



Universidade do Minho
Escola de Economia e Gestão

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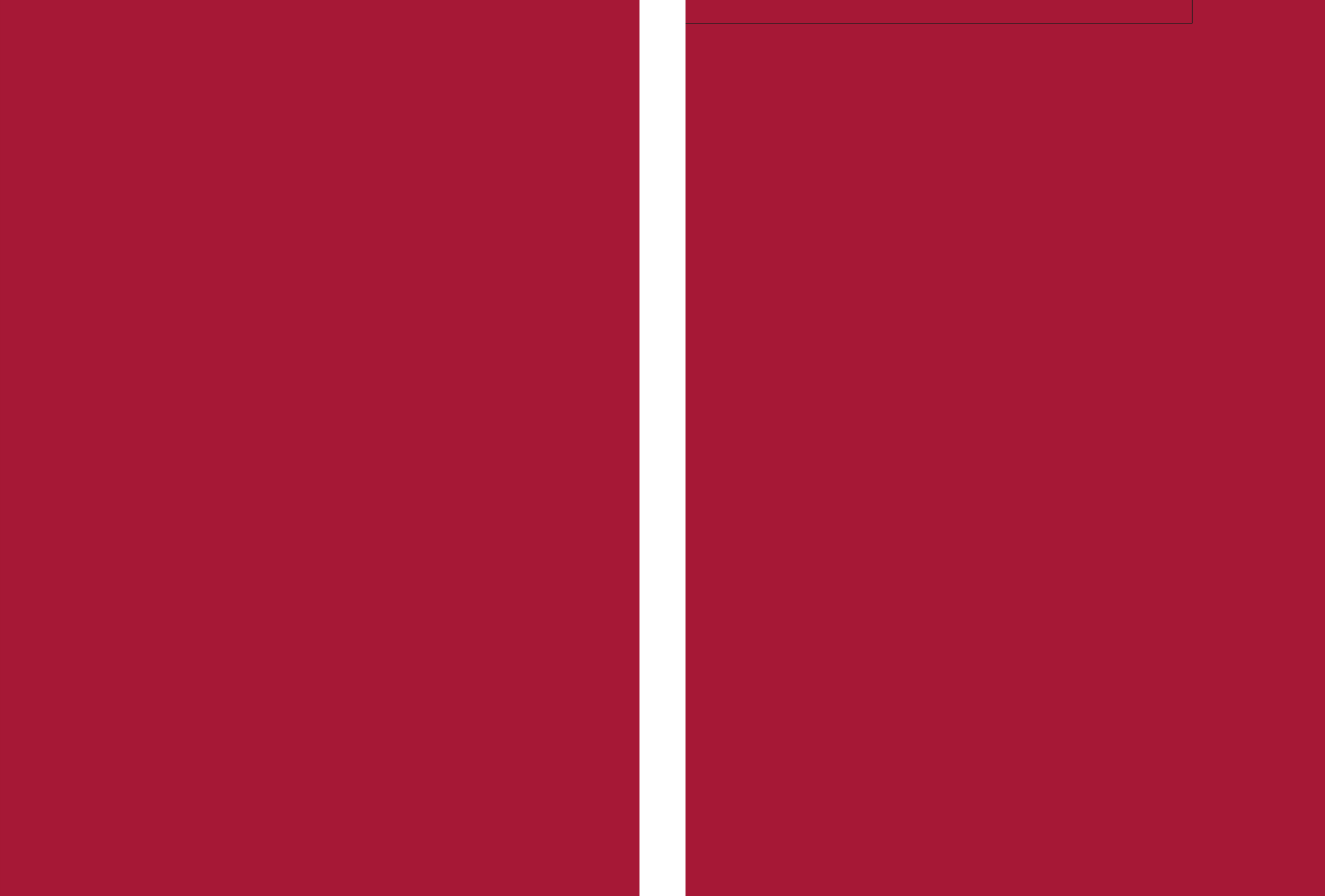
**Essays on the Institutionalisation of a New
Accounting Regime for Unlisted Companies
in Portugal**

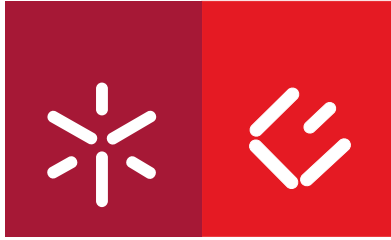
Marta Alexandra Silva Guerreiro **Essays on the Institutionalisation of a New Accounting
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Accounting Regime for Unlisted Companies
in Portugal**

Tese de Doutoramento
Doutoramento em Contabilidade

Trabalho realizado sob a orientação da
Professora Doutora Lúcia Lima Rodrigues
e do
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DOUTORAMENTO EM CONTABILIDADE

É AUTORIZADA A REPRODUÇÃO INTEGRAL DESTA TESE APENAS PARA EFEITOS DE INVESTIGAÇÃO, MEDIANTE DECLARAÇÃO ESCRITA DO INTERESSADO, QUE A TAL SE COMPROMETE.

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Marta Guerreiro

Essays on the Institutionalisation of a New Accounting Regime for Unlisted Companies in Portugal

ABSTRACT

The diffusion of International Financial Reporting Standards [IFRS] among nation states and organisations has been the subject of much debate in the accounting literature. One of the main issues is whether the institutionalisation process can overcome local specificities and needs, and become embedded in organizational structures and practices. This thesis adopts Institutional theory, specifically New Institutionalism, to study the adoption and institutionalisation of IFRS and adapted IFRS in Portugal. For this purpose, four essays are presented.

The first essay establishes the theoretical research framework used in the following essays. It also proposes some avenues of research regarding the application of institutional theory to study the international accounting harmonisation process.

The second essay draws upon the institutional change model of Dillard *et al.* (2004) to analyse the introduction of the *Sistema de Normalização Contabilística* [SNC] in Portugal, in 2010. Based on data collected in interviews and from archival sources, the essay reveals that the cascading institutionalisation process can invert at an earlier stage than portrayed by Dillard *et al.* (2004). However, if the institutionalisation of the new accounting system is to be successful, the interests and needs of the main actors have to be accommodated in the process of accounting change.

The third essay identifies institutional factors associated with preparedness of large Portuguese unlisted companies to implement the SNC. Results of a questionnaire survey of 116 companies reveal that important insights can be obtained by studying isomorphic influences in conjunction with the concepts of resistance and institutional logic. Coercive and mimetic institutional factors are found to influence levels of preparedness positively. However, resistance to change by the Portuguese accounting profession and the embeddedness of code-law practices in the prevailing logic are revealed to have undermined the progress of the preparedness process.

The fourth essay relies on the institutional framework proposed by Oliver (1991), to examine reasons for the voluntary adoption of IFRS by large Portuguese unlisted companies. Empirical evidence drawn from 158 questionnaire responses supports the view that acquiescence is not a blind response to institutional demands. Rather, voluntary adoption of IFRS is a strategic organizational response that results from companies promoting their self-interests and choosing the pressures to which they are willing to acquiesce.

Ensaio sobre a Institucionalização de um Novo Regime Contabilístico para as Empresas não Cotadas em Portugal

RESUMO

A difusão das *International Financial Reporting Standards* [IFRS] entre os países e organizações tem sido um tema muito debatido na literatura de contabilidade. Uma das questões abordadas consiste em investigar se a institucionalização das IFRS consegue ultrapassar as especificidades locais, e se estas se internalizam nas estruturas e práticas organizacionais. Esta tese adopta a Teoria Institucional, mais especificamente o Novo Institucionalismo, no estudo da adopção e institucionalização das IFRS e das IFRS ajustadas a Portugal. Para esta finalidade, são apresentados quatro ensaios.

O primeiro ensaio estabelece o enquadramento teórico utilizado nos ensaios seguintes. Este ensaio propõe ainda algumas pistas de investigação relacionadas com a aplicação da teoria institucional no estudo da harmonização contabilística internacional.

O segundo ensaio aplica o modelo de mudança institucional proposto por Dillard *et al.* (2004) na análise da introdução do Sistema de Normalização Contabilística [SNC] em Portugal, em 2010. Utilizando dados recolhidos em entrevistas e através de fontes documentais, este ensaio revela que o processo de institucionalização em cascata pode inverter-se numa fase anterior à prevista por Dillard *et al.* (2004). Contudo, para que a institucionalização do novo sistema contabilístico tenha sucesso, os interesses e necessidades dos principais actores devem ser acomodados no processo de mudança.

O terceiro ensaio identifica os factores institucionais relacionados com a preparação das grandes empresas Portuguesas não cotadas para implementar o SNC. Os resultados de um inquérito por questionário realizado a 116 empresas revelam que conhecimentos mais profundos podem resultar de se complementar o estudo das pressões isomórficas com conceitos de resistência e lógica institucional. Factores coercivos e miméticos influenciaram a preparação positivamente. Todavia, a resistência à mudança por parte da profissão contabilística e as práticas legalistas prevaletentes prejudicaram o progresso do processo de preparação.

O quarto ensaio baseia-se no modelo institucional proposto por Oliver (1991), para analisar os motivos da adopção voluntária das IFRS pelas grandes empresas Portuguesas não cotadas. Os resultados de 158 respostas a um questionário revelam que a aquiescência das empresas não é uma resposta cega às pressões institucionais. Pelo contrário, a adopção voluntária das IFRS é uma resposta estratégica na qual as empresas promovem os seus interesses e escolhem as pressões institucionais às quais respondem.

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ABBREVIATIONS

APOTEC	<i>Associação Portuguesa de Técnicos de Contabilidade</i> (Portuguese Association of Accountants)
ARC	Accounting Regulatory Committee
CMVM	<i>Comissão do Mercado dos Valores Mobiliários</i> (Securities Market Commission)
CNC	<i>Comissão de Normalização Contabilística</i> (Accounting Standards Board)
EU	European Union
GAAP	Generally Accepted Accounting Principles
IASB	International Accounting Standards Board
IFAC	International Federation of Accountants
IFRS	International Financial Reporting Standards
IOSCO	International Organization of Securities Commissions
OROC	<i>Ordem dos Revisores Oficiais de Contas</i> (Order of Official Auditors)
OTOC	<i>Ordem dos Técnicos Oficiais de Contas</i> (Order of Official Accountants)
POC	<i>Plano Oficial de Contabilidade</i> (Official Accounting Plan)
NCRF	<i>Norma Contabilística de Relato Financeiro</i> (Financial Reporting Accounting Standard)
NCRF-PE	<i>Norma Contabilística de Relato Financeiro – Pequenas Empresas</i> (Financial Reporting Accounting Standard – Small Entities)
SEC	Securities and Exchange Commission
SME	Small and Medium-sized Entities
SNC	<i>Sistema de Normalização Contabilística</i> (Accounting Standardisation System)
US	United States

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INTRODUCTION

Context and Motivation

During the last decade, International Financial Reporting Standards [IFRS] issued by the International Accounting Standards Board [IASB] have gained considerable acceptance around the world. IFRS are now mandatory for listed companies in the European Union [EU] member-states, Brazil, Turkey, South Africa and through most of the world, including Australia and Canada. In January 2005, IFRS were implemented in the EU, with more than 8,000 listed companies in EU member countries required to adopt these standards in preparing their consolidated financial statements. Currently, China and the United States [US] are engaged in projects intended to lead to convergence with IFRS.¹ The US Securities and Exchange Commission [SEC] has also given strong endorsement to IFRS by allowing foreign private companies to adopt IFRS in their financial statements. Even before IFRS became mandatory, many firms around the world had adopted IFRS voluntarily. Such context demonstrates that this regime of standards is rapidly emerging as a globally accepted accounting framework.

In the EU, the move to adopt of IFRS was motivated by the objective of creating an internal market with free movement of financial resources and people. Though the Fourth Directive (issued in 1978) and the Seventh Directive (issued in 1983) made important changes towards harmonisation of accounting regulation of member-states, ensuing harmonisation effects were small and related more to matters of form than matters of substance (Emenyonu & Gray, 1992; Haller & Kepler, 2002; Joos & Lang, 1994; van der Tas, 1992). Accordingly, the European Commission has acknowledged accounting directives were insufficient in ensuring the high levels of comparability and transparency that were needed to build an efficient and integrated capital market. This placed EU securities markets at a severe disadvantage globally (European Commission, 2002). As a result, since 1995, the EU has improved its relationship with the IASB. This culminated in Regulation 1606/2002 that imposed IFRS on consolidated financial statements of publicly traded companies, effective 1 January, 2005. This Regulation leaves each country to consider any additional scope for this obligation. Member-states have taken different options in doing so – some have decided to permit the use of IFRS

¹ See www.iasplus.com (accessed June 2011).

in all annual accounts, others have decided to permit the use of IFRS only in the annual accounts of listed companies, and others have allowed the use of IFRS in all consolidated accounts.²

In line with this emerging global and regional trend, the Portuguese government issued Decree-law 158/2009 (from 13 July), revoking Portugal's Official Accounting Plan [POC] and imposing a new accounting system, the *Sistema de Normalização Contabilística* [SNC - Accounting Standardisation System], from 1 January 2010 onward. This new accounting system is inspired profoundly by the IASB model.

The growth and success of the IASB's initiatives in issuing IFRS has been a result of demands of capital markets and globalisation forces, rather than as a result of specific governmental political initiatives (Whittington, 2005). Over the last century the rationale of accounting has evolved towards utility of financial information and to a principles-based approach. IASB standards have become the belief system underpinning principles-based accounting (see the second essay). IFRS are designed to reveal economic substance more than legal form, reflect economic gains and losses in a more timely fashion, and restrict the discretion historically allowable to managers in Continental Europe to manipulate provisions and create hidden reserves (Ball, 2006; Jaruga *et al.*, 2007). Thus, it is argued that financial information prepared in accordance with IFRS is more relevant and comprehensive to investors (especially with respect to disclosure) than most local accounting systems.

However, arguments about the benefits of adopting IFRS are not unanimous among academic researchers (see Chua & Taylor, 2008). Capital-market effects of mandatory IFRS adoption are not distributed evenly across countries or among firms (Armstrong *et al.*, 2010; Christensen *et al.*, 2007; Daske *et al.*, 2008). "The fundamental reason for being sceptical about uniformity of implementation in practice is that the incentives of preparers (managers) and enforcers (auditors, courts, regulators, boards, block shareholders, politicians, analysts, rating agencies, the press) remain primarily local" (Ball, 2006: 15). Worldwide efforts to achieve accounting harmonisation run directly counter to environmental differences and countries' idiosyncrasies (Salter & Doupnik, 1992; Shultz & Lopez, 2001). Each accounting system is a product of its unique cultural, political and economic history, and is embedded in its own beliefs

² Information about the options taken by member-states is available at www.iasplus.com/europe/1007ias-use-of-options.pdf (accessed March 2011).

(Chand & Patel, 2008), influencing the way each country adopts and interprets IFRS. Additionally, the complicated nature of IFRS, the different rules governing the preparation of reports, and the tax-orientation of many national accounting systems are significant barriers to effective convergence of accounting standards (Callao *et al.*, 2007; Larson & Street, 2004).

The complexity of the international accounting harmonisation process makes it a prolific topic area for accounting research. The phenomenon has been analysed from many different angles, including comparisons of international accounting practices, the influence of external factors (e.g. cultural, economical, financial, and political) on accounting practices, obstacles to global convergence, the advantages and disadvantages of establishing international accounting standards, measurement of the extent of international accounting harmonisation, and the effects of IFRS in different countries (see Baker & Barbu, 2007).

Nonetheless, the likely consequences of IFRS adoption for firms, as well for a society as a whole, are yet to be evaluated fully. In Portugal, very few studies have analysed the adoption of IFRS. The studies conducted to date comprise an analysis of the cost-benefit of the expected effects of Portuguese adoption of IFRS (Alves & Moreira, 2009); an examination of the characteristics of Portuguese listed companies that were better prepared to adopt IFRS in 2005 (Guerreiro *et al.*, 2008); an assessment of the relationship between the application of IFRS by listed companies and ensuing corporate governance and firm performance (Major & Marques, 2009); and an evaluation of whether IFRS adoption is associated with higher earnings quality and higher value relevance (Morais & Curto, 2008).

A positivist perspective dominates these studies. For theoretical support they usually resort to rational choice, contingency, agency or positive accounting theories. Such perspectives see the environment as a concrete structure with organisations as adapters and responders who are seeking to achieve efficiency; and with individuals engaged constantly in calculating the cost and benefits of different choices, and behaving in accord with such utility calculations (Hoque, 2006; Moll & Hoque, 2006). Nonetheless, the appropriateness of adopting IFRS in particular domestic settings needs to be better explained and understood, and to take account of the interactions between

organisations and the social, cultural and political environments in which adoption occurs.

The Portuguese case is a very interesting social phenomenon from a research perspective. The Portuguese accounting system is classified commonly as being in one of a group of countries in which the accounting has a Continental European influence. The structure of the Portuguese accounting system traditionally has been based on the Roman Code, in which accounting is regulated in detail (Jarne Jarne, 1997; Mueller *et al.*, 1997; Nobes & Parker, 2004; Salter & Doupnik, 1992). Portuguese accounting is influenced pronouncedly by tax law and possesses a strong legal tradition. The preparation of financial statements is oriented primarily to the needs of banks and the State. Given this background, the option taken by the *Comissão de Normalização Contabilística* [CNC - Accounting Standards Board] of revoking the POC model provides a good contemporaneous opportunity to understand how companies dealt with the pressures of the environment and how accounting change evolved within the Portuguese societal context.

This thesis aims to provide a holistic perspective of the relationship between Portuguese organisations and IFRS/SNC. It analyses the institutionalisation process of the SNC (a regime of adapted IFRS)³, and seeks to understand the behaviour of unlisted companies in a mandatory context and in a voluntary context.

In this thesis institutional theory is used as a theoretical lens. Particularly, recourse is made to the New Institutional Theory in Sociology (or New Institutionalism), that was elaborated by Meyer and Rowan (1977), DiMaggio and Powell (1983) and Scott (1987), among others. In recent years, institutional theory has been adopted increasingly in the accounting literature to explain accounting choices, accounting regulation and the inter-play between practices, institutions, power and politics (see the first essay). Through the inclusion of institutional pressures and institutional dynamics, the interests of organisations and the relative power of actors, institutional theory should render a deeper understanding of the evolution of institutions and change processes in the Portuguese accounting field. Additionally, institutional theory should provide useful insights to the complexity of reactions and responses to the SNC/IFRS, and do so by going well beyond economic and efficiency arguments.

³ “IFRS” is used to refer to the standards issued by the IASB. “Adapted IFRS” refers to contexts where a national accounting standards board has adapted IFRS to national contexts.

Purpose and Research Questions

This thesis comprises a two-phase study that addresses qualitative and quantitative research questions. The first phase involves assessing the appropriateness of institutional theory in explaining recent changes that have occurred in the regulation of accounting in Portugal. This assessment is made by means of an analysis of the institutional theory literature, with particular emphasis on studies that have applied this theory to explore processes of accounting change and the diffusion of IFRS. Then, a qualitative study of the institutionalisation process of the SNC is developed. This study focuses on the context of small and medium-sized companies [SMEs].

The usefulness of institutional theory in the first stage prompts the development of two quantitative studies in the second phase. These used institutional perspective to understand the organisational behaviour of large Portuguese unlisted companies regarding the adoption of SNC/IFRS. These studies focus on a different set of companies than those in the first. This enlarges the scope of the thesis, thereby helping to develop a comprehensive knowledge of the institutional factors associated with the adoption of SNC/IFRS by Portuguese companies.

Given the research purposes, the key research questions are:

1. Is institutional theory a theoretical framework appropriate to study processes of international accounting harmonisation and convergence of local standards with IFRS?
 - 1.1 Is adoption of IFRS or of adapted IFRS related profoundly to legitimacy concerns, and a means for nation states and organisations to respond to institutional pressures?
 - 1.2 How can an institutional theory framework be used in this thesis and in future research?
2. Does institutional theory explain the development of the SNC and the way it was adopted by SMEs?
 - 2.1 How has the institutionalisation process of the SNC evolved within the Portuguese societal context?

- 2.2 How have the interests and the power of actors shaped institutional dynamics and the institutionalisation process?
3. Does institutional theory explain the relationship between large Portuguese unlisted companies and the SNC, within a context of mandatory adoption of these standards?
 - 3.1 Which institutional factors are related to the level of preparedness exhibited by large Portuguese unlisted companies to adopt the SNC?
 - 3.2 How can institutional theory explain the different levels of preparedness to adopt the SNC exhibited by large Portuguese unlisted companies?
4. Does institutional theory explain the relationship between large Portuguese unlisted companies and IFRS, within a context of voluntary adoption of these standards?
 - 4.1 Is the choice among different sets of accounting standards a strategic response to the institutional pressures that affect companies?
 - 4.2 What type of organisational response does the voluntary adoption of IFRS by large Portuguese unlisted companies represent?

