2005) suggested two forms for coercive isomorphism; i) the State promulgates rules and laws which are binding for organizations, and ii) the capital suppliers have the financial resources the company needs.

However, Rodrigues and Craig (2007) aimed to increase understanding of the processes involved in attaining extensive institutionalization of IFRS. They argued that in the context of global accounting standards, institutionalization could be viewed as a social process. They advanced understanding of the process of IFRS harmonization, suggesting that convergence is a process of isomorphism that works smoothly when institutions and environments are homogenous. They suggested that coercive, mimetic, and normative isomorphism are all seen in the convergence of national accounting standards with IFRS. However, coercive and normative isomorphism were more influential. Rodrigues and Craig (2007) stated that coercive isomorphism was seen through EC Regulation because, from 2005 onwards, the adoption of IFRS in preparing consolidated



accounts of listed companies of EU member states was required. Another type of coercive isomorphism was identified when a parent company pressures its subsidiaries to adopt IFRS. Furthermore, Rodrigues and Craig (2007, p.753) stated that normative isomorphism can be seen “in many countries in the convergence of national accounting standards with IFRS; in the rhetoric of large international accounting firms (that all companies should adopt IFRS, and advise their customers accordingly); in the teaching of IFRS in accounting curricula in universities; and in the rhetoric of professional accounting bodies (urging adoption of IFRS).” Finally, they suggested that the mimetic isomorphism was expected to become more prominent in the future because firms model themselves on organizations that they consider to be more legitimate or flourishing. If non-listed companies adopt IFRS, their adoption would probably not be for competitive motivations. They stated that “it would more likely be to establish reputations for being rational, modern adopters of fashionable business techniques” (Rodrigues and Craig, 2007, p.753).

#### *4.2.1 IFRS adoption on a cross-country basis*

Judge *et al.* (2010) and Alon and Dwyer (2014) used the NIT as a starting point to examine IFRS adoption on a cross-country basis. Judge *et al.* (2010) suggested that after controlling for market capitalization and GDP growth, they find that foreign aid, import penetration, and level of education achieved within a national economy are all predictive of the degree to which IFRS standards are adopted across 132 countries. They stated that all three forms of isomorphic forces (i.e., coercive, mimetic, and normative) are associated with IFRS adoption. Accordingly, institutional theory with its emphasis on legitimacy-seeking by successful actors was relatively well supported by their data. Hence, their findings reveal that the IFRS adoption procedure is

related to social legitimization pressures more than economic rationalities. For policymakers, their findings highlighted that the institutional pressures within an economy are the main drivers of IFRS adoption.

Relatedly, Boolaky *et al.* (2020) also conducted a cross-country study by investigating the institutional drivers of IFRS adoption in 54 African countries. Their findings support the predictions that coercive, mimetic, and normative isomorphism influence IFRS adoption. In particular, their findings indicated that the role of the Report on Observance of Standards and Codes issued by the World Bank and International Monetary Fund (coercive pressure) is significant. They emphasized that the presence of global audit firms and the years of membership in the International Federation of Accountants (mimetic pressures) are strongly associated with a country's decision to adopt IFRS. Finally, African countries with a more structured and active professional accounting organization (normative pressure) are more likely to adopt IFRS. However, Boolaky *et al.* (2020) highlighted that the isomorphic pressures in Africa are different from those suggested in prior studies, reinforcing the view that IFRS adoption is primarily driven by social and political dimensions, rather than the economic dimension usually professed by IFRS proponents.

Similarly to Carpenter and Feroz (2001), Alon and Dwyer (2014) suggested that countries seek resources and will enact national level accounting regulation based, in part, on their needs. Therefore, Alon and Dwyer (2014) emphasized that while isomorphic pressures are widely identified and recognized, the impact of local conditions on national choices might matter as well. Thus, they found that IFRS was more likely to be adopted by nations with greater transnational resource dependence. To conclude, it must be emphasized that there are other factors driving the external regulatory interventions, such as the benefits of adopting existing accounting standards

outweighs the costs for some countries of establishing and operating their own standard setting institutions. Hence, one reason for external adoption pressures is to decrease the cost of financial information flows and increase the financial monetary inflows to a country. It is suggested that foreign capital has the potential to deliver benefits to developing nations, for instance, capital often brings with it modern technology and encourages the development of more mature financial sectors. Developed countries are adopting global standards to reduce the cost of information and to facilitate capital flows particularly for multinational enterprises, with multiple stock exchange listings (Ball, 2006; Chand and White, 2007).