Research Method

Qualitative Research

In the second essay, semi-structured interviews are conducted with members of the CNC, the representative of the CNC in the Accounting Regulatory Committee [ARC] of the European Commission, the President of the official professional accounting association, *Ordem dos Técnicos Oficiais de Contas* [OTOC], and four accountants of SMEs. Factual data elicited from the interviews are corroborated by triangulation with official documents, press articles, press conferences, official speeches by members of the Portuguese government, and web sites of professional organisations, political parties, Portuguese parliament and the EU.

Semi-structured interviews are appropriate where it is necessary to understand the reasons for the decisions of participants, or the reasons for their opinions and attitudes (Saunders *et al.*, 2003). The interviews seek to attain an in-depth understanding of the phenomenon in question. Individuals are selected for their particular characteristics and because of their knowledge of the research purpose (Oppenheim, 2001). Interviews are less structured than a questionnaire and are more exploratory. Qualitative interviews need to be planned carefully. The sequence of questioning must consider the flow of the interview and ensure consistency with the research questions. Interview interaction has to generate relevant data. This means orchestrating the intellectual and the social dynamics of the situation. The achievement of such qualities in the interviews conducted should help to provide useful insights to the institutional processes affecting the Portuguese accounting system. The research questions can be approached from a different angle, with greater depth. This can be seen as a form of methodological triangulation, as suggested by Mason (2002).

Consequently, the interviews cover the adoption of the *Norma Contabilística de Relato Financeiro – Pequenas Empresas* [NCRF-PE - Financial Reporting Accounting Standard – Small Entities], and are complemented with questionnaires that gather data about the adoption of all *Normas Contabilísticas de Relato Financeiro* [NCRF-Financial Reporting Accounting Standards] (in the second phase). The purpose is to corroborate results (taking into consideration the different kinds of data produced for each one). Therefore, this part of the study is qualitative in the sense that it provides a complex and holistic description of the way accounting change took place in Portugal.

Additionally, accountants of small firms are not experienced in disclosing a large amount of information about accounting procedures and accounting choices, contrary to the practice in large firms. Usually the financial statements they prepare are intended to serve tax or financing purposes. Accountants of small firms are reluctant to provide information they feel is confidential because this is not usually disclosed. Mindful of these restrictions, a small number of interviews were conducted to gather information about the establishment and embedding of new accounting practices, and to explore the deinstitutionalisation of old practices of small accounting firms.

There is also a concern regarding the generalisation of findings from a small possibly unrepresentative number of interviews. The results of such interviews should

not be generalised. However, the aim is to analyse the findings of the study in relation to the existing theoretical frame of reference. Accordingly, the purpose is to discuss which general conclusions can be extracted from the specific research. When it is possible to relate the research findings to theoretical propositions, such findings can be demonstrated to have a broader significance than the cases that are the basis of the study (Moll *et al.*, 2006b). The relationship between the findings of the study and the existing theory allows testing the theory's applicability and theoretical propositions advanced can be tested in another context. This is the main goal of this part of the empirical analysis.

Quantitative Research

The second and third essays feature quantitative studies. The empirical data for these studies is gathered through a questionnaire sent to the 500 largest Portuguese companies (appendix F). The questionnaire was posted to respondents and returned by them by post after completion (appendix G). Such surveys have several strengths. They are ideal for large sample sizes, or when the sample comes from a wide geographic area. They allow sampling to minimize error at relatively low cost (Salant & Dillman, 1994). Another advantage is that most people are familiar with questionnaires, so generally, they do not make people apprehensive. Questionnaires also reduce bias. The presentation of questions to each individual is uniform, with no middle-person bias. There are no verbal or visual signs to influence the respondent, therefore reducing measurement error. A mail survey also provides a sense of privacy: it is a largely anonymous vehicle for giving sensitive information. The respondent has ample opportunity to complete the questionnaire at a time and place of his/her choosing. Simultaneously, data analysis can be completed with the help of computer software packages, thereby simplifying the processing (Gillham, 2002).

However, mail surveys have some weaknesses. Non-response error can be a problem. Some people are less likely to respond to a questionnaire than others, often influenced by their level of interest in the topic. Low response rates weaken the confidence of statistical results. Another disadvantage is that there is no guarantee that the questionnaire is completed by the person to whom the questionnaire was sent. Researchers have little control over what happens to the questionnaire after it is mailed.

Finally, it is not possible to guarantee that mail questionnaires are filled out completely. Item non-response error stems from respondents purposely skipping over difficult or boring questions or inadvertently overlooking some items (Gillham, 2002; Salant & Dillman, 1994).

The design of a mail questionnaire should encourage people to respond. Based on Creswell (2009), Gillham (2002), Oppenheim (2001), Salant and Dillman (1994) and Saunders *et al.* (2003), several rules were followed. The questionnaire was printed as a booklet in order to give it a professional and appealing look. The front cover included the title of the survey, the name of university and the contacts available. To enhance the credibility of the research work, the logo of the researcher's university affiliation (University of Minho) was included on the front cover. The back cover had an invitation to make comments, with a blank space provided for respondents.

A personalised covering letter was used (appendix H). This also included the logo of the university. It was addressed to the company, and whenever possible, to the finance director of the company. The covering letter explained the purpose of the questionnaire, the general identities of other companies to whom it had been sent (the 500 largest Portuguese companies), the time expected to complete the questionnaire and how participation would be greatly appreciated. To stimulate responses, the cover letter mentioned that the main findings of the study would be sent to all respondents.

Additionally, more interesting and topic-related questions were placed at the beginning of the questionnaire. Questions on the same subject were grouped together, and questions with similar structures were grouped also. Questions were in dark type and answers in light type. Brief instructions on how to answer the questions were given where the information was needed. Multicolumn design was used to combine several questions.

Before letters and questionnaires were dispatched, five pilot tests of the questionnaire were conducted to verify the reliability and suitability of the questions. The purpose of a pilot test is to improve the questionnaire so that respondents will have fewer problems in answering the questions, and lead to fewer problems in recording data (Saunders *et al.*, 2003). Indeed, watching people fill out the questionnaire in the pre-testing phase was helpful in improving several questions and led to a better final version of the questionnaire.

The names of the companies surveyed were visible only on the envelopes and in the cover letters. This provided a sense of confidentiality. On the first page of the questionnaire, information about the confidentiality of responses was given, together with an estimate of the time likely to be required to fill out the questionnaire. Although this information was already in the cover letter, it was thought to be important to restate it on the first page of the questionnaire. This was because the person responsible for completing the questionnaire might not be the person to whom it was posted – the financial director.

The questionnaire had three main sections which could be completed by different persons. The first section had questions primarily about the regime of accounting standards in use prior to 2010, the accounting standards they intended to use from 2010 onwards, and the accounting procedures they were implementing in preparing themselves to adopt the new accounting system in their individual accounts. This section required that respondents to know the accounting procedures of the company well.

The second section included questions about what companies expect to be the consequences of adopting the SNC/IFRS in their business. This section had two main goals: first, to analyse the attitude of the companies towards the SNC/IFRS (positive or negative): that is, whether they recognised several advantages of adopting the SNC/IFRS, or whether this adoption was imposed against their will; and second, to identify business characteristics and the way companies are interconnected with their organisational field. This section had to be completed by someone who knew the core business of the company very well, the environment in which it operates, and the users of their financial statements. Usually, the financial director was the person with this knowledge.

The third section included more specific questions about companies and the characteristics of respondents. These questions were important for response profiling.

The questionnaires were mailed on 15 September, 2009, accompanied by the covering letter and a stamped return envelope. The covering letter mentioned 31 October, 2009 as the deadline for return.

The first follow-up was made three weeks later by e-mail. The second follow up occurred a further three weeks later, by phone. Whenever it was not possible to talk to the financial director, this follow-up was by an e-mail which attached a copy of the questionnaire and a new covering letter. A third follow-up was made another three weeks later, extending the deadline date until the end of November, 2009.

The computer software packages used for data analysis were the Statistical Package for the Social Science (SPSS) 18, the LISREL 8.71 software, and EViews 6.

Expected Contributions

This thesis contributes to international accounting research in several ways. At a theoretical level, the use of institutional theory provides further understanding of the way organisations deal with IFRS and adapted IFRS. The first essay reveals how institutional theory extends arguments grounded on efficiency and rationality that are usually applied in understanding organisational behaviour in this area. The adoption of IFRS is seen as related profoundly to legitimacy concerns and as a mean for nation states and organisations to respond to institutional pressures. This is because IFRS establish organisations as appropriate, rational and modern. The first essay reviews the underpinnings of institutional theory, the evolution of institutional arguments over time, and its prospects of development. This should provide future avenues of research in the context of exploring local adoption of IFRS or adapted IFRS through institutional lenses.

Additionally, each of the empirical studies is expected to make other related theoretical contributions.

In the second essay, the institutional change model conceptualised by Dillard *et al.* (2004) is applied to analyse the institutional dynamics in the Portuguese societal context during the development and adoption of the SNC. Using this model in this context provides an ideal scenario for investigating its applicability in the international accounting field. The specificities of the context of national convergence with IFRS can create an ideal setting to explore and improve the Dillard *et al.* (2004) model. In the third essay, the study of isomorphic pressures on large Portuguese unlisted companies

for mandatory accounting change is complemented with the concepts of resistance and institutional logic. In the fourth essay, Oliver's (1991) framework is used, for the first time, to explain the relationship between institutional pressures for voluntary adoption of IFRS and strategic responses of large Portuguese companies.

At the empirical level, this thesis highlights the implications of the adoption of a new accounting system based on IFRS by a nation state, Portugal. It explores the institutional dynamics that flow from the Portuguese societal context down to the level of the accounting organisational field and to the level of small accounting firms involved in the adoption of the SNC. It also highlights the gradual transformation of meanings and criteria across different levels of analysis and reveals how actions of agents influence outcomes at each of the three levels. By presenting an in-depth study of the implementation of an adapted IFRS regime of accounting standards, this thesis is expected to contribute also to the broader literature on the implementation of IFRS. Additionally, the thesis evaluates the preparedness of large unlisted companies to adopt the SNC, identifies the institutional factors that are important in understanding their degree of preparedness, and explores explanations within institutional theory for the low level of preparedness found. Further, the thesis identifies which strategic response best describes voluntary adoption of IFRS by large unlisted companies.

Structure

The thesis consists of four essays, in addition to an introduction and a conclusion. The essays complement each other by using institutional theory to comprehensively study the adoption of IFRS/SNC by Portuguese companies.

The first essay reviews the fundamentals of institutional theory, its major criticisms, and how recent developments have overcome those criticisms. It also overviews the application of institutional theory in accounting research, especially studies on the adoption of IFRS by nation states. This essay reveals how institutional theory is a powerful lens for studying processes of accounting change related to international accounting harmonisation (namely changes from local standards to IFRS or to adapted IFRS). Finally, the essay suggests some avenues for future research.

The second essay provides an in-depth analysis of the processes affecting the Portuguese accounting model by applying the framework proposed by Dillard *et al.* (2004). Using data gathered in interviews and from archival sources, this study examines the process of accounting change that occurred recently in Portugal with the adoption of the SNC. The essay explores the top-down deinstitutionalisation of the POC and the institutionalisation of the SNC. It explores also the articulation of institutional dynamics at three levels: the political and economic level within which the SNC was established; the level of professional accounting associations that want to ensure the accommodation of their interests in the process; and the organisational level of SMEs that face important institutional contradictions.

The third essay explores the institutional conditions that explain the way large Portuguese unlisted companies have prepared themselves to adopt the SNC. Using questionnaire survey responses from 116 large Portuguese unlisted companies at the end of 2009, this essay evaluates the degree of preparedness of companies by means of a proxy developed to capture the conversion practices. Additionally, the initial framework of isomorphic pressures of DiMaggio and Powell (1983) is combined with more recent perspectives of institutional theory that accommodate change, strategic choice, organisational resistance and institutional logics.

The fourth essay examines the role of strategic choice in the voluntary adoption of IFRS by large Portuguese unlisted companies. By applying the framework proposed by Oliver (1991), this essay determines the type of organisational response that represents the voluntary adoption of IFRS by large Portuguese firms. Data were collected using questionnaire survey responses from 158 large Portuguese unlisted companies.

To conclude the thesis, a summary is provided of the main findings of the essays in light of the research questions outlined. This summary assesses the main theoretical and empirical contributions of the thesis.

ESSAY 1

Institutional Theory and the Process of Convergence to IFRS: A Literature Review

1. Introduction

Accounting researchers are increasingly viewing accounting as a social and institutional practice, rather than as a merely technical practice (Miller, 1994). Accounting standards assign importance and relevance to some facts by establishing measurement and disclosure rules; and through exclusion, assign immateriality and insignificance to others (Young, 2003). Accounting rules influence the way resources are produced and distributed in the economy. They influence what is considered organisationally and socially rational and valuable, and what is considered irrelevant at an organisational level (Cooper & Robson, 2006). Viewing accounting as a social and institutional practice led researchers to study how accounting practices are created, altered and become embedded.

Institutional theory, specifically Neo-Institutional Theory in Sociology (or New Institutionalism as it is designated also) is particularly useful in supplementing frequently used functionalist explanations of accounting practices. The institutional framework explains the mechanisms through which organisations seek to align perception of their practices and characteristics with the social environment, and how such practices become institutionalised in particular organisations (Deegan & Unerman, 2006). As Dillard *et al.* (2004: 507) contend, accounting-based studies grounded on institutional theory provided “[e]vidence suggesting the importance of social culture and environment on the practice of accounting; the use of accounting practices as rationalizations in order to maintain appearances of legitimacy; and the possibility of decoupling these rationalizing accounting practices from the actual technical and administrative processes.” Accordingly, an institutional approach should be valuable in understanding the processes and consequences of accounting change in specific settings, particularly where accounting regulations are developed and applied for the first time, with little investigation of the broader implications of their application for the organisations involved or for society (Potter, 2005). For these reasons, study of the adoption of a new accounting system in Portugal is analysed through institutional lenses.

The purpose of this essay is to justify the appropriateness of institutional theory as a lens to study the diffusion of accounting practices, and particularly, the processes of accounting change resulting from advances in international accounting harmonisation. Examination of the process of adopting IFRS worldwide through institutional lenses provides an opportunity to enhance understanding of the influential constituents, the role of interests shaping new institutional logics, how IFRS are adopted as a legitimating device, and the consequences of adoption for the organisations involved. It increases understanding of the role of key institutions such as the State, the accounting profession and multinational organisations in shaping the processes by which accounting regulatory changes occur.

This essay presents the theoretical research framework used in the following essays. It reviews the underpinnings of institutional theory and recent developments in that theory, and overviews applications of it in accounting research, particularly in the financial accounting field. Then, an examination is made of the development of some avenues of research regarding the application of institutional theory to study of the international accounting harmonisation process. Finally, conclusions are presented.

This essay does not conduct a full analysis of all studies on institutional theory (for a deeper review see Greenwood *et al.*, 2008b; Lawrence & Suddaby, 2006; Scott, 2001). Though several other approaches could be taken in conducting this review, the line of argument used contextualises the empirical studies presented in the following essays.

2. Institutional Theory Review

2.1 Fundamentals of Institutional Theory

The application of institutional theory to the study of organisations emerged during the mid-1970s, proposing a phenomenological view of organisations. This focused attention on meaning systems and the ways in which such systems are constructed and reconstructed in social action (Greenwood *et al.*, 2008a; Scott, 2004). Investigators became aware that organisations must consider the technical environment and the institutional environment: that is, the regulative, normative and cultural-

cognitive features that define “social fitness” (DiMaggio & Powell, 1983; Meyer & Rowan, 1977; Scott, 2001). A starting-point for this stream of research is an opposing perspective to rational-choice theories and an assumption that organisational structures and procedures are shaped largely by external factors rather than cost-minimising objectives (Moll *et al.*, 2006a).

Following Weber’s work, Meyer and Rowan (1977) were interested in the rationalisation and diffusion of bureaucracies in modern society (Greenwood *et al.*, 2008a). Meyer and Rowan (1977) embrace the view that organisations are influenced by widespread social understandings (*rationalised myths*) that constitute their *institutional context* and define what it means to be rational. These myths are highly institutionalised and, therefore, they are beyond the discretion of individual participants or organisations. They are taken for granted as legitimate, apart from evaluations of their impact on work outcomes. For example, an accounting firm may be organised as a professional partnership, not because that formal structure was thought to be the best form of governance to facilitate efficient and effective task performance, but because that form is defined as the appropriate way of organising the conduct of accounting work (Greenwood & Hinings, 1996).

This institutionalised behaviour, considered as something widely practiced and taken for granted, is related to the concept of institutionalisation. *Institutionalisation* is the process “[b]y which social processes, obligations, or actualities come to take on a rule like status in social thought and action” (Meyer & Rowan, 1977: 341). However regarding the concept of *institution*, Meyer and Rowan did not offer an explicit definition. As Greenwood *et al.* (2008a) contend, during the 1980s this concept was troublesome due to the double meaning it acquired: first, as rationalised myths within a cultural context; and second, as a framework of (primarily State) regulatory agencies and policies (Scott & Meyer, 1991) that did not embrace socio-cultural elements explicitly. Later Scott (1995) clarified this concept by highlighting the regulative, normative and cultural-cognitive “pillars” that underpin institutions and that can often be found together. However, his view privileges the cultural cognitive frameworks that “[p]rovide the deeper foundations of institutional forms” (Scott, 2008: 429). Accordingly, *institutions* may be defined as the “[m]ore-or-less taken-for-granted repetitive social behaviour that is underpinned by normative systems and cognitive

understandings that give meaning to social exchange and thus enable self-reproducing of social order” (Greenwood *et al.*, 2008a: 4-5).

Cultural and social behaviour influence and construct rules, values and norms which provide *legitimacy* to organisations that comply with them (Meyer & Rowan, 1977). To institutional theorists legitimacy is not a resource to be possessed “[b]ut a condition reflecting perceived consonance with relevant rules and laws, normative support, or alignment with cultural cognitive frameworks” (Scott, 2001: 59). Consequently, organisations meet society’s expectations in searching for legitimacy. Organisations unaware of the way their actions are infused with values and unaware of the need to meet the expectations of society, may lose support, and thus put their survival at risk (Fogarty *et al.*, 1997). These organisations are more vulnerable to claims that they are negligent, irrational, or unnecessary. Achieving legitimacy in the eyes of the world, state, powerful professions, or society at large is an effective survival (Carruthers, 1995). Suchman (1995) provided greater specificity to this concept by distinguishing between pragmatic, moral and cognitive legitimacy and by identifying the various audiences who confer it.

Institutional constituents exerting pressures and expectations on organisations include not only the State and professions, as institutions, but also interest groups and public opinion (DiMaggio & Powell, 1983; Meyer & Rowan, 1977). Nonetheless, Scott (1987) argues that the two primary institutional constituents shaping institutional environments in modern societies are the State and professional bodies. They do so directly, by imposing constraints and requirements; and, indirectly, by developing and promulgating new rational myths. However, the mechanisms they employ to disseminate structures are distinctive. State actors tend to employ coercion or inducement in pursuing their ends. They are also more likely to attempt to create a formal organisational network to carry out their purposes. Professional bodies “[r]ely primarily on normative and/or mimetic influences and attempt to create cultural forms consistent with their own aims and beliefs” (Scott, 1987: 509).

Though organisations were envisaged as subject to institutional influences, in early writings of institutional theory a distinction was made about the extent organisations are influenced by them. Accordingly, institutional pressures tend to evoke a ceremonial (or symbolic) response, while technical pressures tend to lead to

instrumental change (Meyer & Rowan, 1977). Scott and Meyer (1991) distinguished in a very explicit manner between *institutional environments* and *technical environments*. “Technical sectors are those in which a product or service is produced and exchanged in a market such that organizations are rewarded for effective and efficient control of their production systems”, and by contrast institutional sectors are “[c]haracterized by the elaboration of rules and requirements to which individual organizations must conform if they are to receive support and legitimacy” (Scott & Meyer, 1991: 123). This implied opposition between institutional requirements and efficient performance was present in the Meyer and Rowan’s (1977) foundational article and was reinforced later when DiMaggio and Powell (1983) distinguished between conformity pressures among organisations based on competitive pressures, and those stemming from institutional pressures.

Contradictions of institutional rules with internal organisational efficiency and contradictions among multiple institutionalised pressures may be solved through *decoupling* (Meyer & Rowan, 1977; Zucker, 1987). In this situation, a separation occurs between the systems used to secure external legitimacy and those used to manage activities of the organisation (Nor-Aziah & Scapens, 2007; Orton & Weick, 1990). Decoupling can be seen as a natural reaction by organisations that are subject to rationality contexts and are pursuing social legitimacy (Meyer & Rowan, 1977). The main advantage of decoupling activities is in enabling organisations to maintain standardised, legitimating, formal structures while their activities vary in response to practical considerations.

This concept was further extended by Orton and Weick (1990). They adopted a multidimensional interpretation of loose coupling and distinguished this concept from tight coupling and decoupling. *Tightly coupled* systems have responsive components that do not act independently from each other (“responsiveness without distinctiveness”); *decoupled* systems have elements that are distinctive from, and do not respond to other elements (“distinctiveness without responsiveness”), whereas *loosely coupled* systems have distinctive elements, independence or with some degree of independence from other elements, but yet are responsive because they are connected or linked (“distinctiveness and responsiveness”). Several studies have applied these concepts in understanding processes of accounting change (e.g. Cruz *et al.*, 2009; Lukka, 2007; Nor-Aziah & Scapens, 2007).

Adopting similar structures displayed by other significant organisations can also be perceived as a source of legitimacy through alignment with rationalised institutional myths. This idea that organisations converge upon the same response to their institutional environments was further developed by DiMaggio and Powell (1983). These authors resort to Hawley's description of *isomorphism* as a constraining process that forces one unit in a population to resemble other units that face the same set of environmental conditions. DiMaggio and Powell (1983) argue that there are two types of isomorphism: competitive isomorphism and institutional isomorphism. *Competitive isomorphism* assumes a system rationality that emphasises market competition. It is relevant for those fields in which free and open competition exists. However, this concept must be complemented by an institutional view of isomorphism.

For DiMaggio and Powell (1983), the concept of *institutional isomorphism* is a useful tool for understanding the rationalisation of modern organisational life. The most cited contribution of their paper (according to Greenwood *et al.*, 2008a) is its discussion of the three mechanisms through which institutional isomorphic change occurs: that is, through coercive, normative and mimetic pressures.

Coercive isomorphism relates to power relationships and politics. It concerns the way powerful organisations, including the State and (financial) resource suppliers, exert force on organisations to adopt specific internal procedures and practices, or else face sanctions. In Portugal, the adoption of the SNC should lead to the deinstitutionalisation of the POC and to the institutionalisation of a new accounting system. In this particular case, organisational change is a direct response to government mandate.

Normative isomorphism relates to what is widely considered a proper course of action due to the signalling of the environment of organisations that the adoption of a particular practice or structure is a correct moral choice. It usually arises by claims of particular dominant professions or professional bodies because similar education and training instil identical professional values of what is "proper" (Boxenbaum & Jonsson, 2008).

Mimetic isomorphism occurs when organisations dealing with uncertainty adopt the internal structures or procedures adopted by other organisations they perceive to be more successful and legitimate (DiMaggio & Powell, 1983). These forms of institutional pressures can operate simultaneously and hinder identification of which

form is more important. This process is field-specific. Analytical emphasis is placed at the organisational field or “societal sector” which is considered particularly suited to the study of institutional processes (Scott, 1991; Scott & Meyer, 1991). Tolbert and Zucker (1983) stated that the process of diffusion involves two stages. Early adopters are motivated by technical and efficiency considerations while later adopters respond primarily to legitimacy concerns by adopting “modern, efficient and rational” procedures even though the procedures are not especially functional.

DiMaggio and Powell (1983) define an *organisational field* as those set of organisations that, in the aggregate, constitute a recognised area of institutional life, such as key suppliers, resource and product consumers, regulatory agencies, and other organisations that produce similar services or products. Because organisational fields help to bound the environments within which institutional processes operate, this level has been favoured as a site for the explanation of structuration processes (Scott, 2004). Fundamental to this definition is the focus upon communities of organisations that directly interact with one another or are influenced by each other in a meaningful way (Greenwood *et al.*, 2002).

Homogenization emerges out of the *structuration of organisational fields* (DiMaggio & Powell, 1983). The concept of structuration captures the process whereby a gradual maturity and a specification of roles, behaviours, and interactions of organisational communities occurs (Greenwood *et al.*, 2002). DiMaggio and Powell (1983) described structuration of organisational fields as a four-stage process. The increase of interactions among organisations in a field is followed by the emergence of thoroughly defined intraorganisational structures of domination and patterns of coalition, by an increase in the information with which organisations have to deal, and the development of a mutual awareness by participants in a field of a common purpose. A diverse set of organisations constitute an organisational field as they increase the homogenization of their activities, of their structures, and of new entrants as well. When organisational fields start, they display considerable diversity in approach and form. But, once a field becomes well established, there is an inevitable push to homogeneity. Nonetheless, boundaries and behaviours are not fixed and structuration does not imply perfect reproduction. Field should be seen not as static but as evolving. Its boundaries are constantly under review and subject to redefinition and defence due ongoing claims and counterclaims (Greenwood *et al.*, 2002).

2.2 Overcoming the Major Criticisms of Institutional Theory

As institutional theory was becoming clearly established within organisational theory as a productive lens to understand the relationship between organisations and their environment, it was criticised for three major reasons: first, in terms of opposition between technical (market) and institutional environments (Granlund & Lukka, 1998; Hopper & Major, 2007; Mezias, 1990; Scott, 2001); second, in terms of neglect of power, agency and interests (Beckert, 1999; Dillard *et al.*, 2004; DiMaggio, 1988; Lounsbury, 2008; Oliver, 1991; Scott, 2001; Scott & Meyer, 1991); and third, for failing to study the processes whereby institutions are created, transposed and/or decomposed (Cruz *et al.*, 2009; Dillard *et al.*, 2004; Hopper & Major, 2007; Scott, 2001; Seo & Creed, 2002).

2.2.1 Opposition between technical and institutional environments

The distinction between technical environments (that reward efficient performance) and institutional environments (that reward conformity to rationalised myths) was frequently drawn (Powell, 1991; Scott, 1991). As stated by Carruthers (1995), in earlier times of institutional theory efficiency was the means-ends logic in the heart of technical environments, while legitimacy and cultural logic was the core of institutional environments. However, this overly narrow understanding of where institutional processes occur was discarded gradually. Scholars began to recognise that “markets” were institutions (Greenwood *et al.*, 2008a), that economic actors can have several goals simultaneously, and that actors do not concentrate on profits to the exclusion of all else (Carruthers, 1995). As Hooper and Major (2007: 63) contend “[N]IS researchers now recognize that institutional and economic pressures are not mutually exclusive or oppositional, can confront organizations simultaneously, and prevail on both public and private organizations.” The overcoming of this limitation of institutional theory broadened the scope of institutional theory in understanding all types of organisations, including for-profit organisations (e.g. Granlund & Lukka, 1998; Hopper & Major, 2007; Hyvönen *et al.*, 2009; Jamali, 2010; Mezias, 1990; Palmer *et al.*, 1993; Touron, 2005).

2.2.2 Overreliance of institutional theory on mimesis

The second major criticism this essay addresses is the overreliance of institutional theory on mimesis as the core mechanism to explain diffusion. Such explanation reflects a narrow conceptualisation of institutional dynamics, neglecting the role of power, agency and interests in shaping organisational action (DiMaggio, 1988; Lounsbury, 2008). There was an assumption of passivity. Expectations of acceptable practice were given by the institutional environment and organisations conform to them to gain legitimacy and continued support. The study of diffusion emphasised a two-stage process whereby later adopters engage in mindless imitation driven by legitimacy concerns (Lounsbury, 2008). However, several studies introduced into institutional arguments the role of entrepreneurs (DiMaggio, 1988) and intraorganisational processes (Greenwood & Hinings, 1996) in change processes. They have argued that the power and interests of organisational actors in translating and using social expectations influences the way rules and structures are institutionalised (e.g. Carpenter & Feroz, 2001; Covaleski & Dirsmith, 1988; Powell, 1991; Scott, 1991).

In more recent studies of organisational decision-making, practice variation and agency, two different approaches to rationality of actors are identified (Lounsbury, 2008): instrumental rationality and institutional rationality grounded on the concept of logic.

The first approach has incorporated agency by emphasising a strategic approach to the rationality of actors that explains divergences in motives and behaviour. Oliver's (1991) essay combined institutional and resource dependence arguments to introduce a more purposive action into institutional theory (Scott, 2008). Following the classification of the variety of behaviours that organisations may exhibit in response to institutional pressures, Oliver (1991) identified the conditions that constrain the willingness and ability of organisations to conform to these pressures. Some of those conditions are organisational scepticism about the legitimacy of institutions; political self interest among organisational actors that are cross-purposes with institutional objectives; organisational efforts to control processes and outputs; inadequate resources or capacity to meet the requirements for conformity or facing conflicting institutional pressures that make unilateral conformity unachievable. "Organizational responses to institutional pressures toward conformity will depend on why these pressures are being

exerted, who is exerting them, what these pressures are, how or by what means they are exerted, and where they occur” (Oliver, 1991: 159). These five questions correspond to five institutional antecedents – cause, constituents, content, control and context, whose variations are hypothesised to determine choice of strategy. Decoupling began to be seen as one kind of response to institutional pressures, among other responses that vary in type and extent across organisations, which itself required explanation (e.g. Westphal & Zajac, 1994; Westphal & Zajac, 1998). The strategic response model designed by Oliver was applied widely in studying the ways and extent to which organisations respond to institutional pressures (Clemens & Douglas, 2005; Goodstein, 1994; Ingram & Simons, 1995; Jamali, 2010), including in the accounting field (Abernethy & Chua, 1996; Carpenter & Feroz, 2001; Etherington & Richardson, 1994; Hyvönen *et al.*, 2009; Modell, 2001).

The second approach to interests and agency emphasises a more collective and institutional approach to rationality. This is closer to the initial impetus of institutional theory and of the “Weberian” sources of formal organisational structures (Lounsbury, 2008) encompassing broader structures of meaning. This approach relies on the concept of *logic*, and, as Greenwood *et al.* (2008a) contend, represents a welcome return of the importance of cultural symbols. Friedland and Alford (1991) introduced institutional logics into contemporary institutional theory to describe the contradictory practices and beliefs inherent in institutions. They argued that core institutions of modern societies – the capitalist market, the bureaucratic State, families, democracy and religion - have central logics that constrain the means and ends of individual behaviour and are constitutive of individuals, organisations and society. Accordingly, logics constitute the rules and conventions of a particular organisational field, but they are nested within these higher-order societal institutions.

Thornton and Ocasio (1999: 804) defined *institutional logics* as “[t]he socially constructed, historical patterns of material practices, assumptions, values, beliefs and rules by which individuals produce and reproduce their material subsistence, organize time and space, and provide meaning to their social reality.” These broader cultural beliefs and rules structure cognition and guide actors’ decision making in a field: they help organisational actors focus attention on a limited set of issues and solutions that are consistent with the prevailing logic; they determine which issues are important and should be a focus of attention; and determine which answers and solutions are

fundamental (Thornton, 2002). Because society is viewed as an inter-institutional system, heterogeneity and agency can be theorised and observed due to the contradictions between the logics of different institutional orders (Thornton & Ocasio, 2008). The existence of multiple forms of rationality (multiple logics) provides a foundation for the explanation of organisational variety (Lounsbury, 2008). Research on institutional logics that adopts a field-level perspective has confirmed the existence of competing logics within a field (Greenwood & Suddaby, 2006; Lounsbury, 2007; Suddaby *et al.*, 2007) and how competing logics provide a foundation for resistance to change (Marquis & Lounsbury, 2007). Nonetheless, when logics are consistent and easily taken-for-granted they are most influential (Owen-Smith & Powell, 2008).

Agency is addressed within the institutional logic approach through the assumption that individual and organisational actors seek power, status and economic advantage. However, the means and ends of their interests and agency are enabled and constrained by prevailing institutional logics (Thornton & Ocasio, 2008). This embeddedness of agency assumes that society consists of three levels – individuals, organisations and institutions – whereby organisations and institutions specify progressively higher levels of constraint and opportunity for individual action (Friedland & Alford, 1991).

2.2.3 The scarce attention given to institutional dynamics

The third major criticism of institutional theory is the scarce attention given to explanations of institutional dynamics. This is how institutional practices are established, transposed and decomposed; and also is related to the multilevel institutional context that constitutes the framework for these organisational processes. According to Greenwood and Suddaby (2006), processes of institutional change have been assigned to exogenous sources and endogenous sources. *Exogenous* sources of change can take the form of social upheaval, technological disruptions, competitive discontinuities and regulatory change. *Endogenous* sources have been examined through the idea that institutional entrepreneurs are well-resourced role playing actors who regard institutions as an opportunity to realise highly valued interests (DiMaggio, 1988). Additionally, theoretical models were outlined addressing institutional creation,

institutional change and processes of deinstitutionalisation (Greenwood *et al.*, 2002; Lawrence *et al.*, 2001; Oliver, 1992; Seo & Creed, 2002).

Nonetheless, these studies neglected the institutional dynamics across different levels of analysis over time (Dillard *et al.*, 2004; Hopper & Major, 2007; Modell, 2009). Research into understanding change processes and their motivations is restricted largely to factors at the organisational field level (e.g. D'Aunno *et al.*, 2000; Ezzamel *et al.*, 2007; Greenwood & Suddaby, 2006; Greenwood *et al.*, 2002; Suddaby *et al.*, 2007) or at the organisational level (e.g. Burns, 2000; Burns & Scapens, 2000; Lukka, 2007). Such research is limited in its capacity to recognise how higher levels of the societal context influence and define the organisational context. It is also limited in recognising the prominence of power, special interests and the political nature of the social context, and the links between social action through the various levels of the institutional environment.

In contrast, Dillard *et al.* (2004) proposed a framework within which a hierarchy of institutional influence is formulated. They articulate the institutional dynamics over the three levels of social systems: political and economic level, organisational field level and organisational level. By integrating Weber's ideas of rationality and power with structuration theory (Giddens, 1976, 1979, 1984), they specified the primary structural components of the inter-related context (legitimation, signification and domination structures) within which agents promote change or reinforce the *status quo* (Dillard *et al.*, 2004). Englund and Gerdin (2008) present several studies in the accounting field that have used also Giddens' conceptualisations. Structuration theory can overcome the inherent inertia of early formulations of institutional theory and the dualism between structure and action by conceptualising structures as processes. Structures can only exist if, and to the extent to which, they are continually revised and reproduced. Structures provide the context within which action occurs, but are themselves either changed or reproduced by the understandings and choices made by knowledgeable and reflexive actors (*duality of structure*). Several studies have adopted the Dillard *et al.* (2004) way of integrating institutional dynamics with the context of institutional practices (Cruz *et al.*, 2009; Hopper & Major, 2007; Irvine, 2008; Tsamenyi *et al.*, 2006).

3. Accounting Research Applying Institutional Theory

Systems-oriented perspectives used in accounting research, such as legitimacy theory, stakeholders' theory and institutional theory, assume that organisations are influenced by, and in turn have influence upon, the society in which they operate (Deegan & Unerman, 2006). Nonetheless, “[i]nstitutional theory is perhaps the dominant approach to understanding organizations” (Greenwood *et al.*, 2008a: 2). Specifically, in the accounting field, institutional theory is the branch within organisational studies which has probably had most influence on recent accounting research (Moll *et al.*, 2006a).

Covaleski and Aiken (1986), Meyer (1986), Covaleski and Dirsmith (1988) and Mezas (1990) were some early adopters of institutional theory in accounting research. But the applicability of institutional theory in the accounting field has been proven over the years by numerous studies.

3.1 Contemporary Accounting Research

Studies of accounting changes in the public sector are quite extensive in the institutional literature (e.g. Brignall & Modell, 2000; Broadbent *et al.*, 2001; Covaleski & Dirsmith, 1991; Covaleski *et al.*, 1993; Mezas & Scarselletta, 1994), especially in the field of management accounting (e.g. Abernethy & Chua, 1996; Collier, 2001; Hyvönen *et al.*, 2009; Lapsley & Pallot, 2000; Modell, 2001, 2009; Nor-Aziah & Scapens, 2007). However, as explained earlier, institutional theory is also particularly useful for analysing organisations that are confronted with institutional and market pressures simultaneously. These studies have focused on, among other issues, the importance of institutional pressures in explaining accounting practices of for-profit organisations (Chalmers & Godfrey, 2004; Hussain & Hoque, 2002; Mezas, 1990), change in management accounting systems (Granlund, 2001; Granlund & Lukka, 1998; Ribeiro & Scapens, 2006; Soin *et al.*, 2002), how adoption of these systems in a subsidiary organisation is shaped by institutional factors and may decouple from internal operations (Cruz *et al.*, 2009; Dambrin *et al.*, 2007; Yazdifar *et al.*, 2008), and how diffusion involves isomorphic forces, legitimacy concerns and accommodation of

interests of organisational actors (Hopper & Major, 2007; Masrani & McKiernan, 2011).

Institutional theory has also contributed significantly to understanding the choice of accounting standards. Usually, institutional researchers depict adoption of accounting practices as an important means by which organisations respond to pressures to enhance their legitimacy and prospects for survival. Actions are driven by prevailing concepts of what is “rational”, without demonstrating the efficacy of new practices (Potter, 2005). Carpenter and Feroz (1992; 2001) revealed that the decision to adopt generally accepted accounting principles [GAAP] by US State governments was taken to produce a symbol of legitimacy; and that it was influenced by powerful interests and reflected strategic responses to institutional pressures to adopt GAAP. Analysis of the institutional environment of these State governments showed that coercive pressures (in the form of resource suppliers) and normative pressures play a significant role in their decision to adopt GAAP. Touron (2005) used institutional theory to analyse the choice of US GAAP by French companies before 1973. This study concluded that adoption was driven by normative pressures (multinational audit companies) and mimetic pressures (imitation of leaders in the sector). Insights obtained by these studies called attention to important institutional pressures that could also be present in the Portuguese regulatory process, to difficulties that could arise from the adoption process, and to evidence of isomorphic forces in action at the organisational level.

Several studies informed by institutional theory have examined the role of the accounting profession in the diffusion of accounting practices. Fogarty *et al.* (1997) analysed a self-regulated state accountancy board (Ohio State) for which the most important objective was to convince society of the quality of services provided by accounting professionals, regardless of its incapacity to grant professional competence. Institutional theory was used to explain loose coupled practices and how adoption of a structure was needed to preserve the public’s belief in accounting self-regulation. Greenwood and Suddaby (2006) analysed the circumstances that enabled multinational audit firms, which are at the centre of a mature field (auditing financial data), to act as institutional entrepreneurs. Drawing upon institutional theory and network theory, these authors revealed the processes by which embeddedness is weakened and, consequently, the scope for action is enlarged: first, the network location defines the institutional contradictions to which actors are exposed; second, contradictions affect the extent of

their embeddedness, and consequently, the extent of the behaviour that is institutionally determined; and third, embeddedness of actors can change because fields evolve over time.

Regarding the accounting profession, it is also important to acknowledge the significant position of professional associations and multinational audit firms in processes of accounting change. Greenwood *et al.* (2002) argue that professional associations can be agents of reproduction of institutionalised practices because they can play a significant role in legitimatising change. These authors posit that professional accounting associations can legitimate change, first by managing debate within the profession; and second, by reframing the professional identities presented to others outside the profession. Accordingly, these associations are vital in establishing the institutional logic of the accounting profession - a process whereby competing interests are reconciled and subjugated on an ongoing basis. However, Suddaby *et al.* (2007) noticed a shift in the structural boundaries of accounting regulation, in which the typical regulatory bargain between professional associations and nation states is being taken over by multinational audit firms and non-governmental organisations. “The old assumption that professional associations, along with the coercive authority of state governments, are the legitimate means of creating rules has been replaced by an assumptive logic that large accounting organizations, with the legitimating authority of capital market regulators, are the appropriate body for creating accounting rules” (Suddaby *et al.*, 2007: 353).

Nonetheless, the new actors do not displace the old actors, but are superimposed on them. Accordingly, transnational structures are reliant upon the coercive power of nation states to discipline professional accounting associations to adopt the regulatory logics and practices emerging at the transnational level. This form of *soft power* obtains compliance, not by coercion, but by promoting a dominant logic and by actors’ ongoing motivation to maintain their membership in transnational networks. Regarding the process of institutionalisation of the SNC, findings of these studies were taken into account in examining how the Portuguese accounting profession affected both the outcome of the regulatory process and the legitimacy of the rules and practices produced.

3.2 International Accounting Harmonisation Research

In 2000, the International Organisation of Securities Commissions [IOSCO] recommended that its members allow multinational issuers to use IFRS in cross border offerings and listings. This was the culmination of a legitimising process in which IASB has engaged, from its foundation in 1973. This has included, among other steps, developing a conceptual structure (1989) and a complete set of high quality financial standards (particularly from 1995 onwards) (Whittington, 2005). This process, along with the change of the IASB structure in 2001, led to broad acceptance of IFRS worldwide. These standards have been accepted by most of the world's stock exchanges and more than 70 countries are now requiring listed companies to consolidate financial statements in accordance to these standards (Alp & Ustundag, 2009). Nonetheless, economic rationales of increased transparency, comparability and quality of financial statements do not suffice in explaining how IFRS have gained such widespread acceptance, not least because substantive empirical support of these advantages is not as strong as is usually advocated (Chua & Taylor, 2008).