#### *4.2.2 IAS/IFRS adoption in developing economies*

Prior literature has also used NIT to examine IAS/IFRS adoption in developing economies, such as Mir and Rahaman (2005) in Bangladesh, Hassan (2008) and Kholeif (2010) in Egypt, Irvine (2008) in the United Arab Emirates (UAE), Hassan *et al.* (2014) in Iraq, and finally Albu *et al.* (2014), Albu and Albu (2012) and Albu *et al.* (2011) in Romania. Furthermore, Phan *et al.* (2018) investigated the history of accounting standard-setting in Vietnam through the NIT lens. Mir and Rahaman (2005) draw on NIT as a theoretical framework for evaluating the process and rationale for the adoption of IAS in Bangladesh. Their paper suggests that institutional legitimization is a key factor that influences the decision to adopt IAS. This is due to the pressure exerted by major international donor or lending institutions on the Bangladeshi Government and professional accounting bodies. Hence, coercive isomorphism was identified through the effort to satisfy Western lending/donor institutions (e.g., the World Bank). Further, they suggested that professional power and legitimacy is created by the activities of the professions, which is identified

as normative isomorphism. To conclude, their findings suggest evidence that coercive isomorphism and normative isomorphism affects the IAS adoption. However, they argued that the perceived undemocratic nature of the adoption process created conflicts among various constituencies, resulting in very low compliance.

Hassan (2008) investigated the process of setting accounting standards in Egypt during a period of transition. Hassan (2008) suggested a link between the coercive, mimetic, and normative isomorphic forces and the changes in the financial accounting regulations in the social and institutional context. Hassan (2008) concluded that the most significant pressure during the transnational processes was the government's coercive power. He argued that the change in the state policy is evident because the state has transformed being a tight controller to being a regulator whereby it provides legal and political frameworks upon which organizations operate. Furthermore, Hassan (2008) emphasized the positive change in the Egyptian accountancy profession because the profession has moved from being a powerless association toward being an agent promoting standards similar to the IAS.

Relatedly, Kholeif (2010) examined IFRS adoption and conducted a case study of an Egyptian state-owned company (AQF Co.) The research method was based on an intensive case study informed by NIT, especially the interaction between conflicting institutions and power relations. The results suggested that the firm faced conflicting institutional demands from outside. Kholeif (2010) concluded that to meet conflicting institutional demands, the firm adopted loosely coupled accounting rules and routines and this process explains the low or noncompliance with IFRSs in Egypt. Kholeif (2010) emphasized that in AQF Co., the decision to adopt IFRS was predominantly a response of the company to the requirements of the Egyptian Stock Exchange. However, organizational members of AQF Co., especially accountants, resisted these

requirements. Hence, it can be interpreted that the coercive and normative isomorphism were affecting the IFRS adoption.

Irvine (2008) examined the powerful global forces for IFRS adoption which the UAE has confronted. Irvine (2008, p.137) stated that “developing nations have rushed to converge their financial reporting requirements with international accounting standards, in order to gain legitimacy in global markets and thereby access capital markets, achieve economic development, and increase their wealth.” Therefore, Irvine (2008) argued that the adoption of IFRS has been made in response to coercive, normative, and mimetic forces. In particular, Irvine (2008) concluded that as a member of the Middle East and North Africa (MENA) region, on the global stage, the UAE is subject to pressures from the World Bank (coercive), capital markets (coercive), the Big 4 international accounting firms (normative), trade partners (mimetic), and multinational corporations (mimetic).