Two studies, specifically related to the adoption of IFRS, have addressed the institutional context in which countries have chosen to adopt these standards. Mir and Rahaman (2005) analysed the adoption of IFRS by Bangladesh. In this case, the coercive pressures exerted by donor agencies (such as the World Bank and the International Monetary Fund) on the Bangladesh government led it to lobby the accounting profession - a particular accounting association, to adopt IFRS. Simultaneously, due to the legitimacy IFRS confers on adopting nations, developing countries are alleged to mimic accounting standards of developed nations but without a careful appreciation of their specific national accounting needs. In this study, the tensions between the accounting association that supported IFRS and other important accounting associations and an undemocratic process that did not involve other interested parties, jeopardised the process and created compliance problems. These authors contend that the most problematic aspect of adopting IFRS is not the content of these standards but the need for a coordinated adoption infrastructure.

Irvine (2008) focused on institutional pressures of the global and societal context to analyse the option taken by the United Arab Emirates [UAE] to adopt IFRS. The study reveals this was a response to coercive, normative and mimetic forces in the form

of regulatory regimes of the World Bank and multinational corporations, Big-four accounting firms and relationships with the UAE's trading partners. Consistent with the ideas of Mir and Rahaman (2005), she argues that many emerging and developing nations adopt IFRS because of their need to share the benefits promised by such adoption. These include technical benefits (the advocated economic rationales) and a powerful legitimising force with symbolic power. IFRS confer credibility to these nations to compete for foreign investment in world capital markets. Irvine (2008) claims that once the adoption is made, a new set of institutional expectations emerged in organisational fields and individual organisations about the embeddedness of new accounting practices in their structures and routines. However, because “[i]nternational standards have not been developed with the needs, culture and regulatory infrastructure of unique countries in mind” (Irvine, 2008: 137) loose coupling of these standards could be expected. This relates to uncertainties about the practical effects of formal accounting harmonisation (Rodrigues & Craig, 2007). Genuine transparency of financial reporting and effective compliance with IFRS are difficult to achieve when these standards are being applied without any adaptation to social, economic and cultural environments that have distinct accounting practices and different users of financial information (Cooper *et al.*, 2003; Irvine, 2008; Mir & Rahaman, 2005; Rodrigues & Craig, 2007).

4. Research Avenues to the Study of Accounting Harmonisation Applying Institutional Theory

4.1 Adopted in the Thesis

Study of diffusion of organisational practices has emphasised the two-stage process of Tolbert and Zucker (1983), assuming that a practice diffuses quickly because it becomes institutionalised. However, empirical research must show that adoption is associated more with changing norms, collective beliefs and laws, than with a mere increase in the number of adopters (Boxenbaum & Jonsson, 2008). This relates to recent theoretical developments acknowledged by Greenwood *et al.* (2008a). These have moved from a “diffusion” to a “translation” model for understanding institutional processes. *Translation* refers to the transformation of ideas and practices which are interpreted and reformulated within (and during) the process of adoption, diffusion

and/or institutionalisation. These authors argue that this concept promises a richer and more detailed understanding of how institutional practices diffuse across fields over time because it emphasises the symbolic aspects of institutionalisation, the complexities surrounding the construction of rational myths, and the travel of ideas across organisational fields. This concept was used by Hopper and Major (2007) to study diffusion at the organisational level. This study also incorporated the concept of *praxis* used in Seo and Creed's (2002) framework and relabelled the organisational level in the Dillard *et al.*'s (2004) model to incorporate the organisational dynamics of functionally and hierarchically differentiated groups. In the second essay of the thesis the recursive institutional change model of Dillard *et al.* (2004) is applied with the adjustments suggested by Hooper and Major (2007). This is done to study the process of institutionalisation of the SNC in the Portuguese societal context.

In studies of convergent behaviours, isomorphism is assumed to indicate the functioning of institutional pressures (e.g. Carpenter & Feroz, 2001; Mezas, 1990; Mir & Rahaman, 2005; Palmer *et al.*, 1993). According to Greenwood *et al.* (2008a), research should explore the processes behind (and the reasons for) isomorphic behaviour. This can be accomplished by interpreting and identifying the institutional logics that induce and propel imitation. For this reason analysis of isomorphic pressures must be made in light of the institutional logics at work. These institutional logics provide cognitive orientation about what practices are appropriate (Thornton, 2002; Thornton & Ocasio, 2008), enabling understanding of *why* isomorphic behaviours occur. However, since the institutional logics approach views any context as influenced potentially by competing logics (Thornton & Ocasio, 2008), resistance to isomorphic pressures should also be addressed. This research avenue was explored in the third essay of the thesis in the explanation of the levels of preparedness of large Portuguese unlisted companies to adopt the SNC.

Institutional theory explains why organisations that face common institutional pressures employ different organisational responses to these pressures, either by engaging in different strategic responses (Oliver, 1991), or by virtue of competing logics (Lounsbury, 2008; Thornton, 2002; Thornton & Ocasio, 2008). These more active conceptualisations of organisational action highlight the active role of organisations and other actors in negotiating and shaping their environments. Accordingly, they should be extremely helpful in understanding different organisational

responses in adopting IFRS. Empirical research on the international accounting harmonisation process has been dominated over the years by positive theories and rational and economic arguments (e.g. Al-Basteki, 1995; Ashbaugh, 2001; Daske *et al.*, 2008; Dumontier & Raffournier, 1998; El-Gazzar *et al.*, 1999; Lopes & Rodrigues, 2007; Murphy, 1999). The literature reviewed shows that organisational outcomes are affected by the institutional environment and that, in the process of accounting harmonisation, institutional forces can conceal rational motives. As Suddaby *et al.* (2007) contend, institutional theory offers a valuable theoretical framework for understanding the dynamics of globalisation and the processes by which dominant templates are adapted to local contexts and diffused globally. The fourth essay of the thesis confirms the usefulness of institutional theory in the context of the voluntary adoption of IFRS through its accommodation of relevant institutional expectations of the organisational field. By applying the framework proposed by Oliver (1991), the role of strategic choice in decisions of large Portuguese unlisted companies is evaluated. This helps to understand their voluntary adoption of IFRS.

4.2 Further Research

Future research studying the adoption of IFRS or adapted IFRS would benefit from a wider use of a logic-centred institutional perspective. Resistance to institutional changes can be understood as socially structured by competing logics (Marquis & Lounsbury, 2007). Loose coupling of IFRS adoption was identified in accounting research that applied an economic perspective: companies and auditors assert financial statements comply with IFRS when analysis of their accounting policies and notes indicates otherwise (Gray & Street, 2001; Street & Bryant, 2000; Taylor & Jones, 1999). Accordingly, it would be helpful to understand the various kinds of resistance to adoption of IFRS, how and under what conditions actors mobilise resources and relationships to create effective resistance, and how multiple logics relate to practice variation (different levels of adoption of IFRS) (Lounsbury, 2008; Marquis & Lounsbury, 2007).

Additionally, Boxenbaum and Jonsson (2008: 83) argue that “[e]mpirical studies that invoke isomorphism do not investigate the resulting level of isomorphism in the field, but instead elaborate on the mechanism by which practices spread.” Accordingly,

the implicit assumption that diffusion equals isomorphism needs to be demonstrated by future research. Such research should analyse isomorphism as an outcome of diffusion processes and should measure its levels of similarity. Diffusion studies include a larger set of phenomena where practices are not necessarily adopted for legitimacy concerns (e.g. competitive reasons or vicarious learning) (Boxenbaum & Jonsson, 2008; Greenwood *et al.*, 2008a). However, legitimacy is central to the kind of diffusion that relates to institutional theory, whether the outcome is isomorphism or decoupling. For these reasons, examination of the casual relationship between legitimacy and diffusion and how isomorphism and decoupling interact with each other as outcomes of diffusion processes, can lead to a more dynamic theory of institutions (Boxenbaum & Jonsson, 2008). Further empirical research should address these concerns. For instance, does decoupling become more frequent when a field becomes more isomorphic? Is decoupling crucial for obtaining high levels of isomorphism in an organisational field? (Boxenbaum & Jonsson, 2008). Is the adoption of the different levels of the SNC driven by legitimacy-seeking behaviours? These lines of inquiry merit careful attention in future research analysing the adoption (or loose coupling) of the new accounting practices of the SNC in its post-implementation phase.

Finally, there is a lack of research relating to the process of institutionalisation of IFRS or adapted IFRS by nation states. Researchers must investigate how, following adoption of these standards, changes in laws and regulations occur, normative models of appropriate behaviour are developed, and new taken-for-granted understandings are legitimised. Thus, the theoretical arguments that IFRS lead to high quality financial statements needs empirical validation. Tight coupling will only be achieved if institutionalisation of these standards occurs. Nonetheless, the process of institutionalisation of new accounting standards is, at the same time, an opportunity for better understanding of the conditions conducive to deinstitutionalisation processes. Within institutional theory relatively little is known about the processes of deinstitutionalisation. Efforts are lacking to unpack the strategies and dynamics associated with extinction of institutions (Dacin & Dacin, 2008). Because organisational forms and fields erode as well as emerge, it is instructive to observe both the beginning and the end, since in both the construction and deconstruction phases, conflict and agency are likely to be more visible (Scott, 2005). Adoption of IFRS constitutes a

prolific research arena for this purpose since it implies the erosion and/or extinction of institutionalised practices of the replaced accounting system.

5. Conclusions

The social and institutional paradigm adopted in accounting research assumes accounting is a device for intervening in the functioning of organisations and societies, rather than it being a neutral device that merely documents and reports economic facts and technical practice (Miller, 1994). Underpinning this perspective of accounting is the assumption that the choice of accounting practices implies the adoption of a specific lens for analysing and understanding individuals' activities and organisational outcomes. In turn it offers a basis for governing people, processes, organisations and societies (Miller, 1994; Potter, 2005). The ideas of institutional theory, as explained in this essay, provide explanations about how organisations, either voluntarily or forcefully, adopt or adjust their practices in accord with societal and cultural values and norms, to enhance legitimacy. From an institutional perspective, accounting is seen as one way in which organisations incorporate rational conceptions of organising, reflecting the myths of their institutional environments (Miller, 1994). Wider political, social and cultural environments frame how organisations adopt (even if only ceremonially) formal systems.

The institutional view of accounting contributed to a significant broadening of the agenda of accounting research. Some of the themes embraced by this research trend include analysis of the institutional pressures that influence accounting standards setting, of the way the accounting profession shapes institutionalisation processes and institutionalised fields, of the diffusion of accounting practices, and the processes of accounting change.

Institutional theory has an important capacity to stimulate contextualisation: it contextualised the phenomena under study, whether that context encompasses regulatory, historical, political, cognitively tacit, or socially embedded settings (Greenwood *et al.*, 2008a). The studies reviewed reveal the adequacy of the institutional framework to outline and understand the diffusion of international accounting standards among individual organisations and among nation states. Adoption of IFRS or of

adapted IFRS is linked intrinsically to a set of concepts that underpin institutional theory: legitimacy concerns, organisational adaptation (at different levels) to institutional environments, national and transnational regulatory processes, the central role of the accounting profession (either in the form of professional associations or in the form of multinational audit firms) in shaping normative systems, and the promulgation of IFRS as a taken-for-granted means of achieving high quality financial information.

Institutional theory still has challenges in finding equilibrium as a coherent but prolific theory in its several directions of development (see Greenwood *et al.*, 2008b; Lawrence & Suddaby, 2006; Scott, 2001). At the same time little is known about the processes through which IFRS become institutionalised at a local level and the new practices that become embedded in these societies. The combination of institutional theory with international accounting should result in a productive and creative arena of research. Institutional theory benefits from using a complex subject with multiple societal levels and actors, and through which it can draw the concrete experiences it needs to prosper. International accounting research benefits from adding an institutionalist perspective to the highly rational and instrumentalist discourse of accounting harmonisation.

ESSAY 2

Institutional Analysis of a New Accounting Regime: Implications for Portuguese SMEs of Adoption of International Financial Reporting Standards Adapted

1. Introduction

In this essay we apply the recursive model of institutional change proposed by Dillard *et al.* (2004) to understand the dynamics and institutional consequences of the change to a new accounting system in Portugal in 2010. The new system stemmed from a decision of the EU to require that IFRS be adopted by listed companies in the EU in their consolidated financial statements in 2005. The dual accounting system that arose in many EU member-states (such as Portugal) hampered comparison of company financial information in (and between) countries. In keeping with their different cultural heritages, socio-historical backgrounds and levels of economic development, the EU member-states took different options to address this regulatory problem.⁴

In Portugal, the response was to develop a new accounting system known as SNC. The SNC contained a set of accounting standards, based on IFRS, which were to be applied to unlisted companies from 2010 onwards. Thus, for unlisted companies, the existing code-law based Portuguese accounting system was replaced with the SNC system that was inspired by standards issued by the IASB. The introduction of the SNC led to important institutional changes in Portuguese accounting: previous accounting criteria and practices had to be deinstitutionalised, new legitimating criteria were established and new accounting practices are in the process of being embedded.

Through the use of the theoretical framework proposed by Dillard *et al.* (2004), we conduct an in-depth analysis of the processes of change that occurred in the Portuguese accounting system. This model has been applied in research that has focused on institutional changes affecting accounting (Cruz *et al.*, 2009; Hopper & Major, 2007; Irvine, 2008; Tsamenyi *et al.*, 2006). The framework of Dillard *et al.* (2004) conceptualises change as the degree to which new behaviours are institutionalised at three levels: the broad economic and political level, the organisational field level, and the organisational level. We apply this model in the context of accounting change to elicit knowledge about the dynamic (and often recursive) interplay between evolving institutional mechanisms across these three levels of analysis (Dillard *et al.*, 2004; Hopper & Major, 2007; Modell, 2009). We provide an understanding of the repertoires

⁴ Information about the options taken by member-states is available at www.iasplus.com/europe/1007ias-use-of-options.pdf (accessed March 2011).

of action in these institutional fields, and of the forces that promoted the gradual transformation of meanings and criteria in accounting. We capture the dynamics of change in the Portuguese accounting system; show how criteria and practices were articulated over the three levels of the Portuguese social system; and reveal how interests and actors influenced the change process.

This essay contributes in two ways to the scarce literature that uses institutional theory to analyse adoption of IFRS by nation states (Irvine, 2008; Mir & Rahaman, 2005): first, by presenting an in-depth study of the implementation of a new accounting system based on these standards; and second, by highlighting the difficulties of changing legitimating criteria and accounting practices to achieve a *de facto* application of the standard for SMEs.

Irvine (2008) and Mir and Rahaman (2005) did not determine the effects of the adoption of IFRS on the institutional dynamics that flow between the broad economic and political level, the level of the accounting organisational field, and the level of the organisation (that is, of accountants). In contrast, our analysis of the Portuguese experience explores the repercussions for signification, legitimation and domination structures at *each* of these three levels; and we show how actions of agents influenced outcomes at each level. Review of aspects of the progress of IFRS adoption at a national level (for Portugal) should be relevant in other countries that are making similar changes in their accounting systems (e.g. Turkey, Mexico, Japan). We also reveal the usefulness of the Dillard *et al.* (2004) model in explaining the process of accounting change in Portugal. At each of the three levels, sensitivity to the interests and relative power of actors is essential in understanding the institutional dynamics and institutionalising processes of the new Portuguese accounting system (SNC). Importantly, we refine the Dillard *et al.* (2004) model by revealing how actions of agents at the organisational field level can counteract the institutionalisation process *before* the latter reaches the organisational level. Additionally, we draw upon the notion of loose coupling to argue that it is easier to change accounting standards than it is to change the representational schemas used by accountants to frame organisational reality. Analysis at the level of small accounting firms revealed a loose coupled application of the Portuguese SME accounting standard. We found that accountants attempted to combine old representational schema with new legitimating criteria to resolve clashes between their interests and their needs.

At the organisational level, our particular focus is on the accounting practices of SMEs. We narrow our scope to SMEs for two major reasons. First, in Portugal, 99.6% of companies are classified as SMEs.⁵ The dominant presence of SMEs in most countries is well known, as are the concerns about the relevance of IFRS for them (Alp & Ustundag, 2009). Our study of the actions of SMEs in integrating the SNC into their day-to-day accounting practices should aid understanding of the achievements of the institutionalisation process of the SNC at the organisational level. Second, we are mindful that the benefits of adopting a new accounting system should ideally outweigh the costs. Several studies have confirmed that the advantages of adopting IFRS are related to size, thus encouraging greater levels of acceptance by larger companies (e.g. Cuijpers & Buijink, 2005; Dumontier & Raffournier, 1998; Francis *et al.*, 2008). The balance between costs and benefits is an especially important issue for SMEs because many regard themselves as forced to adopt a set of accounting standards that are oriented to the needs of capital markets and big capital providers (Alp & Ustundag, 2009). Thus, it is important to know how far the incorporation of a SME accounting standard into the new accounting system would suit smaller companies.

Our empirical data is sourced from interviews conducted with members of the CNC, the CNC representative on the Accounting Regulatory Committee [ARC] of the European Commission, the President of the official professional accounting association in Portugal, OTOC, and four practicing accountants who had SMEs as clients. The factual content of interview data is corroborated through triangulation with information drawn from archival sources.

The next two sections present the theoretical framework and the Portuguese context of accounting regulation. The following sections present research methods, results and then conclusions.

2. Theoretical Framework

Empirical research has emphasised how practices change and spread through organisational fields. Tolbert and Zucker (1996) contend that by treating

⁵ Data are from the Portuguese National Institute of Statistics, 2005.

institutionalisation as a qualitative state (in which structures are either institutionalised or not institutionalised) important questions have been neglected in prior research of institutional theory. They describe institutionalisation as a set of sequential processes involving habituation, objectification, and sedimentation. They suggest that these processes vary in terms of their degree of embeddedness in a social system. The higher the degree of institutionalisation the more deeply patterned behaviours are likely to be embedded. This leads to greater stability and enhanced power to determine behaviour.

According to DiMaggio (1988), the key to understanding institutionalisation is to regard it as an ongoing process, rather than as an outcome. Thus, when relationships are being formed or altered, institutionalisation can be profoundly political and can reflect the relative power of organised interests. Consequently, actors are not necessarily constrained to observe passive compliance with institutional pressures, but may engage in strategic choices (Oliver, 1991; Powell, 1991).

A limitation of institutional theory is its exclusive emphasis on the organisational field level. This emphasis arises from belief that institutional pressures exerted by competitors, the state or the professions (and leading to organisational isomorphism) operate from this field (DiMaggio & Powell, 1983). However, as Scott (2001: 203) points out “[c]hange processes are best examined by designs that incorporate multiple levels of analysis. Social actions and structures exist in a dualistic relation, each constraining and empowering the other.” The process of institutionalisation, transposition and deinstitutionalisation of organisational practices takes place at multiple levels in social contexts, including at the organisational level and the economic and political level (Dillard *et al.*, 2004). Thus, to fully understand the institutionalisation process we must consider the links between practices at the organisational level and the organisational field level; the influence of higher social, political and economic levels on the organisational context; and the role of influential actors.

Dillard *et al.*'s (2004) framework draws on institutional theory, Weberian notions of social context, and the dynamics of structuration of social systems which incorporate change into the institutionalisation process (Giddens, 1976, 1979, 1984). Within this framework, institutionalisation is regarded to be a process whereby the political nature of institutional change is recognised and the relative power of organised interests (and the actors mobilised by it) is incorporated. Dillard *et al.*'s (2004) framework represents

a continual and dynamic process of institutionalisation. This process proceeds in a recursive cascade through three levels of the social environment – the economic and political level, the organisational field level, and the organisational level. It incorporates the power and interests of actors and the influence of historical, social and political factors in institutionalising, transposing and deinstitutionalising practices (P). The higher level represents the societal level, where political and economic systems (PE) establish general, taken-for-granted norms or criteria (C_{PE}) that are disseminated in society and in the organisational field. The prevailing systems of society and powerful coalitions influence the enactment of these norms, criteria and practices. At the organisation field level, the norms, criteria and practices established at the economic and political level (C_{PE}) are translated into legitimacy criteria (C_{OF}) to evaluate whether action in the organisational field is legitimate. The C_{OF} are translated into operating practices (P_{OF}) to provide the legitimating and regulating base for action at the organisational level. The organisational field includes industry groups and professional and trade associations.

At the organisational level, organisations can be *innovators* (I) if they develop new practices within the parameters set by practices (P_{OF}) adopted at the organisation field level. They can be *late adopters* (LA) if they adopt the practices of innovators, even if only ceremonially. Innovative practices can move laterally or vertically. They can modify legitimate practices and criteria in the organisational field by reinforcing, revising or eliminating them. New practices (P'_{OF}), perceived as “better practices”, are adopted by other organisations within the same organisational field. They become expected (or institutionalised) practices. The new legitimate practices (P'_{OF}) and criteria (C'_{OF}) at the organisation field level influence the broader macro-level economic and political environment. Hence, they affect symbolic sense-making criteria (C'_{PE}) by reinforcing, modifying or eliminating existing norms and practices.

Thus, the dualistic nature and recursive aspect of the institutionalisation process (resource allocation based on accepted rules, which in turn reinforce extant structures) involves inverting the cascade as the innovative practices taken by knowledgeable, reflexive agents within the organisations rise through the three levels. However, not all organisational fields and all organisations accept the same values, beliefs, criteria and norms. As a consequence, friction and conflict are also likely to initiate change. Such change can range from “marginal evolutionary” through to “more significant” or even to

“revolutionary” change. Thus, the resource allocation process in a society and the recognised social order will be affected by the new accepted rules. The Dillard *et al.* (2004) model represents a recursive process in which changes can move upwards and downwards as taken-for-granted norms, criteria, values and beliefs are revised continually at all levels. Notwithstanding, there is a significant degree of structural stability enabling and constraining action.

Hooper and Major (2007) proposed a different approach to diffusion processes at the organisational level. They replaced the two stage process (innovators versus late adopters) of the Dillard *et al.* (2004) model by a process in which organisational field practices (P_{OF}) were translated into working practices (P) and, subsequently, were enacted at the intra-organisational level. This concept of translation assumes that ideas and practices are interpreted and reformulated during the process of adoption (Greenwood *et al.*, 2008a). Accordingly, if, during this enactment, organisational actors experience institutional contradictions (such as inconsistencies among and within established social arrangements) the consciousness of actors is reshaped and resistance to imposed institutionalised practices should be expected. This conceptualisation is informed by Seo and Creed’s (2002) perspective of four sources of institutional contradictions:

1) inefficiency produced by conforming to institutional arrangements that conflict with technical activities, notwithstanding the possibility of loose coupling;

2) poor adaptation to external environments because institutional arrangements make organisations less adaptable over the long run, given psychological resistance to change and economic interdependencies;

3) multiple and contradictory interconnected institutional arrangements and prescriptions to which organisations cannot conform in totality; and

4) misalignment between social arrangements that are likely to reflect the ideas and goals of more powerful constituents and the interests of diverse actors who enact, inhabit and reproduce those social arrangements. These contradictions prompt change in the collective consciousness of actors (*praxis*) and provide alternative logics of action and resources that are used in the process of institutional change.

In the Dillard *et al.* (2004) framework the theoretical context of the institutionalisation process incorporates Weber's axes of tension – *representation*, *rationalisation* and *power*. These specify the context of institutional analysis and coincide with the notions of *signification*, *legitimation* and *domination* in structuration theory. Signification structures (symbolic representations) and legitimation structures (norms, values, laws and regulations) are associated with rules that provide meaning and legitimating criteria to evaluate organisational actions. Domination structures are associated with human and material resources. The control and mobilisation of resources facilitates or impedes actions, and supports or delays the development of signification and legitimation structures (*duality of structure*). Changes in these social structures are the consequence of reflexive, knowledgeable human action – something which is enabled and constrained by the existing structures. According to Dillard *et al.* (2004: 521) “[i]nstitutions can be seen as manifestations of mutually reinforcing signification (representations) and legitimation structures (values and norms)... reflected and sustained over time by the allocation and accumulation of resources associated with their enactment by agents.” Recursive interaction between rules and resources supports the embedding and implementation of institutional practices, reinforcing each other. As a consequence, the loss of one leads to deinstitutionalisation, such that the symbolic representations or values without resource allocation are eventually discarded.

Analysis of the evolution of signification, legitimation and domination structures in the organisational field of accounting during the past century reveals that the rationale of accounting has changed. Initially, accounting was concerned primarily with measuring wealth and income, recording economic transactions, and properly preparing accounting reports. It was bounded by a set of conventions such as conservatism, consistency, historical cost valuation and matching. The development of stock exchanges, evolving patterns of investments, and increased scrutiny of financial statements in the second half of the 20th century are some events that connected accounting and economic decision-making (see Young, 2006 for a deeper review). This new trend constructed the financial statement user as a rational economic decision-maker who required value-relevant information, made timely loss recognitions, and had less earnings management (Barth *et al.*, 2008). Additionally, the collapse of Enron in 2001 boosted the shift from highly detailed rules-based US accounting standards to

more general principles-based standards that established approaches to dealing with new situations (Bhimani, 2008). The evolution of accounting representation schema towards utility of financial information and to a principles-based approach allowed IASB standards to become a belief system that gained influence as more people accepted them as common knowledge and the normal way of doing accounting (Rodrigues & Craig, 2007). The IASB acquired a “soft” form of (normative) power expressed through membership and ability to promote a dominant logic (Suddaby *et al.*, 2007). This social, political and economic context, within which the international accounting harmonisation process has evolved, has defined the structural boundaries for action in the accounting arena in the EU, member-states, professional associations, and individual organisations.

3. The Portuguese Accounting System

The first Portuguese official accounting plan was established in February 1977 (Decree-law 47/77). Consolidated and individual financial statements were required to comply with a commercial code, tax laws, stock market regulations and an official accounting plan. The Portuguese accounting standards setter (the CNC) was established in 1977 also. The CNC comprised a president, a general council and an executive committee. Members were drawn from the accounting and audit professions, users of financial statements (including government departments) and higher education institutions. The Portuguese model of accounting regulation was inspired by the French model. Thus, its standard-setting body (which was attached administratively and financially to the Ministry of Finance) had the power to develop accounting standards that were issued as decrees or decree-laws by the Portuguese government (Ferreira, 1998). Consequently, pronouncements of the accounting profession had no formal status. The only source of financial accounting standards was the written law.

Before the SNC was adopted, the Portuguese accounting system was classified as one of the Continental cluster of code law-based countries in which accounting typically was regulated in detail (Jarne Jarne, 1997; Mueller *et al.*, 1997; Nobes & Parker, 2004; Salter & Doupnik, 1992). However, since the establishment of the POC, the Portuguese accounting system has had to change to comply with accounting directives of the EU. To address the insufficiencies of the POC, the CNC also has issued several accounting

standards that were inspired by IFRS. As these IFRS-inspired standards came into force, French influence began to wane (Ferreira, 1998) and the POC benefited by being kept reasonably up to date with international accounting practice. Nonetheless, before the implementation of the SNC, Portuguese accounting practices were oriented towards legal compliance. They were characteristically opaque with low levels of disclosure; and emphasised historical cost valuation, prudence and conservatism. The traditional reliance of Portuguese companies on debt financing (rather than on capital markets) and the alignment of accounting and tax reporting meant that financial statements were prepared primarily to meet the needs of banks and the State.

Historically in Portugal, the profession of accountant has been separated from that of auditor. Two distinct bodies officially represent Portuguese accountants and Portuguese auditors, despite the possible overlap in membership between them. The practice of accounting, and the right to use the title of *official accountant*, is restricted to the members of the OTOC. OTOC members contract with their clients to maintain accounting records and prepare financial statements. By law, the annual accounts and tax returns of all companies must be signed by an accountant. OTOC is under the jurisdiction of the Ministry of Finance. The auditing profession consists of *official auditors* who are registered in the *Ordem dos Revisores Oficiais de Contas* [OROC - Order of Official Auditors]. This officially recognised body is under the jurisdiction of the Ministry of Justice. The obligation to be audited is compulsory for joint stock companies, limited companies that exceed specified size limits, financial institutions and insurance companies. OROC and OTOC are members of the CNC, thereby allowing them to participate in the development of accounting standards.

The SNC came into force through Decree-law 158/2009 (13 July), with mandatory effect from 1 January 2010 onwards. Listed companies shall apply IFRS in individual accounts (in addition to consolidated financial statements). Unlisted companies preparing consolidated financial statements can opt to adopt IFRS in legally audited consolidated and individual accounts for a minimum period of three years. Other unlisted companies are required to apply the set of 28 NCRF. These are similar to IFRS. An exception is the financial accounting reporting standard 26 *Environmental Matters* that is based on a European Commission Recommendation of May 30, 2001. Another exception is the accounting standard dealing with financial instruments that was simplified considerably. Companies can use IFRS endorsed by the EU directly

when the SNC standards do not regulate a particular subject. Companies under the limits established by the government have to apply a single standard, the NCRF-PE. This is based on the accounting standard for SMEs, issued by the IASB. Nonetheless, if financial statements of these companies are legally audited, they have to apply the set of 28 (NCRF) standards.

The final version of the SNC contains a conceptual framework, 28 accounting standards (NCRF), two interpretative standards, and a specific accounting standard for SMEs (NCRF-PE). All are similar to the translations provided by the EU of endorsed standards issued by the IASB. The SNC also provides model financial statements and a chart of accounts.

Adoption of the SNC changed regulations concerning the functioning of the CNC and OTOC. The CNC became smaller and a new President was appointed. Within the new structure, OTOC became the only accounting body to represent the accounting profession (contrary to the prior structure that recognised other associations). OTOC was elevated in status to Order⁶ of Official Accountants.

Since the SNC was approved there have been two important developments in Portuguese accounting regulation concerning SMEs. First, was the change of the limits under which companies were allowed to use the NCRF-PE. Decree-law 158/2009 (13 July) established that this standard could be used by companies which were under two of the three following limits: total assets €500,000; total sales and other income €1,000,000; and number of employees 20. However, in December 2009 the Portuguese Communist Party submitted a proposal in Parliament to amend this law.⁷ This proposal harmonised the previous three limits with those in the Code of Commercial Companies by increasing them to €1,500,000/ €3,000,000/ 50. This proposal was approved by Decree-Law 20/2010 (23 August), allowing many more companies to use the NCRF-PE. The proposal cites complaints of business associations about the difficulties SMEs were having in preparing to adopt the SNC (especially the high costs of necessary software and training).

The second major development in the regulation of Portuguese SMEs was the creation of an additional level of accounting regulation for micro-entities. European

⁶ “Order” is the most important social status of a profession in Portugal.

⁷ See www.pcp.pt/sistema-de-normalizacao-contabilistica-0 (accessed April 2011).

Directive 2009/49/EC (18 June) encouraged member-states to reduce administrative and reporting burdens on SMEs. The Portuguese government responded by issuing Decree-law 35/2010 (2 September) to relieve companies of the obligation to adopt the SNC if they were under two of the following three limits: total assets €500,000, turnover €500,000 and number of employees 5. From 1 January 2010 these companies were permitted to adopt a specific regulation for micro-entities that establishes basic recognition, measurement and disclosure requirements, and a code of accounts and simplified financial statements. When this law was proposed initially (Project of Law 200/XI) it exempted these companies from all accounting obligations, and the limits were 400,000/800,000/10.⁸ However, the major professional accounting associations, OTOC and *Associação Portuguesa dos Técnicos de Contabilidade* [APOTEC - Portuguese Association of Accountants] lobbied strongly against this proposal. In a parliamentary hearing, OTOC drew attention to the increased difficulties that SMEs would encounter in seeking loan capital in the absence of financial statements that validated their net income and net equity. They argued that SMEs could be hampered by subjectivity in calculating taxes and that this could retard the quality of financial information provided by small companies by several decades (OTOC, 2010). The non-official accounting association, APOTEC, argued that the administrative burden on SMEs was related more to tax obligations than to accounting obligations (APOTEC, 2010). The final version compelled micro-entities to disclose their balance sheet, income statement, and a simple version of their notes.

4. Research Methods

A qualitative research approach was used to acquire an in-depth understanding of events leading to adoption of the SNC. The use of semi-structured interviews to collect data is appropriate if, as here, their purpose is to develop depth and well-rounded understanding of a social process, social change, social organisation or social meaning (Mason, 2002; Saunders *et al.*, 2003). The interviews were conducted and transcribed in Portuguese (the mother tongue of interviewees and interviewer). Interview transcription was in Portuguese to avoid distorting idiomatic terms and particular meanings. Interview transcripts were sent to respondents for them to correct any errors and

⁸ See <http://www.parlamento.pt/ActividadeParlamentar/Paginas/DetalleIniciativa.aspx?ID=35173> (accessed April 2011).

misinterpretations of what was stated. This procedure also provided the interviewees with the opportunity to volunteer additional information and to summarize information. The process reinforced the data by having participants confirm what was said. Translation of interview transcripts occurred after the interviewees had confirmed correctness.

To elicit information at the political and economic level, we conducted two interviews with various members of the CNC. The first interview, in June 2008, was with the President of the CNC (interviewee A) and two other members of the Executive Commission (interviewees B and C). The second interview, in August 2008, was with the President of the Executive Commission responsible for coordinating the workgroups that developed the new accounting standards (interviewee D); and interviewee B (who also participated in the first interview). Each interview lasted approximately 90 minutes. Their specific purpose was to determine the main reasons for the development of the SNC; to understand how the signification, legitimation and domination structures enabled and constrained actions of the CNC; and to identify the main institutional constituents influencing the progress (and final content) of the SNC.

In July 2008, an interview was conducted with the representative of the CNC on the ARC of the European Commission (interviewee E). The ARC provides opinions on European Commission proposals to adopt (endorse) IFRS. It is composed of representatives from all member-states. The main purpose of the interview was to assess the degree of political influence on the functioning of the CNC and to evaluate how the SNC reflected changes in legitimation and signification structures in the EU in previous years. The interview lasted approximately one hour.

At the organisational field level, a two-hour interview was conducted with the President of OTOC (interviewee F) in March 2011. The purpose was to understand the role of OTOC in establishing new operating practices that would provide the legitimating base for actions at the level of accountants; the implications of the SNC for the accounting profession; how the legitimation and signification structures evolved due to the SNC; and how OTOC influenced the development of the SNC.

At the organisational level, interviews were conducted in March and April 2010 with four accountants who had SMEs as clients (interviewees G, H, I and J). The purpose was to understand how accountants prepared to adopt the SNC; the

implications of the new system for their legitimation and signification structures; and the influence of isomorphic pressures in institutionalising the new accounting practices. The interviews were of one hour to one and a half hours in duration. The interviewees differed in terms of age, client turnover, and main activity of clients. Two had professions other than accounting.

Table 2.1 identifies all interviewees.

Table 2.1
Identification of Interviewees

	<i>Interviewee</i>
President, CNC	A
Member of the Executive Commission, CNC	B
Member of the Executive Commission, CNC	C
President of the Executive Commission, CNC	D
Representative of CNC on the ARC	E
President, OTOC	F
Partner of an accounting firm. 80 clients (turnover < €30,000,000) in all sectors. Some are in agriculture, but most are in the commercial sector. A teacher in higher education. Age 49.	G
Partner of an accounting firm. 22 clients (turnover < €500,000) in the services sector, except for one in the construction sector. Age 36.	H
Partner of an accounting firm. 40 clients (turnover < €300,000) in the textile and services industries. A trainee in a firm of official auditors. Age 34.	I
Partner of an accounting firm. 38 clients (turnover < €1,000,000) in the services sector exclusively. Age 68.	J

To address issues of data reliability and data validity, we followed the methodological approach to interview conceptualisation and operationalisation proposed by Saunders *et al.* (2003), Quivy and Campenhoudt (2005) and Mason (2002). Information about the context of the respondents' organisations was gathered in advance of the interviews to help demonstrate credibility and gain the confidence of interviewees. A list of interview topics was provided to participants in advance. This promoted validity and reliability by enabling interviewees to prepare the information being requested. During the interviews a neutral tone of voice was used. Long questions and theoretical concepts were avoided. The interviewees were given time to develop their responses. Whenever necessary, answers were read back to the interviewee in summary form to test for correct understanding. A conscious effort was made not to influence the views of respondents with personal perspective of the interviewer.

Several other sources of data were used to collect evidence concerning the process of developing and implementing the new Portuguese accounting system. These included

official documents, press articles, transcripts of press conferences, official speeches of members of the Portuguese government, and websites texts (of professional organisations, of the Portuguese parliament, of political parties and the European Commission). These data provided supplementary evidence that facilitated comparison and corroboration (triangulation) of the factual information stated during the formal interviews.

5. Results

Here we analyse the evolution of the three dimensions of contextual change: signification, legitimation, and domination. We do so for the three levels of social context (as suggested by Dillard *et al.*, 2004) to help understand the relational dynamics that flow from the economic and political level to the organisational field level and to the organisational level. The influence of isomorphic pressures on the development of new structures is considered also. At each level, we summarize the responses of interviewees under two headings: (a) changes in signification, legitimation and domination structures; and (b) isomorphic pressures.

5.1 Economic and Political Level

5.1.1 Changes in signification, legitimation and domination structures

The creation of the new accounting system began in 2002. In 2003, the CNC website published a projected accounting model (representing the probable future of the Portuguese accounting system). The structure was similar to that of the SNC. As noted by interviewee A:

In 2003, the CNC considered the adoption of international accounting standards because the POC was becoming insufficient and several other European countries (such as Spain) were changing their national accounting laws to align with IFRS.

In 1995, the Commission of the European Communities published a report titled “Accounting harmonisation: A new strategy *vis-à-vis* international harmonisation”

(European Commission, 1995). This acknowledged the inadequacy of European accounting directives in effecting accounting harmonisation and expressed support for IASB standards. In the EU, the importance of IFRS was reinforced by the EU's acceptance (seemingly as a taken-for-granted fact) that financial information which accorded with globally accepted accounting standards was superior (Rodrigues & Craig, 2007). After 1995, the EU increased its funding support for IASB activities, thereby reinforcing these legitimisation and signification structures. Interviewee E (the SNC representative on the ARC) confirmed that:

Over the past years the funding of IASB has been widely discussed in meetings of the ARC. The EU has paid substantial amounts to IASB, due to the adoption of IFRS by member-states.

The minutes of ARC meetings show how resource allocation to these new structures was an important matter for the European Commission.⁹

The change of norms and values (legitimation structures) occurred with the modification of European accounting directives to accord with IASB standards. This provided new legitimating grounds for action by member-states (C_{PE}). In turn, this dynamic flowed to accounting regulations issued by those member-states who changed their national accounting system to IFRS. In 2002, the European Commission issued Regulation 1606/2002, requiring all EU-domiciled companies listed on stock exchanges within the EU to prepare their consolidated financial statements in accord with IFRS by 2005. To deal with the ensuing lack of comparability of financial information among national companies (listed *versus* unlisted companies), member-states began to redefine their accounting regulations for unlisted companies. These reflected new signification and legitimisation structures in the EU.

Interviewee B explained:

After Regulation 1606/2002, the decision to move forward to IFRS was consensual among members of the CNC, even though the existing differences between the POC and IASB standards demanded significant preparation efforts by Portuguese accountants. It did not make any sense to have

⁹ See http://ec.europa.eu/internal_market/accounting/committees/arc_meetings_en.htm (accessed April 2011).

significantly different accounting systems applied by listed and unlisted companies.

In Portugal, political criteria were translated into a new accounting system (C_{OF}) by the CNC. This occurred at the political and economic level rather than at the organisational field level. A similar process was observed in the telecommunications industry by Hooper and Major (2007). Even though the new criteria in the accounting field (the SNC) were established at the political and economic level, new operating practices (P_{OF}) had to occur at the organisational field level (as a result of the training provided by professional accounting associations).

The CNC was aware that implementing the SNC would require intensive professional training. Interviewee B noted that “*the major challenge of the adoption of the new accounting system is for accountants.*” As Interviewee C observed with regard to companies which had to apply the SNC:

... because many do not have complex operations they will not adopt the more complex standards. However, the accounting professionals have to know both, the simple and the complex standards, to decide when to apply or not apply each standard.

Inconsistency between the new SNC accounting standards and organisational interests would make it inevitable that organisational doubts arise about the legitimacy of institutional expectations (Oliver, 1991). Accordingly, the CNC and the Portuguese government were engaged in achieving a high degree of social consensus concerning the new proposed accounting system. This was a legitimation process similar to the concept of *theorisation* referred to by Tolbert and Zucker (1996) in which a new structure is invested with general cognitive and normative legitimacy. In the theorisation process, an organisational problem is defined, which involves public recognition of a consistent pattern of dissatisfaction with characteristics of the old structure, and then a particular form of structural arrangement is provided to solve the problem on logical or empirical grounds. In 2007, when the project was announced publicly, the CNC explained the international context and the international accounting harmonisation process, the insufficiencies and disadvantages of the existing accounting system, and the merits of the SNC for all types of companies (CNC, 2007). In April 2008, the CNC began the “due process” phase for approval of the SNC by presenting the new accounting system

for public evaluation. At this time, the Minister of Finance and the Secretary of State for Fiscal Affairs emphasised the problems of the old system and the advantages of the SNC. The Minister of Finance (2008: 2) noted that the SNC model “[w]ill be an additional vehicle to modernise our economy because our companies and economic agents will be better able to integrate into the new economic world context.” The Secretary of State for Fiscal Affairs (2008: 5) further reinforced this by asserting that “[t]he new accounting strategy is appropriate in the actual context of internationalisation, trade liberation and economic globalisation... the SNC is itself a source of competitiveness...”. According to interviewee E:

The claims of listed companies about the costs of maintaining a dual accounting were an important incentive to the decision to proceed with the SNC that was announced in a press conference in 2005 by the Ministry of Finance.