In contrast, Hassan *et al.* (2014) reviewed the historical development of accounting regulation in Iraq and analyzed, from a neo-institutional perspective, both the decision to adopt IFRS and the factors associated with the expansion of IFRS application beyond listed companies. Their findings revealed that coercive, mimetic, and normative pressures can explain the decision to adopt IFRS. The most influential force in the decision to adopt IFRS was the coercive pressure which stems from Western forces following the fall of the Ba’ath regime, and from global aid organizations. Further, they stated that the accounting practices in Iraq are likely to be further developed due to mimetic and normative forces from Iraq’s trade partners, international corporations, and the accounting profession. Moreover, Hassan *et al.* (2014, p.371) stated that “it is important that IFRS adoption is accompanied by reform to governance and investor protection regimes, together with investment in education and training to support ongoing implementation.”

Hassan *et al.* (2014) concluded that otherwise, IFRS adoption may be entirely symbolic.

The three following studies have all investigated the IFRS adoption in Romania. For instance, Albu *et al.* (2011) argued that the main development was a result of coercive external forces, that was, the influence of the World Bank. Further, Albu *et al.* (2011, p.92) also stated that “mimetic isomorphism is seen as adopting the best practices in order to be more legitimate or successful.” Hence, they argued that the auditors (especially Big 4) and multinational companies are considered as mimetic pressures because apparently, they are the keepers of “best practices” (Albu *et al.*, 2011, p.92). Furthermore, they argued that “the current Big 4 accounting firms play a profound role in the globalization of accounting and represent the normative pressures that affect organizations and the choices they make in accordance to their reporting and practices implemented” (Albu *et al.*, 2011, p.92). Interestingly, it can be interpreted that the Big 4 accounting firms have roles in both isomorphic forces. This interpretation is in line with the concepts of NIT, which suggests different forms of isomorphism are not mutually exclusive and often they blend with each other, as was in fact discussed by Di Maggio and Powell in their work.

Albu and Albu (2012, p.346) stated that for “the Romanian regulator, decisions regarding IAS/IFRS were the result of external, coercive pressures (the World Bank and the IMF in 1999 and EU regulation in 2006).” Relatedly, Albu *et al.* (2014, p.490) suggested that “coercive isomorphism (as argued by the national regulator, in line with its interests of maintaining its own legitimacy and control over the calculation of taxes) prevents the desirable normative isomorphism in the incorporation of global standards.” In other words, they emphasized that the power exerted by the national regulator over the other actors (e.g., accounting bodies) of the financial reporting process is dominant. However, Albu *et al.* (2014, p.504) stated that “the learning process of auditors and the mimetic behavior lead to slow developments of the manner in which IFRS are

applied.” Finally, they argued that improving the limited understanding of practice variations under the use of the neo-institutional perspective based on isomorphism is essential.

Phan *et al.* (2018) investigated the history of Vietnam’s accounting development in the context of its transition toward a market-based economy. They divided the development of accounting practices and standard setting into four phases. Their findings revealed that the presence of coercive pressures in the first three phases of Vietnamese accounting developments was significant. For instance, Phan *et al.* (2018, p.388) clarified that “French rule influenced Vietnamese businesses and accounting practices to meet the requirements of French colonial administration, whereas accounting practices in the second and third phases were influenced by China and Soviet Union accounting models.” Finally, they concluded that mimetic and normative pressures have been influencing accounting practices only in the past thirty years. Phan *et al.* (2018, p.395) argued that mimetic pressures are evident “when developing countries participate in internationalization projects to align their rules and regulations with developed countries and the Vietnamese government’s decision to adopt IFRS is seen to be such a move.”

Finally, Carneiro *et al.* (2017) investigated the similarities and differences in the accounting harmonization process in the 13 countries of the Group of Latin American Accounting Standards Setters (GLASS). Their findings reveal that adoption of IFRS constitutes a form of coercive isomorphism that is often affected by law or capital markets regulations. In other words, coercive pressures from the Inter-American Development Bank were significantly affecting the adoption of IFRS in GLASS countries where the accounting profession is less developed. Further, Carneiro *et al.* (2017) stated that the support of multinationals in the training process and the role of higher education (normative pressures) were also important in the adoption for IFRS. However, they argued that while support from multinational companies has occurred in almost all GLASS

countries, the role of universities in supporting the change varies significantly between countries. Hence, it can be interpreted that normative pressures are moderately affecting accounting harmonization. Finally, they concluded that overall, the formation of regional organization GLASS is intended to promote reconciliation regarding accounting standards. Hence, Carneiro *et al.*, (2017, p.183) highlighted that “the GLASS helped to improve the convergence process by increasing mimetic and normative isomorphism.”