To avoid criticism that the SNC favoured listed companies by imposing an accounting model that was inappropriate for the majority of Portuguese companies, the discourse also sought to guarantee the adequacy of the new model for SMEs. The Minister of Finance (2008: 6) acknowledged the different characteristics of Portuguese companies and stated that “[t]he SNC took into account their different financial information needs. These range from the entities with securities listed, with increased demands, to micro-entities, that only need a simplified system.” The Secretary of State for Fiscal Affairs (2008: 7) repeated this statement word-for-word in his discourse, as well. Both were alert to the importance of attaining consensus about the new accounting standards among all interested parties if future compliance with these standards was to be enhanced.

With respect to the domination perspective, the EU controls the allocation of significant funds to member-states. Thus, the Portuguese government decisions are constrained by choices taken by the EU. In turn, the CNC is resource-dependent on the Portuguese government. This chain of power and domination reinforced the development of new legitimation and signification structures at a national level consistent with C_{PE} . As such, it accords to the recursive aspect of the institutionalisation process suggested by Dillard *et al.* (2004).

5.1.2 Isomorphic pressures

In 2006, the Portuguese government exercised coercive influence on the content of the SNC by forcing the introduction of a specific standard for SMEs. At the beginning of 2006, the CNC met with the Secretary of State for Fiscal Affairs to present the structure of the new accounting system. Interviewee D explained that at this meeting:

The Secretary gave explicit instructions about the incorporation in the new accounting model of a specific accounting standard to be applied by small and medium-sized enterprises.

A standard for SMEs was not included in the initial SNC project. The representative of the SNC on the ARC (interviewee E) confirmed that from 2006 the development of the new accounting system was monitored closely by the Secretary of State for Fiscal Affairs. In the context of the SNC, political influence was noted also in the establishment of quantitative boundaries distinguishing companies that were required to use all standards from those who were required to use only the SMEs standard. Interviewee E noted that:

The Portuguese government does not intrude on technical issues. However, the Secretary of State for Fiscal Affairs always analyses the economic consequences of accounting standards and suggests changes, if necessary.

This is consistent with the view that the State is still very influential in shaping institutional environments in modern societies (Scott, 1987).

The incorporation of structuration theory in the Dillard *et al.* (2004) model recognizes the importance of agents' actions in influencing outcomes at each level. One primary agent at the political level, who influenced the outcome of the Portuguese accounting system, was the Minister of Finance. For five years before joining the government in July 2005, he was President of the Directing Board that regulated the Portuguese stock exchange – *Comissão do Mercado de Valores Mobiliários* [CMVM - Securities Market Commission]. He was also the President of the Executive Commission of the IOSCO for four years, President of a group of experts of the Committee of European Securities Regulators, and President of the Regional European

Committee of the IOSCO. Such experience with listed companies was a normative influence on the Minister of Finance: he regarded IASB standards to be the appropriate standards. This is consistent with the observation of Carruthers (1995: 317) that “[t]he involvement in professional networks, influences how professional personnel undertake their activities.”

As expected, in 2005, when the CMVM complained about the high costs incurred by listed companies and the problems of dual accounting, the Minister of Finance supported their interests. In December 2005, a press release by the Ministry of Finance (2005) after the Minister of Finance met with the Council of the CMVM, announced that “[t]he Ministry of Finance will study the possibility of the exclusive use of IFRS ... to avoid the necessity of keeping two sets of accounts by listed companies” and that a work group would be created to adapt the company income tax code so that IFRS could be used by all companies. This process revealed how listed companies were able to influence Portuguese accounting regulation through pressures applied by the CMVM. They found an appropriate receptor for their claims (the Minister of Finance) and an appropriate expedient (the CMVM).

Another normative pressure was exerted through the Executive Committee of the CNC. This committee is the main body responsible for developing regulatory changes to the Portuguese accounting system. OROC had one delegate representing the audit profession on the Executive Committee. Interviewee A observed that “*the CNC did not feel any kind of pressure from OROC to develop the new accounting system based on IFRS.*”

However, participant B observed that:

Members of OROC have always shown appreciation of IASB standards. OROC is very supportive of IFRS. Even if it was his personal opinion, the President of OROC mentioned several times publicly that IFRS should be adopted by all types of companies.

Further, the main profession of eight of the thirteen members of the Executive Committee of the CNC (62%) was that of official auditor. Interviewee E noted that:

Several members of the executive committee have worked in multinational companies that report in accordance with IFRS, others are official auditors of multinational companies, and of listed companies, and one represents the CMVM. All these members are very familiar with IFRS and have supported their adoption.

Transmission of knowledge inside the professional network of official auditors, and awareness of the discourse of the international accounting harmonisation process by several members of the Executive Committee, were fundamental in initiating normative pressures to impose these standards on unlisted companies. For these members, IFRS were already part of their grounds for legitimating. Therefore, at this level, official auditors were also influential agents in the development of the new accounting system. The Big-four companies were not influential in this process at the political level of the Portuguese context. Nonetheless, interviewee C noted “*multinational audit companies do not influence the activity of accounting boards at a national level. They influence the IASB directly.*” Their influence at a higher level is consistent with Suddaby *et al.*'s (2007) argument that representation of the Big-four on the IASB board, and the importance of Big-four donations to the IASB, lead these firms to occupy a strategic structural position in shaping accounting regulation.

Mimetic isomorphism influenced the development of the SNC also. The President of the CNC (Interviewee A) acknowledged that the decision of the CNC was influenced by a concerted movement to adopt IFRS in the national accounting regulations of several other member-states. However, he acknowledged that “*it was not the major reason for the development of the SNC.*”

Institutional pressures differ in importance to organisations. They depend on the variety of rewards arising from organisational conformity with those institutional pressures (Oliver, 1991). In the Portuguese case, coercive and normative pressures seemed to be more important than mimetic pressures in influencing the development of the new legitimation structure. This is consistent with the idea of different interpenetration of organisations by the institutional environment (Dillard *et al.*, 2004).

5.2 Organisational Field Level

5.2.1 Changes in signification, legitimation and domination structures

To understand the actions of OTOC in establishing the SNC it is important to be familiar with the context in which most Portuguese accountants operate. Usually, large companies have their own accounting department or individual accountant. However, smaller companies are usually managed by owners, without any support structure for investment or financing decisions. Smaller companies usually engage an external accountant. In recent years, before granting credit, banks have begun to require financial statements to be submitted by small companies, in addition to information about the private assets of owners. Thus, smaller companies who used accounting information traditionally for tax purposes were now asked to provide such information for funding purposes also. These SMEs comprise the majority of companies in Portugal. Consequently, most of the 31,000 official accountants registered to practice in OTOC have SMEs as clients. The President of OTOC (interviewee F) indicated this, and the role of accountants, with respect to SMEs:

SMEs are the main business for accountants. SMEs do not have a structure to support management. Therefore, accountants should have a close relationship with the owners, based on trust and partnership. Accountants should be multifaceted and support business decisions of managers with useful information. To do so they need to have great knowledge of the business, its needs and growth perspectives.

When the Secretary of State for Fiscal Affairs contacted the President of OTOC in 2008 to ascertain OTOC's position regarding the SNC, the President saw this as an opportunity to develop the accounting profession. Because of the grounding of the SNC in a principles-based approach (contrary to the rules-based approach of the POC), the SNC demanded a much deeper knowledge of the environment in which the accounting rules are applied by accountants. The President noted that the SNC

... adds a new dimension to accounting: it encourages integration of the accountant with the reality he is accounting for, and with decisions of management. This results in much more active and conscious actions by accountants...

The new accounting system accorded with (or accentuated) representational schema of OTOC by valuing the integration of accounting practices with business management practices. The SNC reinforced the evaluatory professional criterion of usefulness of accounting information and the professional expectation that there should be a partnership between accounting and business management.

The legitimating grounds for accounting practice include regulation of quality control, of number of training unit credits, of specialist practitioners in several areas of accounting and taxation, and a code of ethics. According to the President of OTOC, the SNC changed none of the rules because it contained generic considerations (regarding the practice of accounting). Nonetheless, objective representations of accounting quality are reflected in the *Control Guide* and in the *Form of Conclusions of Quality Control*. These are used in inspections of quality control made by OTOC and have specific measures of quality (e.g. with respect to facilities, academic degrees held by employees, equipment, document organisation, accounting practices). The President stated that these documents will be changed during 2011 to include assessment of new practices implied by the SNC (e.g. professional judgment or documentary support of fair value estimations).

Funding of OTOC is provided exclusively by its members, through biannual fees or payments for professional training. Since 2007, all accountants have been required to attend mandatory training. This is an important source of finance for OTOC. Accordingly, OTOC is very dependent on its members for resources. However, it is important to acknowledge that the Ministry of Finance demands that all companies have their financial statements and tax declarations signed by an “official” accountant. The “official” designation implies compulsory membership of OTOC¹⁰, and consequently, payment of fees and professional training. This leads to a fundamental resource dependency on the State. However, over the years, the State has also benefited from the collaboration of OTOC in processes of tax administration and tax clearance. In the opinion of the President:

OTOC has influenced the government in significant ways ... it was OTOC who pressed the government to proceed with the dematerialisation of tax forms.

¹⁰ Imposed by the Decree-law 452/99 (5 November) which approved the Statutes of the Chamber of Official Accountants. This Decree-law was changed by the Decree-law 310/2009 (26 October) which approved the Statutes of the Order of Official Accountants.

This resulted in information that was more valid and less expensive for companies and for tax administration.

This collaborative relationship enabled OTOC to negotiate some concessions from the government during the establishment of the SNC. In 2008, when the Secretary of State for Fiscal Affairs contacted the President of OTOC, both were aware of the importance of the role of OTOC if the SNC was to be successful: OTOC needed to provide the necessary supporting professional training. The President of OTOC argued that because adoption of a new accounting system posed so many challenges to the accounting profession, the social status of the profession should be raised from “Chamber” to “Order.” This strategy, in which an organisation strives to exact concessions from an institutional constituent, is described by Oliver (1991) as *bargaining*. The President of OTOC acknowledged that

The SNC was an opportunity to elevate the status of the profession. The SNC required accountants to be better prepared. The expertise requirements of the SNC gave more importance to the accounting profession.

OTOC fulfilled its part of the agreement by providing extensive professional training courses regarding IFRS and the SNC. These courses grew from 3 in 2007, to 5 in 2008, to 26 in 2009, and to 37 in 2010.¹¹

The SNC accounting model implied a different accounting paradigm for the accounting profession – one that is principles-based. It required additional professional judgment, high levels of disclosure, separation between accounting and taxation rules, a new terminology, and a new way of preparing accounting information. The training courses offered Portuguese accountants comprehensive understanding of the accounting practices implied by the new accounting system. As Greenwood *et al.* (2002) have observed, professional accounting associations are fundamental in the process of collectively redefining the institutional logic underlying the appropriate way of becoming an official accountant. The mandatory nature of the professional training provided by OTOC ensured that it played a vital role in establishing the new accounting practices and a new institutional logic.

¹¹ Information available at www.otoc.pt (accessed March 2011).

Changes at the organisational field level were influenced by interests and agency, and developed as a consequence of the dual forces of agency and structure, rather than as the simple execution of existing scripts (Beckert, 1999; Dillard *et al.*, 2004). This leads us to a deeper understanding of the actions of the President of OTOC. Recent developments in the accounting profession worldwide reveal a waning relationship between the State and professional associations (in which the State supports coercive normative actions of professional associations). Big-four accounting firms have outgrown the regulatory boundaries of professional associations by becoming multinational and by providing services to large and powerful corporate clients (Suddaby *et al.*, 2007). Formerly, accounting associations have been the primary actors on behalf of the profession. However, they are now faced with the prospect of the domination of accounting regulation by multinational accounting firms (Chua & Taylor, 2008; Suddaby *et al.*, 2007). The President of OTOC acknowledged that

A major concern for OTOC was the dependence of the International Federation of Accountants [IFAC] on multinational auditing firms. For the IFAC to be representative of the profession worldwide it has to have a lot more independence, must be more transparent in decision-making, and have much more scientific justification for its positions.

With respect to the context of the actual structures of the accounting profession, the President of OTOC sought to elevate the social position of the profession. OTOC would benefit too from such endeavour through a higher status in international organisations to which it belongs (e.g. IFAC). Thus, the change was instigated by institutional contradictions in the interests and needs of agents that were served poorly by existing social arrangements (Seo & Creed, 2002).

Additionally, the influence of OTOC and APOTEC in establishing an accounting obligation for micro-entities points to the important role the interests of agents in the organisational field can play in establishing laws and regulations at the political and economic level. Accordingly, professional accounting associations were influential at the organisational field (as Dillard *et al.* (2004) predicted) and were a primary agent at the political and economic level too.

New legitimating criteria (C_{OF}) were supplied by the CNC at the political level. Operating practices (P_{OF}) were disseminated by OTOC and by other professional

accounting associations. Nonetheless, interrelationships between the political and economic level and the organisational field level were important in establishing the final version of the SNC. During the due process phase in 2008, OTOC formed a team of experts to review the proposed version and suggest important changes. The President of OTOC explained that

With respect to the SNC, the accounting profession influenced accounting regulation greatly, mainly through the document prepared by our work group. Almost all suggestions were accepted.

The Dillard *et al.* (2004) model predicts a top-down institutionalisation process in which operating practices (P_{OF}) at the organisational field level are a function of the organisational field criteria (C_{OF}). The latter, in turn, are a function of the societal level criteria (C_{PE}). In the Portuguese case, organisational field practices were considered in establishing the new accounting system. This occurred through the membership of OTOC and OROC in the CNC, and through the participation of these bodies in the due process. In the particular case of OTOC, the operating practices of the organisational field influenced the document issued by OTOC experts. In turn, this influenced the organisational field criteria the SNC established at the economic and political level also. Thus, there is an opportunity to improve the Dillard *et al.* (2004) model by predicting an earlier reversion of the cascade of the institutionalisation process. Change processes are not initiated only at the organisational level by knowledgeable, reflexive agents; and by conflicting criteria between values and norms of society and organisations. Change can occur also in earlier stages when legitimate practices of agents, acting at the organisational field, need to be better accommodated in the newly established legitimating criteria.

5.2.2 Isomorphic pressures

At the organisational field level, only *coercive* pressures stemming from the State were identified as influencing actions of OTOC with respect to the SNC. The indirect resource dependence of OTOC on the Ministry of Finance made it unlikely that OTOC would oppose the SNC. Additionally, OTOC was consulted about its official position

when the SNC was almost in its final version.¹² Thus, even if OTOC did not agree with features of the SNC, and preferred to adapt the old accounting system to IFRS (as occurred in Spain and France) it would be very difficult to enforce such a position.

Some prominent individuals in the accounting profession argued publicly against the SNC on normative grounds. The President of OTOC stated that he

... paid attention to the opinions of these mentors, because their opinions are relevant. However, several academics were supportive of the new model. They understood very well the international context and what led to these changes.

The President said that none of these opinions was decisive because he was not easily influenced:

OTOC only cares about managing and enhancing the accounting profession. OTOC has goals and seeks to achieve these goals. Though we hear the parties we are not hostage to their opinions. The decision is ours.

Such a view reinforces Greenwood *et al.*'s (2002) contention that professional associations have an important role in reconciling competing interests and in constructing and maintaining intra-professional agreement over behaviour.

No significant mimetic influences were identified at the organisational field level. The specific features of the SNC and the differences between the option taken by Portugal when compared with options taken by Spain or France (who chose to adapt their accounting systems) prevented OTOC from being influenced by actions of foreign professional organisations.

5.3 Organisational Level

5.3.1 Changes in signification, legitimation and domination structures

The process of institutionalisation begins with the introduction of new structural arrangements. Accordingly, it is necessary to explore the formalisation of such arrangements in the form of policies and procedures (“habitualisation”). This will help

¹² It was changed later in response to the comments received during the due process phase.

to assess the extent to which new structural arrangements have been internalised by organisations or whether organisations are involved in a legitimisation exercise.

Three of the four accountants interviewed had a client list comprising only small companies. Only interviewee G dealt with auditors on a regular basis. Consequently, only interviewee G has adopted the set of 28 NCRF standards. All others have chosen to adopt the NCRF-PE standard for SMEs. Interviewee I adopted the SMEs standard in all of his companies because “... *it is simpler to work with. For small companies, accounting is not a management instrument. It is used exclusively for tax purposes.*”

All interviewees agreed that the application of the SMEs standard is very similar to the requirements of POC, despite more information being required in the notes. According to Interviewee H “*this was the main reason for choosing this standard.*” The main difficulties identified by accountants H, I and J were related to specific accounting issues (dealt with satisfactorily under the old accounting system) which had to be re-analysed to decide how to deal with them under the new regulation (e.g. deferred costs, accrual principle). Another important difficulty was how to value tangible assets that had been totally depreciated in the POC accounting system but were still in use. Solving these situations involved professional judgment, full understanding of the new conceptual framework, and dealing with fair value – all were difficult matters for these accountants.

In small accounting firms, the legitimating grounds and the representational schemes did not reflect the new legitimating criteria and organisational field practices of higher levels of the social context. Accountants were now operating in a new societal context where legitimisation structures required the implementation of a principles-based accounting system and a deeper application of the concept of utility of financial information. Accounting needed to be timelier, value-relevant and less conservative. Institutionalisation of the SNC at an organisation level involved establishing new practices by accountants to link external legitimating criteria with internal routines and behaviours (Tolbert & Zucker, 1996). However, this process implied changing their representational schema and their legitimating grounds. At the time of the interviews this had not occurred.

There are two main reasons for the limited effects of the adoption of the SNC at the organisational level. First, is the conflict between adoption of the SNC and the needs

and goals of these accountants. As result, accountants avoided a *de facto* application of the new accounting system (Oliver, 1991). The process of transition had high costs (especially for training and software). Accountants were unable to increase their service fees to compensate for these costs because of the general economic stringencies flowing from the global financial crisis of 2008. In addition, institutionalisation and the required “[d]evelopment of some degree of social consensus among organizational decision-makers concerning the value of a structure” (Tolbert & Zucker, 1996: 182) had not been achieved among accountants. For all accountants interviewed, the adoption of the SNC was not deemed worthwhile for SMEs. Interviewees I and J argued that the SNC should not be applied by SMEs. Interviewed I explained that:

Because these companies do not use accounting information for decision-making and do not have a set of users of their financial statements, it takes a lot of work to adapt their accounting. In the end it is not worthwhile.

The main users of the financial statements of these firms are the State and banks. Consequently, adoption of an accounting system oriented to a diversified set of users, and requiring extensive disclosures, is inappropriate to them. According to Oliver (1992), deinstitutionalisation of practices usually involves functional pressures. For accountants I and J, adoption of the SNC would render accounting information less reliable and less comparable than the POC, even though the financial statements have more information (in the notes). Interviewee J noted that:

As the balance sheet and the income statement in the SNC have a much higher degree of summarization, all important information has to be in the notes. In SMEs, the notes have very little information. Thus, in SMEs, the quality of financial information will be worse than it was in the POC.

The second major reason for the limited effect of the adoption of the SNC at the organisational level was the possibility of preserving the same accounting practices. The inclusion of the SME standard in the SNC enabled accountants to use a simple version of IFRS. Because the operations of their clients are also very simple, they are not forced to use the set of 28 SNC standards, thus maintaining the same representational schema of the POC. Interviewee I averred that in very small companies there are no significant differences between the two systems because accounting rules regarding current operations (such as sales, wages or purchase of goods and services) are identical.

Interviewee J explained that “*the major difference is the chart of accounts. All the rest remains the same.*” Interviewee H expanded upon this point:

Tax forms will demand thorough explanations of the options taken, which will increase our work. Thus, in small companies we will take the most basic and simple options. Accountants will limit their work to complying with tax obligations.

Organisational field practices (P_{OF}) are translated at the organisational level into working practices and subsequently are enacted at the intra-organisational level (Hopper & Major, 2007). If these practices reinforce interests and beliefs of agents at this level, they are institutionalised. However, if contradictions occur, resistance to the institutionalisation of the imposed practice is expected (and organisations exert pressure to change eventually) (Cruz *et al.*, 2009). Two important institutional contradictions can be identified. First, is the increase in the efficiency gap between the structures being adopted by small accounting firms *and* their practices grounded in the old accounting system. Second (and most importantly), is the misalignment between the features of the SNC that ultimately reflect the goals and needs of multinational corporations and capital markets *and* the interests of these small accounting firms. Even though small firms apply the specific standard for SMEs, they are conscious of the institutional conditions that led to the adoption of the new accounting system and how their needs are not a priority. Indeed, the increase in the initial limits to which the NCRF-PE could be applied reveals how Portuguese companies were able to change the legitimacy criteria being imposed on them (consistent with Seo and Creed, 2002). These contradictions delayed enactment of the imposed practices and hindered *de facto* application of the new rules.

Greenwood and Hinings (1996) note that the greater the extent to which organisations are tightly coupled to a prevailing archetypal template within a highly structured field (such as accounting) the greater will be resistance to change. Accordingly, loose coupling was expected. The lack of acceptance of (or resistance to) new accounting rules and routines can lead to a ceremonial use of accounting within an organisation (Burns & Scapens, 2000). As a result, loose coupling of accounting neutralises the impact of accounting change and leads to institutional stability (Nor-Aziah & Scapens, 2007). The change of account codes was one of the most important

changes for these accountants. By keeping existing arrangements separate, independent and unaffected by the SNC (loose coupled), actual operations are unaffected by the implementation of accounting change. Thus, a degree of stability is maintained.

These explanations are consistent with the different behaviour of accountant G. He had several clients above the limits prescribing application of the SME standard. Thus, he was forced to change procedures, thereby revealing different legitimating grounds and representation schema. He was the only accountant interviewed to have conversion procedures for adoption of the SNC (the others solved transition problems as they arose). Interviewee G adopted the 28 SNC standards for all client companies. He stressed that for his clients in the agriculture industry, the SNC provided more appropriate regulation than the old accounting system (in which production animals were recognised as tangible assets without taking account of their specific characteristics). He also felt comfortable with the use of fair value, despite this being a prominent problem for Portuguese accountants used to historical cost valuation. In the particular case of biological assets, Interviewee G contended that *“fair value is the best way to measure them and it is unproblematic to estimate them.”* In this case, deinstitutionalisation of the former practices occurred because the POC was inadequate for some of his clients, particularly those in agriculture. The changes in the law prohibited perpetuation of the institutionalised practices of the POC in some of his clients (Oliver, 1992). These combined events led to the development of new signification and legitimation structures that were supported by additional allocation of resources: Interviewee G hired a person to assist with conversion to the SNC.

Regarding the domination perspective, all accounting firms have one or two senior accountants who decide the norms and values that prevail in organisational practices. Accordingly, the legitimating grounds and representational schemes of their firms reflected personal views and opinions about the SNC. However, for most accountants allocating resources to the transition to the SNC was compulsory and did not support the development of new signification and legitimation structures. The allocation merely complied with new legal requirements and OTOC-imposed professional training requirements. When conformity to institutional standards implied changes in core values, rather than adaptation of secondary characteristics, resistance to adopting standards is stronger (Oliver, 1991). This is reflected in resource allocation to the new structures.

5.3.2 Isomorphic pressures

Coercive, normative and mimetic processes were present in the institutionalisation of the SNC at the organisational level. Two different *coercive* pressures operated at the organisational level. First, was the State, through the imposition of the SNC, and its associated enforcement measures (fines between €500 and 1,500€). Also, the State influenced the moment that companies began to convert to the SNC through the fiscal obligations of 2010 it imposed (VAT declarations). Second, was the coercive pressure exerted by clients. In respect of his preparedness to adopt the SNC, interviewee G noted:

I have important responsibilities towards my clients, so I had to be prepared. Small companies did not notice the change of accounting system. But larger companies did. And it was important that all went well for them to keep their trust in my work.

Interviewee I offered the view that:

We have to be aware of the SNC to know what we should do. If our clients ask questions we have to know what to answer them.

Even though most clients were unaware of the adoption of a new accounting system, accountants felt they could not abandon clients' expectations of quality accounting services, regardless the accounting system in force. Interviewee G stated that:

Even when our competitors have lower prices, clients do not change if the relationship with the accountant is good.

All four accountants interviewed agreed that their relationship with clients was very stable and based on trust. However, to fulfil expectations, a limited application of the SNC was sufficient. This is consistent with the argument of D'Aunno *et al.* (1991) that organisations rank new practices in terms of a hierarchy of unequally important institutional demands. Organisational response relies on an evaluation of the importance of new practices for organisational legitimacy. This, in turn, depends upon the power of each institution. Organisations are more likely to acquiesce to the institutional demands of organisations on whom they depend (DiMaggio & Powell, 1983; Oliver, 1991). Accordingly, Portuguese accountants changed their accounting practices to the extent

necessary. They did so to maintain their legitimacy, given their assessment of the institutional demands placed on them by the State and by clients.

Normative and *mimetic* pressures cannot be distinguished fully. They have combined effects on the process of institutionalising the SNC. The normative part is present in the intensive professional training all accountants were required to undertake. This legitimated a new cognitive base and promulgated new normative rules of professional behaviour. For all accountants, talking with other colleagues (to clarify specific doubts during the adoption of the SNC) was regarded to be an important part of their preparedness, in addition to professional training. Though the exchange of information among professionals is identified usually with normative influences (DiMaggio & Powell, 1983), the way accountants modelled their behaviour on other accountants, in the uncertain environment of SNC adoption, reflects mimetic isomorphism as well. Accountant I noticed that in the transition process he also felt the pressures to be well prepared exerted by other accountants. These arose on “*social occasions, such as dinners with colleagues, or in the audit firm*” where he was training to be an official auditor. This is consistent with the importance of socialisation as an isomorphic force.

6. Conclusions

Generally, our results are consistent with the model proposed by Dillard *et al.* (2004). That model was able to explain the top-down deinstitutionalisation of the POC and the institutionalisation of the SNC, through a process involving articulation of institutional dynamics at different levels of the societal context.

Several suggestions to refine the Dillard *et al.* (2004) model arise in the context of the convergence of local Portuguese standards with IFRS. Essentially, these refinements relate to the top-down nature of the model and how agents at the organisational field level can counteract the institutionalisation process *before* it reaches the organisational level. Actions of Portuguese professional accounting associations illustrate how their interests were accommodated by the accounting obligations of micro-entities that were imposed at the political and economic level. This reveals that professional accounting associations can be a primary agent at the political and economic level through the

influence they exert on the content of accounting regulation; and that institutional influence at the organisational field level can be spread in all directions (including upwards) through pressures on legislators.

Our results reveal also that the cascade of the institutional process can invert at an earlier stage than is portrayed in the Dillard *et al.* (2004) model; and that such inversion is not necessarily a consequence of changes motivated by agents of the organisational (or bottom) level. OTOC was able to influence the final content of the SNC through the document developed by its team of professional experts. Accordingly, in the “due process” phase of establishing accounting standards, operating practices considered legitimate at the organisational field level are present in positions taken by professional accounting associations and other organised parties, influencing regulations enacted at the political and economic level. Consequently, the refinements we suggest to the Dillard *et al.* (2004) model at the organisational field reinforce its applicability to the accounting arena.

At the political and economic level, signification and legitimation structures evolved towards utility of financial information and a principles-based approach to accounting. Actions of the EU provided the context (C_{PE}) for developing a new accounting system based on IFRS (C_{OF}) in Portugal. The SNC represented new organisational field criteria issued at the PE level as a response to institutional pressures initiated by an important influential agent, the Minister of Finance. Though the CNC developed an initial version of the new accounting system, political pressures exerted by the government were essential for the SNC to proceed, and for its final content to be shaped. The Minister of Finance (a former stock exchange regulator) was the ideal receptor of complaints by listed companies about the high costs of dual accounting. His involvement instanced the institutional influence of powerful groups at the political and economic level. This demonstrated a link between coercive pressures and normative pressures. The latter type of pressures was evident also on several official auditors of the Executive Committee of the CNC by virtue of their work experience with multinational and listed companies. Nonetheless, the government sought to reach a consensus among Portuguese companies by ensuring that the new accounting model was adequate for the needs of SMEs (through the inclusion a specific standard for SMEs).

At the organisational field level, the SNC concurred with the prevailing representational schema of the accounting profession by highly regarding the integration of accounting services and business management. The new accounting system strengthened the importance of the accounting profession by requiring a more conscientious practice of accounting – one involving a principles-based approach. This feature allowed the President of OTOC to seek (*bargain*) the elevation in status of the accounting profession to “Order.” This concession was compensated through the extensive professional training provided by OTOC to spread legitimate operating practices at the field level (P_{OF}). This confirms the significant role accounting associations can play in legitimising changes in institutionalised fields. Nonetheless, the evolution of institutional change in the Portuguese accounting profession is a function of the expression of latent interests of agents (transformative agency) (Seo & Creed, 2002).

There has been a limited application of the SNC by small accounting firms. Results reveal that two very different perspectives about the accounting profession are held by the President of OTOC and small accounting firms. The benefits of the SNC to the accounting profession envisaged by the President of OTOC, and that led him to embrace the new accounting system, were not perceived in small accounting firms. The characteristics of the clients of these small accounting firms (who use accounting mainly for tax purposes) meant that the claimed advantages of the SNC (e.g. enhancing the role of the accountant in the management of small companies; enhancing the status of the profession due to the requirement for professional judgments and due to application of a sophisticated set of accounting standards that demanded better knowledge of finance and financial instruments) were not experienced. Rather, in small accounting firms the SNC was perceived to require excessive transition costs and undue effort for the reduced number of financial statements users. Further, it was regarded to yield no increase in the quality of accounting information. Accountants were allowed to use the SME standard that involved small differences in accounting practices when compared with the POC. Accordingly, some accountants engaged in a ceremonial use of the SNC and maintained the old representational schema when framing new situations. Such loosely coupled accounting practices allowed them to have a sense of stability in the uncertain environment that arose from the adoption of the SNC (Nor-Aziah & Scapens, 2007).

The different behaviour of interviewee G reveals that the 28 SNC standards were well accepted by several accountants, particularly when institutional contradictions are smaller, and they share a similar view to that of the President of OTOC about the accounting profession. At the organisational level, these explanations are consistent with the conceptualisation of organisational behaviour that addresses internal organisational dynamics and embraces translation of new practices (Hopper & Major, 2007). Resistance can arise when interests and needs of agents are contradicted by imposed practices. When they are not contradicted, institutionalisation occurs. This conceptualisation is particularly useful in a context of compulsory practice adoption because it provides a better understanding of organisational behaviour than the two-stage diffusion process (innovators versus late adopters) used by Dillard *et al.* (2004).

Our results complement previous analyses of IFRS adoption by nation states that have used institutional lenses (Irvine, 2008; Mir & Rahaman, 2005). We reveal that embeddedness of new accounting practices can depend on factors other than a coordinated structure capable of accommodating interests of the parties involved *or* the adaptation of IFRS to the needs of different users. The process of accounting change is slow. The accounting concepts transferred from the previous system prevailed among small accounting firms. Accounting standards were easier to change than it was to change the representational schemas of accountants framing the organisational reality they accounted for. The micro-entities standard seems likely to bridge accounting regulation and the interests and needs of small accounting firms, thereby overcoming the gap that persisted with the NCRF-PE (the SME standard). However, tight coupling and *de facto* application of principles-based accounting standards (consistent with purposes of the SNC) demand changing signification and legitimation structures at the organisational level. Such changes should involve a gradual process linked to the evolving social environment.

We are mindful of concerns about the generalisation of findings based on a small unrepresentative number of cases. However, when it is possible to relate research results to theoretical propositions (as here), findings have a broader significance than the cases that are the basis of our work (Moll *et al.*, 2006b). Additionally, because institutionalisation is a longitudinal process (Scott, 2001), further qualitative studies could improve understanding on the institutionalisation process of the SNC by analysing which accounting standard has prevailed (NCRF-PE or micro-entities

standard), and how legitimation and signification structures of small accounting firms have evolved. The approach used here can be replicated to study institutionalisation processes of new accounting systems in other countries. This would allow comparisons of the institutional dynamics among different nation states and help refinement of the Dillard *et al.* (2004) model. It would also provide a deeper understanding of the processes articulating criteria and practices over the three levels of societal systems.

ESSAY 3

Factors Influencing the Preparedness of Large Portuguese Unlisted Companies to Implement Adapted International Financial Reporting Standards in Portugal

1. Introduction

From 2005 onwards, compliance with IFRS became compulsory for listed companies in many countries (including in those in the EU). According to Chua and Taylor (2008) there has been an inexorable and irreversible rise of IFRS as the global accounting benchmark. Adoption of IFRS has major implications for firms. The conversion from *national* accounting standards to *international* accounting standards is complex and time consuming. Differences between national accounting standards and IFRS need to be identified and reporting processes adapted (Ernst&Young, 2006). Additionally, cultural influences and reporting traditions have the potential to confound the process of conversion.

Although several studies have discussed problems of implementing IFRS (e.g. Alp & Ustundag, 2009; Ding & Su, 2008; Jaruga *et al.*, 2007; Jermakowicz & Gornik-Tomaszewski, 2006), with the exception of the study of *listed* companies in Portugal by Guerreiro *et al.* (2008), no published research has systematically evaluated the degree of preparedness of companies to adopt IFRS. This essay extends the study of Guerreiro *et al.* (2008) by exploring the extent to which large *unlisted* Portuguese companies were prepared, in September 2009, to adopt the new Portuguese accounting system, the SNC. In analysing the preparedness of Portuguese companies to adopt the SNC, we combine the initial framework of DiMaggio and Powell (1983) with more recent perspectives of institutional theory that accommodate change, strategic choice, organisational resistance and institutional logics (Broadbent *et al.*, 2001; Lounsbury, 2007; Marquis & Lounsbury, 2007; Oliver, 1991; Thornton & Ocasio, 2008).

Accordingly, this essay extends understanding of the institutional factors that are associated with the preparedness of large Portuguese unlisted companies to adopt the SNC. The explanatory variables are classified as coercive, normative and mimetic processes (DiMaggio & Powell, 1983). To assess the degree of preparedness of Portuguese unlisted companies to adopt the SNC, a proxy was developed to capture the conversion practices used.

The institutional framework adopted is concerned primarily with how companies relate with the institutional environment, the effects of social expectations on

companies, and how these expectations affect company characteristics (DiMaggio & Powell, 1991). As Scott (1987: 504) contend “[o]rganizational decision makers have been shown to adopt institutional designs and attempt to model their own structures on patterns thought to be, variously, more modern, appropriate, or professional.” Accordingly, several studies have revealed that organisations are very cognizant of the societal context and institutional rules and requirements to which they must conform in order to receive support and legitimacy from the environment (Granlund & Lukka, 1998; Mezias, 1990; Palmer *et al.*, 1993; Touron, 2005). Portuguese unlisted companies are no different: they face pressures from several institutional constituents. These pressures have to be weighted by them when they are preparing to adapt their accounting practices (Hyvönen *et al.*, 2009). By applying institutional theory to unlisted companies and by moving beyond economic explanations, we broaden the scope of previous studies of the adoption of international accounting standards, and improve understanding of the behaviour of unlisted companies.

An important motivation for our investigation is to understand whether (at close to the time for mandatory adoption of international accounting standards) *unlisted* companies had a different level of preparedness than *listed* companies (Guerreiro *et al.*, 2008). Thus, we respond to questions posed by Meek and Thomas (2004: 31): “What about nonlisted companies and companies’ nonconsolidated (i.e., individual company) accounts, particularly those from European code law countries? Will they continue to reflect national accounting systems, or will they shift away from them?” Often, within the same country, listed and unlisted companies exhibit different accounting practices: the market for their financial reporting differs substantially (“outsider” versus “insider” information), and accounting practices regarding individual accounts are more likely to be influenced by taxation, dividend and other policies, implying a lower quality in these financial statements (Ball & Shivakumar, 2005). However, Francis *et al.* (2008) argue that even though private firms do not face the agency problems of listed companies, they do face an information asymmetry problem that affects their ability to engage in contracting with external parties. As a consequence, they use IFRS to improve the quality of their financial reports. Thus, it is important to understand how unlisted companies embraced the new accounting systems, based on IFRS, because such systems are being adopted widely in Europe.

The present study differs from Guerreiro *et al.* (2008) and extends that prior study in important ways. First, the focus is on preparedness to adopt an IFRS-related regime of accounting standards by *unlisted* companies, rather than *listed* companies. Second, the findings are analysed using a framework of new institutional theory. Guerreiro *et al.* (2008) did not specify a theoretical framework. Third, the present study is conducted six years later (2009 versus 2003) and draws upon significantly more responses (116 versus 31) for empirical support; and fourth, it provides a composite measure of the preparedness of unlisted companies to adopt IFRS (as adapted in the SNC) for use in Portugal. Because this composite measure incorporates a much wider set of conversion procedures, it better captures the ability of unlisted companies to deal with IFRS.

We report the results of completed mailed questionnaire survey responses from 116 large Portuguese unlisted companies at the end of 2009 (that is, in the last quarter prior to conversion to the SNC). The results are consistent with Guerreiro *et al.* (2008) in revealing that the level of preparedness in the last quarter before the transition was low. However, with the exception of a company's engagement in export activities, several factors that proved to be important as incentives for the preparedness of *listed* companies are not significant for *unlisted* companies. Importantly, some other unique factors are revealed to be significant in explaining the general level of preparedness of unlisted companies. These are the participation of a parent company in decisions regarding conversion procedures, having Portuguese citizens as capital owners, and the extent of a company's reliance on the services of consultants. Our findings emphasise that organisational evolution, in terms of accounting practices, is shaped fundamentally by coercive and mimetic pressures; and that attention should be paid to normative embeddedness and competing institutional logics as sources of organisational resistance to broad-scale institutional changes.

The following section outlines the theoretical framework adopted. Hypotheses are then developed concerning the factors expected to affect the degree of preparedness of unlisted companies to adopt the SNC. Subsequent sections outline the research method and empirical model, present results, and enter conclusions.

2. Analytical Perspectives from New Institutional Theory

Commonly, decisions to adopt IFRS are said to have been prompted by economic rationality and the notion that IFRS are high quality accounting standards likely to result in more timely and transparent accounting information (Barth *et al.*, 2008; Francis *et al.*, 2008). However, adoption of IFRS can also be seen through institutional lenses: as a routine institutionalised by companies in response to pressures for change, and as a means of garnering legitimacy by emulating an international trend (Chua & Taylor, 2008). In addition, the adoption of IFRS accords companies ceremonial benefits by helping them to nurture an image of rationality and a reputation for keeping abreast of fashionable business techniques (Rodrigues & Craig, 2007). Clearly, as Mezas (1990: 455) has observed, there is a need for “[b]etter understanding of how institutional environments contextualize and shape the rational pursuit of profit by organizations...”

Institutional theory links organisational practices (such as accounting), the values of society in which organisations operate, and the need to maintain organisational legitimacy (Deegan & Unerman, 2006). Legitimacy is seen not as a commodity to be possessed or exchanged, but as a “[g]eneralized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions” (Suchman, 1995: 574). Institutional theorists believe that formal organisational structures reflect technical demands and resource dependencies, and are shaped by institutional pressures. A key element of institutional analysis is to establish how institutional mechanisms reinforce or weaken the prevailing social order (Scott, 2008). Thus, the central thrust of institutional theory is to explain the homogeneity of structure, processes of legitimation and social reproduction (DiMaggio & Powell, 1991). These ideas lead to the concept of isomorphism. DiMaggio and Powell (1983) proposed three types of isomorphism that are critical in understanding the process of institutionalisation: coercive, normative and mimetic isomorphism. Underpinning these notions of isomorphism is the assumption that organisations adopt structures and practices that are considered legitimate and socially acceptable by other organisations in their field.

Coercive isomorphism concerns the way in which organisations are subject to formal or informal pressures that arise from other organisations upon which they depend; and/or that arise from cultural expectations in society. Coercive isomorphism

can be viewed as a means of authority and coercive power (Scott, 1987). Changes in structural forms imposed by authority are expected to find less resistance, occur rapidly, be less superficial, and be associated with higher levels of compliance and stability, than those imposed by force. Accordingly, in addition to the regulatory environment, coercive pressures stemming from corporate (inter-)dependencies should play an important role in the preparedness of companies to adopt the SNC.

Normative isomorphism stems primarily from the profession (DiMaggio & Powell, 1983). Normative rules bring a prescriptive, evaluative and obligatory dimension to social life. Normative systems define goals and objectives and appropriate ways to pursue them. Members of a profession share a common understanding and knowledge base. Two aspects of professionalisation are important sources of isomorphism. First, is the cognitive base that is produced by universities and professional training institutions. The professional norms they develop are the base of legitimation for the occupational activity. Second, is the development of professional networks, such as professional and trade associations. They define and promulgate normative rules about organisational and professional behaviour (DiMaggio & Powell, 1983). Thus, professional associations and relational networks should be considered in any explanation of organisational behaviour regarding the transition to the SNC.

Mimetic isomorphism occurs when organisations model their structures or practices on similar organisations that they perceive to be more successful and legitimate (DiMaggio & Powell, 1983). Organisations observe each other to learn the practices that are effective and acceptable in their social system. Conditions of uncertainty empower mimetic behaviours. When organisations are unsure what to do, they frequently look to a reference group, or to kindred organisations, and emulate what they do in similar situations (Carruthers, 1995). This behaviour underlies a ritual aspect: that mimetic isomorphism seeks to enhance legitimacy by adopting a common frame of reference. This is the cognitive pillar of institutionalisation, and “[i]t rests on pre-conscious, taken-for-granted understandings” (Scott, 2001: 61). Consequently, two important mimetic forces are identifiable influences on the preparedness of companies. First, is the consultancy industry. It generates strong mimetic processes (Granlund & Lukka, 1998). Consultants usually offer high quality services and exposure to best transition practices. Thereby, they facilitate a smooth transition to IFRS. Second, is the

practice of imitating organisations that are viewed as being successful in the organisation field.