#### *4.2.3 Accounting standards adoption in other contexts*

Mantzari *et al.* (2017) examined the adoption of IFRS by Greek non-listed companies. Their study suggests that the Greek state and stock market regulation are the means of coercive pressures requiring all Public Organisations and Enterprises (POEs) and certain subsidiaries to adopt IFRS. Preparers that adopted IFRS due to coercive pressures, however, consider that national accounting standards might have been an appropriate accounting choice for their accounting needs. Without the coercive pressures of the state, which was also shaped by the EU Law, the adoption of IFRS would have been questionable. To conclude, Mantzari *et al.* (2017) emphasized the important role of coercive pressures to motivate non-listed companies to adopt IFRS.

In contrast, Elbannan and McKinley (2006) examined factors that resist the adoption of financial reporting standards. Elbannan and McKinley (2006) argued that the NIT is an essential framework to understand corporate efforts related to established financial reporting practices. As suggested in several prior studies earlier, firms are motivated to mimic, comply with, and conform to institutional policies and norms. Elbannan and McKinley (2006) emphasized that one main implication of their analysis is simply that the determinants of corporate action against FASB standards are complex. Hence, they highlighted social and cognitive variables as determinants of corporate action against FASB standards. Furthermore, Elbannan and McKinley (2006, p.618)



concluded that “accounting regulation is ultimately the outcome of a complex social interaction between the regulator and the regulatory target.” To clarify, even though they utilized the NIT, they did not discuss coercive, mimetic, and normative isomorphism in detail and they did not define these pressures precisely.

#### *4.3 Accounting standards implementation*

Research interest in IFRS and NIT has recently moved from adoption toward the challenges with implementation (e.g., Sharma *et al.*, 2017; Osinubi, 2020). For instance, Guerreiro *et al.* (2012) investigated the factors impacting the preparedness of large unlisted firms to implement IFRS in Portugal. Hence, they utilized new theoretical reasoning to investigate how institutional pressures influence decisions to adopt IFRS voluntarily. Their results reveal that “an organization’s choice among different accounting standards regimes (that is, different institutional forms) represents a strategic response to institutional pressures; and that such response is constrained by broader taken-for-granted rationales associated with the use of IFRS” (Guerreiro *et al.*, 2012, p.483). Hence, their results reveal that institutional theory offers a powerful theoretical framework for examining the diffusion of institutional practices. To conclude, they highlighted that the development of an organization’s accounting policy is shaped fundamentally by a coercive and mimetic isomorphism.

Furthermore, Maroun and van Zijl (2016) examined how coercive, normative, and mimetic pressures are driving a tendency to comply with the IFRS in South Africa. Their findings reveal “a mutually reinforcing relationship between the introduction of new accounting requirements and the application of these requirements in highly complex social settings characterized by logic of resistance” (Maroun and van Zijl, 2016, pp.235-236). Coercive isomorphism resulted from compliance with laws, regulations, and stakeholders’ expectations. Normative isomorphism

stemmed from compliance with technical rational reporting requirements. To conclude, their findings emphasized two main coercive pressures to comply with IFRS 10 and IFRS 12, which are formal legal requirements and the informal operation of general cultural expectations. Further, their results indicated that the simultaneous functioning of normative and mimetic isomorphic forces complied with the new consolidation accounting standards.

Relatedly, Kim (2016) examined the impact of IFRS adoption and concurrent regulatory reforms on the financial reporting quality of Russian public firms. Kim (2016) showed that changes in reporting quality are a function of the type of isomorphic pressure within a country. Furthermore, the results suggested that it is vital to categorize public firms within a country by the type(s) of isomorphic forces (coercive, mimetic, and normative) rather than concentrate on the country-level external pressures when examining the IFRS adoption consequences. To conclude, the findings reveal that firms confronting these pressures experienced significant improvements in reporting quality. However, Kim (2016) did not find such improvement for firms that experienced only coercive pressure. Consequently, Kim (2016, p.346) stated that “the external institutional pressures are not necessarily predictive of the country’s IFRS adoption success and firms’ strategic responses to this reform. Rather, internal isomorphic pressures shape differential consequences of IFRS adoption.” Eventually, Kim (2016) argued that it is the synergy of coercive, mimetic, and normative forces that determine the success of the IFRS adoption and other regulatory reforms.

In contrast, Sharma *et al.* 2017 examined IFRS adoption and implementation challenges in India. They specifically explored the responses of accounting professionals (preparers) and the banking industry professionals (users). Thus, Sharma *et al.* (2017) suggested that resource dependency and frequent communication and interaction with the outside world were observed to influence IFRS adoption in India. However, they suggested that as users of accounting

information, the banking industry will be the most influential sector to provide their thoughts on the convergence to the IFRS in India. To clarify, resource dependency (coercive pressures) and continuous interaction with the outside world (mimetic pressures) was observed as the main reason for IFRS adoption in India.

Furthermore, Nurunnabi (2015) examined the impact of institutional and cultural factors on the implementation of IFRS in Bangladesh. The findings reveal that the pressures of coercive, mimetic, and normative institutional isomorphism are associated with IFRS implementation. Moreover, coercive pressure causes the most far-reaching changes in preventing IFRS implementation because “the government and donor agencies are pressuring local companies to follow mandatorily which fundamentally affects social characteristics and values” (Nurunnabi, 2015, p.146). He stated that mimetic isomorphism can include the global adoption of IFRS as good business practices. Further, Nurunnabi (2015) argued that normative pressure occurs in the form of professionalization, for example, the Institute of Chartered Accountants of Bangladesh is working closely with the ICAEW (UK) to develop the IFRS syllabus and the Institute of Cost and Management Accountants of Bangladesh are working with the World Bank for IFRS training issues. Finally, Nurunnabi (2015) argued that the scarcity of training opportunities in the accounting profession and corruption both have a negative influence on implementing IFRS.

In contrast, Yang *et al.* (2018) examined China’s convergence with IFRS by interviewing senior financial executives of Chinese listed companies. They suggested that through responding to coercive pressures (e.g., World Bank, international capital markets), normative forces (e.g., Big 4 international accounting firms), and mimetic pressures (e.g., trade partners, multinational companies) emerging economies demonstrate structural isomorphism that conforms to IFRS. Overall, Yang *et al.*, (2018, p.24) provide support for the use of NIT in interpreting China’s IFRS

convergence. For instance, China's increased integration with international capital markets has led to the emergence of a new institution of accounting systems modeled on Western developed countries.

Finally, the latest study conducted by Osinubi (2020, p.8) suggested that "both coercive isomorphism and mimetic isomorphism are part of the driving force for the mandatory adoption of IFRS in Nigeria." This was because Nigeria depends on international organizations such as the IMF who routinely provide foreign aid, and this organization likely demands that reform is enacted in the public and private sectors and that the IMF aid is tied to demands that IFRS accounting standards are adopted. Moreover, Osinubi (2020) examined the effects of the three pillars of institutional theory in shaping the activities of institutional entrepreneurs and other social actors during IFRS implementation in Nigeria. The results reveal that IFRS implementation process resulted in power redistribution among institutional actors, which led to resistance, tensions, and conflicts among institutional actors. The conflicts arose from the need of actors to legitimate their activities and secure their positions.

To emphasize, prior studies have found evidence that all forms of isomorphism (coercive, mimetic, and normative) are influencing accounting standards adoption and implementation in different environments; however, most of the studies highlighted the significant role of coercive isomorphism. In addition, prior studies under examination utilize NIT in divergent ways. For instance, few studies use NIT as a starting point for the analysis (e.g., Elbannan and McKinley, 2006), but leave ambiguity for the reader in how coercive, mimetic, and normative isomorphism are explicitly defined (e.g., Guerreiro, 2012; Carneiro *et al.*, 2017). Other studies thoroughly state how they measure or define these pressures (e.g., Judge *et al.*, 2010; Boolaky *et al.*, 2020). Furthermore, few studies use only one measure for each isomorphism (e.g., Judge *et al.*, 2010),

whereas other articles use many variables for one isomorphism (e.g., Boolaky *et al.*, 2020; Boolaky *et al.*, 2019; Touron, 2005). Measurement of different forms of isomorphism can be controversial because it is argued that coercive, mimetic, and normative isomorphism are not mutually exclusive and often they blend with each other, as was in fact discussed by DiMaggio and Powell (1983) in their work and by subsequent scholars. However, this study concludes that accounting studies that frame their analysis with NIT concepts are not looking for a quantification but rather an explanation for complex phenomena. As such, the sociological approach to accounting argues that organizations and organizational actors seek legitimacy and social acceptance. From this perspective, one of the keys to understand accounting systems is by studying the institutional environment.

#### *4.4 NIT and audit research*

NIT has been also used in audit regulation research to provide a different kind of approach in how to utilize theories that are related to sociology. However, the research conducted is minimal in comparison with the NIT and accounting regulation stream. This section introduces articles related to auditing and which have taken advantage of NIT. Baker *et al.* (2014) analyzed the evolution of statutory auditing regulation from a NIT perspective in France, the US, and Canada. They chose these countries because historically they have had different legal or political structures, which affect how regulations are structured. The findings reveal that the effects of Sarbanes-Oxley on the US regulatory structure appear to have improved audit quality. Further, they stated that from the perspective of NIT, this regulatory change in the US can be interpreted as an illustration of coercive pressure because “the changes to the structure of auditor regulation were imposed by forces external to the auditing profession” (Baker *et al.*, 2014, p.377). In contrast, Baker *et al.* (2014) suggested that mimetic pressures took place in France and normative isomorphism occurred in

Canada.

In contrast, Dedoulis (2016) examined the history of the institution of auditing by focusing on the evolution of auditing (including the development of auditing standards) in Greece. Furthermore, Dedoulis (2016) highlighted the varying degrees of the dominance of coercive, mimetic, and normative pressures at different historical times. Dedoulis (2016, p.30) argued that “throughout the 19th century up until the aftermath of World War II, the coercive role of the Greek state was predominant, leading to the establishment of a corporatist body of auditors in the mid-1950s.” Interestingly, from the 1960s onwards, mimetic and normative isomorphism started to dominate within the professional context. This was due to the uncertainty that professionals experienced during the first years of the profession’s operation. Further, this uncertainty led the professionals to develop close educational relationships and networks with Anglo-American professional associations.

As discussed earlier, NIT has been extensively used in IFRS adoption and implementation studies. However, Boolaky and Soobaroyen (2017) were the first researchers to exploit NIT in research of ISA adoption on a cross-national basis. Hence, they empirically examined the factors of ISA adoption and commitment to harmonization. They tested a large variety of determinants for coercive, mimetic, and normative isomorphism. The results reveal that “the protection of minority interests, regulatory enforcement, lenders/borrowers’ rights, foreign aid, prevalence of foreign ownership, educational attainment and particular forms of political system (level of democracy) prevailing in a country, are observed to be significant predictors of the extent of commitment to the adoption and harmonization of ISAs” (Boolaky and Soobaroyen, 2017, p.59). To summarize, they find that coercive, mimetic, and normative isomorphism symbolizes significant forces encouraging ISA harmonization.

Relatedly, Boolaky *et al.* (2019) examined the factors affecting auditing and reporting quality (ARQ) in the Asia-Pacific Region. Their findings reveal empirical evidence for the three neo-institutional pressures (coercive, mimetic, and normative) affecting ARQ perceptions at a country level. Further, Boolaky *et al.* (2019, p.3) suggested that “the adoption of accounting and auditing standards (e.g., IFRS and ISA) contributes to higher/lower perceptions of ARQ.” In other words, their findings revealed that perceived ARQ is more associated with IFRS than ISA adoption. Coercive forces were measured by securities exchange regulations and laws related to the protection of minority interests. Normative pressures were measured by the efficacy of the board and political system. Finally, mimetic pressures were determined by IFRS and ISA adoption and prevalence of foreign ownership.

The latest study conducted by Reichborn-Kjennerud *et al.* (2019) examined Supreme Audit Institutions’ (SAIs) work against corruption in Scandinavian, South European, and African countries. In particular, they have undertaken an analysis of how variations in work against corruption by SAIs can be understood through coercive, normative, and mimetic pressures. Their results reveals that the way SAIs organize their work cannot simply be explained by the countries’ level of corruption. Rather, Reichborn-Kjennerud *et al.* (2019, p.65) emphasized that “efforts to fight corruption reflect the ways in which coercive, mimetic and normative pressures interact with institutional logics to guide the SAIs’ work.”

## **5. Article impact and citation analysis**

Citation examination is essential for article impact because citations are an indicator of interest in a particular research area (Tsalavoutas *et al.*, 2020). This study determines the impact of the articles under investigation according to the number of Google Scholar citations. Hence, citation analysis

is important in evaluating how influential research articles are (Meyer *et al.*, 2018). Google Scholar citations were downloaded on September 4, 2020. Table 2 presents the top ten articles by citation and the top ten articles by the citation per year (CPY). Two separate rankings are presented because prior studies emphasize that one problem with analyzing the impact from citations alone is that older published articles can accumulate more citations (e.g., Dumay *et al.*, 2016). Therefore, to acknowledge this bias this study uses the citation per year to analyze the impact and use of NIT in accounting and auditing regulation research.

In total, the articles under review are cited 3160 times. Hence, the citation analysis confirms that there is a considerable level of interest in this area. Carruthers (1995) published the most cited article with over 700 citations. Carpenter and Feroz (2001) are the second most cited with over 600 citations and Suddaby *et al.* (2007), with over 500 citations, conducted the third most cited study. It can be suggested that Carruthers (1995) was a pioneer in suggesting that NIT is an important framework in accounting research because accounting practices can be seen as one of a larger set of features that can legitimate organizations through the construction of an appearance of rationality and efficiency. When examining the article impact, comparing total citations and the citations per year, the results are largely consistent, which indicates validity in the citation analysis.

This study also investigated which studies under examination considered the developments of NIT and cited the framework of Oliver (1991). This examination was conducted because Oliver (1991) has developed the NIT further. The results reveal that 12 studies utilized work of Oliver. This finding suggests that these studies combined isomorphism with Oliver's model to broaden and intensify the scope of neo-institutional analyses in their studies.

INSERT TABLE 2 HERE



## 6. Conclusions

This synthesis utilizes DiMaggio and Powell's (1983) model of isomorphism to demonstrate how coercive, normative, and mimetic isomorphisms are applied in accounting and auditing regulation research. Commonly, it is suggested that decisions in adopting global accounting and auditing standards are a consequence of economic rationality and the notion that IFRS and ISAs are high-quality standards likely contributing to timely and transparent financial information (Barth *et al.*, 2008; Fraser, 2010). However, accounting and auditing harmonization and adoption of IFRS/ISA can also be understood through neo-institutional lenses. Prior studies have utilized coercive, mimetic, and normative isomorphism to comprehend the rationalization of accounting and auditing harmonization. Thus, the analysis in this paper facilitates understanding of the process of international accounting and auditing standards harmonization from a neo-institutional perspective. This synthesis emphasizes that institutional pressures have played a significant role in the development of accounting and audit policymaking, standard-setting, and regulation worldwide. In fact, this synthesis suggests that without these isomorphic pressures the current state of global accounting and auditing harmonization would have been impossible to achieve.

Hence, the findings of this study emphasize that prior studies have found evidence that accounting and auditing regulation is associated with all forms of isomorphism (coercive, mimetic, and normative). For instance, institutional pressures influence accounting and auditing standards adoption in different environments. Interestingly, this review emphasizes the significant role of coercive isomorphism in shaping accounting systems. Moreover, this study suggests that accounting scholars have defined the different forms of isomorphism in empirical studies. This can lead to fruitful discussions, because why should one want to measure different forms of isomorphism? It is stated that isomorphism is a concept that was created to explain behavior, and

usually studies that frame their analysis with NIT concepts are not looking for a quantification but rather an explanation, so it might be controversial to talk about isomorphism as a variable that can be quantified. However, the results of this review reveal that empirical accounting and auditing studies using NIT have done so. For instance, Judge *et al.* (2010) justified their method by stating that understanding how isomorphism affects the IFRS adoption process is vitally important for international investors, government officials, accounting professionals, and multinational managers. Relatedly, Boolaky *et al.* (2019) stated that an understanding of the extent of commitment to ISA adoption cross-nationally and the determinants of such engagement can enlighten one's understanding of the national factors influencing the spread (or not) of global auditing standards.

Hence, this synthesis provides several contributions to accounting and auditing regulation, practice, and research. First, this synthesis concentrates on neo-institutional theory and accounting and auditing regulation. Therefore, the study contributes to governments' policy development worldwide. For instance, in many studies reviewed, the national government had an objective of attracting significant foreign investment to expand the economy. To do so, Hassan *et al.* (2014) emphasized that the national government must ensure that financial information requirements are consistent with those of trade partners and foreign investors (i.e., IFRS and ISA adoption). Hence, it can be vital to update the financial information system and consider the changing needs of the investment community (e.g., Hassan *et al.*, 2014). In other words, the national government is pursuing coercive isomorphism toward accounting and auditing harmonization.

Secondly, due to globalization, the decision by developing economies to adopt IFRS or ISA is largely based on their desire to access international aid to meet basic needs. As such, these developing nations will be subject to other coercive pressures from non-government organizations

(e.g., the World Bank and the IMF). Further, these developing nations legitimize themselves in an environment which becomes international. Because whatever becomes institutionalized practice will depend on the power of the organizational actors who support, resist, or otherwise attempt to influence it (Rodrigues and Craig, 2007, p.755). These isomorphisms will exercise power to shape international accounting and auditing regulation by imposing constraints, articulating rationales, and formulating requirements regarding global accounting and auditing harmonization (e.g., Rodrigues and Craig, 2007). Thirdly, the institutionalization of international accounting and auditing standards can be seen as a dominant political activity that illustrates the relative power of organized interests and actors (Carneiro *et al.*, 2017). Hence, the results of the review suggest that NIT has become one of the relevant alternative frameworks used to explore accounting and auditing regulation as a complex phenomenon. To summarize, the paper suggests that NIT offers a conceptually rich lens for examining accounting and auditing regulation issues and encourages further use of the theory for accounting and auditing themes.

Overall, research on the effects of isomorphic pressures on international financial reporting has many opportunities for further development. From a methodological point of view, more studies using the mixed method, qualitative and comparative case studies could be conducted. For instance, researchers could attempt to draw more theoretical connections between research on the global financial reporting requirements and research on the financial statement user requirements. An understanding of what kind of information users are demanding under different institutional environments would be beneficial to the literature. Furthermore, this synthesis aims to promote academics to identify directions for future research to extend our understanding of the determinants and consequences of NIT in accounting and auditing standards adoption. Therefore, researchers should have a better understanding of how regulation could

improve global accounting and auditing standards implementation. A further innovative research area is for accounting and auditing researchers to examine how the use of NIT offers tools and techniques for understanding change relating to auditors' work when implementing international standards. For instance, the International Auditing and Assurance Standards Board (IAASB) has published an exposure draft of its new, stand-alone standard for audits of financial statements of less complex entities. This new draft standard responds to demands to have a set of high-quality requirements tailored for the needs of less complex entities (LCEs). Hence, future studies could examine how did the interest groups react to the proposal concerning the new standard and can NIT be used to predict the implementation of the new standard if it is accepted and adopted.

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