More recently, institutional researchers have addressed issues of human agency, organisational resistance and strategic choice, and have moved well beyond assumptions of passivity (e.g. Broadbent *et al.*, 2001; Dillard *et al.*, 2004; Greenwood & Hinings, 1996; Marquis & Lounsbury, 2007; Oliver, 1991). From this literature two important research avenues emerge through which different organisational responses can be explained. First, is the definition of a repertoire of strategic responses that varies in levels of active organisational resistance (that is, from passive conformity to proactive manipulation) (Oliver, 1991). Second, is the importance of normative embeddedness and institutional logics as major sources of organisational resistance to change (Broadbent *et al.*, 2001; Greenwood & Hinings, 1996; Marquis & Lounsbury, 2007).

Oliver (1991) identified the conditions under which organisations resist institutionalisation. She noted five different organisational strategic responses to institutional pressures that vary by degree of agency. These include acquiescence, compromise, avoidance, defiance and manipulation. Factors that condition strategic choice comprise the rationales of institutional pressures, the constituents involved, the content challenged, the means by which the pressures are exerted, and the environmental context. She argued that further theoretical and empirical attention should be accorded to the processes and mechanisms for contesting institutional change. As a consequence, some scholars have redirected their efforts towards understanding the conditions under which organisations, professionals and other actors resist broader-scale institutional changes.

Marquis and Lounsbury (2007) highlight how the concept of *resistance* is particularly important in overcoming passive conceptualisations of organisational action that have characterised institutional theorising. Additionally, as resistance hinders isomorphism, the study of resistance provides greater insight to how organisational variety emerges and how it is sustained in organisational fields. Greenwood and Hinings (1996) noted that resistance to change is linked to the degree of normative embeddedness of an organisation within its institutional field. That is, organisations that are tightly coupled to a prevailing archetypal template within a highly structured field

are likely to resist change. Furthermore, organisational resistance is highly likely when the normative institutional context, which drives professional practices, is threatened by changes in the regulatory institutional context (Broadbent *et al.*, 2001). Nonetheless, if changes in normative values are desirable (taking account of the needs of competing stakeholders), practices will eventually change through processes of colonization (such as by coercive or mimetic isomorphism).

Resistance to institutional change has been explained also through the concept of *institutional logics*, or broader cultural beliefs and rules that structure cognition and guide decision-making in an organisational field (Lounsbury, 2007, 2008; Marquis & Lounsbury, 2007; Thornton, 2002). Rather than focus on the reproduction of social structures (isomorphism), this approach to institutional analysis posits that institutional logics define the content and the meaning of institutions. The approach focuses on the effects of differentiated institutional logics on individuals and organisations in a large variety of contexts (Thornton & Ocasio, 2008).

Logics are the beliefs and practices that constitute organising principles and recipes for action: they shape rational, mindful behaviour; and individuals and organisational actors have some hand in shaping and changing institutional logics (Owen-Smith & Powell, 2008; Thornton & Ocasio, 2008). Through emphasis on rationality and decision-making, this concept entails a deep examination of actors and practices and broadens the scope of institutional analysis to organisational heterogeneity and practice variation (Lounsbury, 2008). According to Marquis and Lounsbury (2007), competing institutional logics in the professional arena are a foundation for resistance. They argue that actions of professionals are shaped fundamentally by broader institutional logics; and that professionals in a community are an importance source of resistance to the changes made by larger entities, especially when those entities pursue opposing goals and beliefs. Thus, resistance to institutional change (Oliver, 1991) is understood to be socially structured by competing logics (Marquis & Lounsbury, 2007; Owen-Smith & Powell, 2008).

The adoption of the SNC required considerable implementation effort because of the many measurement and disclosure differences between it and the former accounting system. A shift was required from a code-law logic to a common-law logic (that is, to an Anglo-Saxon principles-based accounting model).

The rationales for action provided by the new institutional logic implied by the SNC demanded the development of new cognitive structures by accounting professionals and by organisations. The SNC was intended to lead to important changes of perspective for preparers and users of financial information. Nonetheless, studies have shown how competing logics fundamentally shape variation in the practices and behaviours of individuals and organisations (Lounsbury, 2007; Marquis & Lounsbury, 2007) and provide a foundation for resistance. Indeed, the SNC heralded a significant change in the culturally-based accounting mentality of Portugal. Organisational resistance could reasonably be expected to be activated by the shift of institutional logics.

Thus, the behaviour of Portuguese companies in preparing to adopt the SNC seems likely to be dominated by a collection of regulatory pressures, normative orientations, the behaviour of other successful companies, and changes in institutional logics. The range of important players includes the Portuguese State, the accounting profession, and individual organisations. For our present purpose, the institutional pressures to which companies are subject will be used to explain the preparedness of unlisted companies to adopt the SNC.

3. Hypotheses

Based on the theoretical framework previously outlined, explanations for the degree of preparedness of companies are now outlined.

3.1 Coercive Pressures

3.1.1 Parent company dependence

Resource-dependence is a source of coercive isomorphism (DiMaggio, 1988). Thus, subsidiary companies are likely to adopt patterns of behaviour sanctioned by the parent company if the parent company controls the subsidiary's access to critical resources. For example, due to consolidation procedures, complex organisations with several subsidiaries have important incentives for internal homogenisation.

Accordingly, parent companies usually transfer organisational techniques to subsidiaries facilitate the coordination and management of the activities of the conglomerate (Granlund & Lukka, 1998).

H1: The degree of preparedness to implement the SNC by companies in which the parent company makes decisions about the conversion process is greater than the degree of preparedness of companies that do not have such involvement by the parent company in their conversion process.

3.1.2 National ownership

Economic rationales contend that the adoption of IFRS by multinational companies will enhance reporting to international constituents (Murphy, 1999) and will reduce the additional information asymmetry faced by foreign investors (Francis *et al.*, 2008). Thus, according to arguments based on economic rationalism, foreign ownership should motivate companies to be better prepared to adopt the SNC. However, institutional theorists believe that all social systems, such as organisations, exist in an institutional environment that defines and delimits social reality (Scott, 1987). This can be related to the notion of cultural embeddedness, in which shared understanding (in the form of beliefs and ideologies) prescribe and constrain organisational action. Accordingly, owners of companies who are Portuguese citizens would be more likely than non-Portuguese owners to follow the development of the SNC, be more aware of the environmental pressures for conformity, and feel the need of their companies to meet the expectations of Portuguese society. Thus, Portuguese owners should be more conscious of the legitimacy achieved through conforming to institutional pressures; and this, thereby will provide coercive pressure for their companies to be well prepared to adopt the SNC. The effect of this pressure will be amplified in companies belonging to Portuguese conglomerates, in which several organisations are seeking an articulation of legitimacy and institutional conformity.

H2: The degree of preparedness to implement the SNC of companies with exclusively Portuguese owners is greater than the degree of preparedness of companies with the participation of foreign owners in the company's capital.

3.2 Normative Pressures

Normative pressures stem primarily from professionalisation (Scott, 2001). They can affect the harmonisation of accounting practices significantly. Accounting standard-setting processes in several Anglo-Saxon countries are controlled by bodies sponsored by local professional organisations. Accounting associations and audit firms have played an important role in the dissemination of IFRS and the transformation of the IASB (Chua & Taylor, 2008). Two different proxies for the influence of normative pressures on the degree of preparedness of companies to adopt the IFRS are membership of professional accounting associations; and auditor type.

3.2.1 Membership of professional accounting associations

National professional accounting organisations are important channels through which global practices can be diffused at a local level (Granlund & Lukka, 1998). Professional training and the professional press are sources of professionalisation too. They help spread values and norms to become internalised by accountants. Chief financial officers or accountants who belong to several professional accounting associations are likely to be influenced by the international homogenization of professional expertise (IFRS) endorsed by those organisations. Professional associations legitimate change by hosting a process of discourse through which change is debated and endorsed (theorisation), thereby shaping the diffusion of innovative practices (Greenwood *et al.*, 2002). Membership of more than one professional accounting association reveals commitment to the profession and more interest in the socialisation process of these associations.

H3: The degree of preparedness of companies to implement the SNC increases with the number of professional accounting associations to which the CFO or accountant belongs.

3.2.2 Auditor type

Multinational accounting firms have been strong advocates of the global adoption of IFRS (Chua & Taylor, 2008; Hopwood, 1994). Historically, these firms have been a strong and effective vehicle for the transfer of accounting practices and competencies (Touron, 2005). Multinational audit firms have developed expertise in auditing IFRS. They provide advisory services, implementation brochures, and detailed conversion guidance to companies transitioning to IFRS. Because of this, they are an important channel of normative influence. The Big-four companies draw on their past experience to provide better guidance to their clients, particularly those in countries (such as Portugal) that are now adopting accounting systems based on IFRS (the SNC). Accordingly, companies whose audit is conducted by a Big-four accounting firm are expected to be better prepared to adopt the SNC.

H4: The degree of preparedness to implement the SNC of companies audited by a Big-four accounting firm is greater than the degree of preparedness of companies not audited by a Big-four accounting firm.

3.3 Mimetic Pressures

Institutional theorists argue that mimetic pressures are linked to the cognitive and socially constructed side of human behaviour; and that they rest on taken-for-granted understandings (Scott, 2001). Cognitive elements should provide models of preparedness for organisational decision makers to imitate. Two different proxies were used to assess mimetic isomorphism: the procurement of consultancy services, and the conduct of export activities. These proxies capture different dimensions of mimetic pressures. The first proxy captures the conscious choice for modelling the conversion process in accord with the best practices of consultancy firms. The second proxy captures the ritual or unwitting mimicking of the practices of other successful organisations in their organisational fields of export organisations (DiMaggio & Powell, 1983); and is likely to be perceived as important to their survival prospects (Scott, 2001). Portuguese export companies share differentiated and specialised institutional logics. They have specific government incentives, privileged credit access and additional competitive requirements. This distinguishes them from other companies that

operate exclusively in the national market. Thus, their mimetic behaviour should also take into account the activities of the other participants in their commercial field.

3.3.1 Consultancy services

Uncertainty is a powerful source that encourages imitation, particularly when organisational technologies are poorly understood or the environment creates symbolic uncertainty (DiMaggio & Powell, 1983). Organisations rely on competing modes of social behaviour. The most prevalent or successful are often the ones adopted (Granlund & Lukka, 1998). Given the uncertainty associated with the adoption of a new accounting system that requires substantial organisational changes (e.g. of processes for preparing financial information and financial reporting and providing training to management and staff), consultancy companies provide expertise and best practices for a smooth transition to the SNC. Accordingly, as DiMaggio and Powell (1983) noted, mimetic isomorphism occurs, not only through unintentional diffusion of models, but also explicitly by contracting organisations such as consultancy firms. For this reason, companies which acquire consultancy services to assist in the conversion process are expected to have modelled their conversion process on the standards of major international consulting firms. Consequently, in those companies, the conversion should develop in a more proficient manner, and they should be better prepared to adopt the SNC.

H5: The degree of preparedness to implement the SNC of companies which engage consultants is greater than the degree of preparedness of companies which do not engage consultants.

3.3.2 Export activities

Mimetic isomorphism should be more pronounced in export companies. The SNC provides legitimacy to export companies through their adoption of accounting practices that are similar to the ones adopted by companies throughout the world. Companies in about 70 countries already use IFRS, including EU listed companies (Alp & Ustundag, 2009). Several EU member-states have imposed IFRS for all companies, including

Spain (Portugal's largest trading partner). As export companies deal continuously with foreign companies, they should be more familiar with accounting practices based on IFRS. And they should be more aware of the legitimacy associated with adopting these standards. Thus, engaging in export activities should increase the receptivity of companies to adopt the SNC. Consequently, these companies would increase their preparedness, given their international models of successful accounting practices.

H6: The degree of preparedness to implement the SNC of companies with export activities is greater than the degree of preparedness of companies with no export activities.

4. Method

Data were collected from a questionnaire survey posted on 15 September, 2009. The initial sample comprised the 500 largest Portuguese unlisted companies.¹³ However, the final sample was reduced to 419 companies because 81 companies of the Top 500 unlisted companies were not required to make the conversion to the SNC at January 2010: 63 companies were removed because they had already converted to IFRS; 13 were state hospitals and did not have to adopt the SNC; 3 had been acquired by other companies; and 2 were not required to adopt SNC until January 2010 (subsidiaries of multinational companies with their fiscal year starting in November 2010). CFOs and accountants were targeted as respondents because their functional responsibilities enable them to provide informed organisational insight to the preparedness of companies to adopt the SNC. To enhance reliability of the results, and improve likely response rates, the questionnaire was pilot-tested prior to distribution to verify the reliability and suitability of the questions (Salant & Dillman, 1994). During August 2009, initial pre-survey contact was made with all companies. Three follow-up contacts were made during October and November, 2009.

A total of 116 (28%) usable questionnaire responses were received — a response rate common in unsolicited surveys (Nazari *et al.*, 2006). Non-response bias was assessed by comparing the distribution of respondents against the distribution in the population in terms of turnover, total assets, number of employees, and foreign

¹³ This list of companies, reported to 2007, was published in the management magazine "Exame" in 2008. Dun & Bradstreet provided the financial data for 2007 for these companies.

ownership. The Kolmogorov-Smirnov z test confirmed that the three scale variables were not distributed normally in the population (p -value = 0.000). The Mann-Whitney U non-parametric test revealed no evidence that the respondent companies differed significantly from companies in the population in terms of turnover (p -value = 0.590), total assets (p -value = 0.646), number of employees (p -value = 0.252). The chi-square test revealed no significant differences between responding and non-responding companies in foreign ownership (p -value = 0.183). Therefore, the sample was found to be representative of the population (Creswell, 2009).

5. Empirical Model

Companies preparing to adopt a new regime of accounting standards usually engage in two major activities: impact assessment proceedings, and conversion proceedings (Guerreiro *et al.*, 2008). We develop a measurement that is a composite of these two activities and represents the degree of readiness of companies to deal with the SNC: the PREP variable. PREP is the dependent variable in the multiple regression models we developed to test the research hypotheses.

5.1 Dependent Variable: Degree of Preparedness of Large Portuguese Unlisted Companies

A latent variable was developed to evaluate how well large Portuguese unlisted companies were prepared, at the end of 2009, to adopt the SNC. Our goal was to extend the method of Guerreiro *et al.* (2008). They developed a latent variable to incorporate views on the preparedness to adopt IFRS that were proposed by the International Forum for Accountancy Development and PricewaterhouseCoopers.

To assess the degree of preparedness to adopt the SNC more comprehensively, we developed a single measure that incorporates a wider range of procedures. Accordingly, a Preparedness Degree (PREP) variable was developed from the responses to four sets of questions (A, B, C, and D) in the questionnaire. These sets are related to assessment procedures (A) and conversion procedures (B, C and D). The items in these

sets of questions (proposed by Ernst & Young (2008)¹⁴ and listed in Table 3.1) are used to indicate the preparedness of companies to adopt the SNC.

Table 3.1
Assessment and Conversion Procedures in the Composite Measure¹

<p>Assessment procedures: question (A)</p>	<ul style="list-style-type: none"> • Accounting items most problematic for the company* • Changes in accounting policies and their impact on values in the financial statements • Impact on value ratios and performance indicators* • Changes in the information system* • Changes in the management accounting system* • Changes in the internal control system and ensuing documentation* • Training needs of staff • Costs involved • Reactions of main business partners • Other assessment procedures*
<p>First-time adoption procedures: question (B)</p>	<ul style="list-style-type: none"> • Identification of all assets and liabilities whose recognition is required by the SNC but not by the POC* • Identification of all assets and liabilities whose recognition is forbidden by the SNC but are recognised by the POC* • Identification of changes in the classification of assets and liabilities* • Identification of changes in the measurement of assets and liabilities* • Other procedures related to first-time adoption of the SNC*
<p>Information system procedures: question (C)</p>	<ul style="list-style-type: none"> • Change of the accounting code in the information system* • Change in the financial statements model of the information system • Preparation of the information system to provide detailed information for the notes to financial statements • Preparation of an information system to include the possibility of a change in the life, methods of depreciation, and residual value of assets* • Preparation of the information system to adopt a components approach to plant and equipment* • Preparation of the information system to provide projections of cash flows necessary for the calculation of impairment* • Conversion of the management accounting system* • Other procedures related to the information system*
<p>Other conversion procedures: question (D)</p>	<ul style="list-style-type: none"> • Training of the financial/accounting department • Identification of changes in the internal control system and resulting documentation* • Identification of the cash generation units* • Identification of the assets and liabilities that will be measured at fair value* • Identification of methods for assessing fair value* • Other conversion procedures

The questions added in this study, compared with Guerreiro *et al.* (2008), are marked with an asterisk.

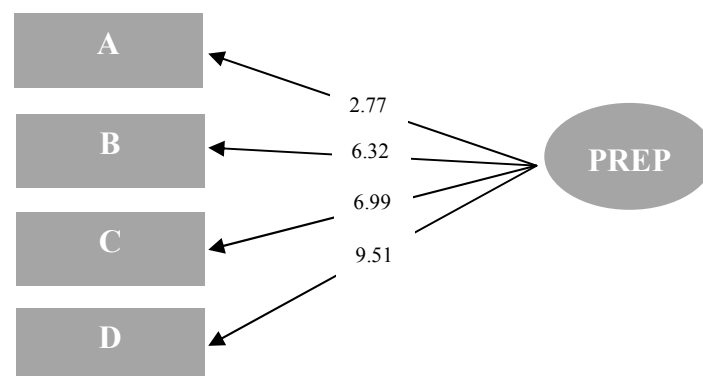
¹⁴ The transition guides displayed by the other Big-four multinational audit firms focused more on the changes IFRS implicate in terms of accounting policies, tax implications or disclosures. At the time of questionnaire design, the Ernst & Young transition guide provided the most useful guidance on preparedness procedures.

The four sets of questions represent ordinal variables. Each company was assigned a score for its responses to each set of questions, corresponding to the sum of the number of options selected. Accordingly, each question has a different valuation scale: A from 0 to 10; B from 0 to 5; C from 0 to 8; and D from 0 to 6. The more items the company selected, the greater the perceived degree of preparation, PREP. However, the option “not applicable” was available in procedures related to management accounting [sets A and C] and fair value [set D]. The assessment and conversion measures have been adjusted for companies who signalled an option was “not applicable.” Five companies did not answer this set of questions (missing values).

The PREP variable was estimated using Structural Equation Modelling (SEM) and LISREL software. SEM combines exploratory factor analysis with multiple regression analysis (Tabachnick & Fidell, 2001). It is often used to confirm a theory based on prior knowledge about potential relationships among variables. The first step in a SEM analysis is to specify the model. Then, the model is tested statistically by simultaneous analysis of the entire system to assess the goodness of fit (Vieira, 2009).

The hypothesised model for PREP is shown in Figure 3.1. The latent variable is represented with an ellipse and the measured variables are represented with rectangles. A line with an arrow indicates a hypothesised direct relationship between variables.

Figure 3.1
Preparedness Model



Chi-Square = 3.83, d.f. = 2, p = 0.148

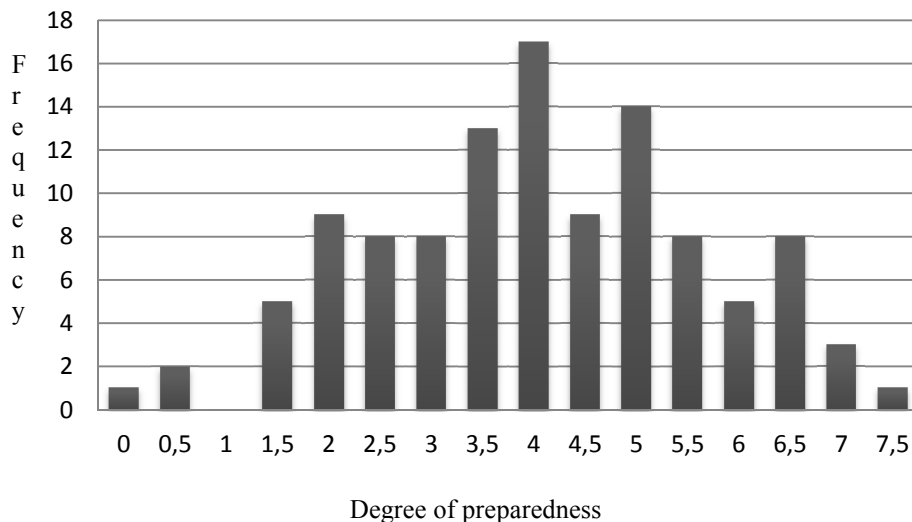
In Figure 3.1, the numbers in each arrow represent the *t*-statistic. These reveal that all of the observed variables (the four sets of questions) are valid indicators of the PREP variable since every *t* value is significant and has an absolute value greater than 1.98 ($N=111$, $t>1.980$, $p\text{-value}<0.05$, two-tailed). The *t*-test is used to assess the null hypothesis that the correlation coefficient is zero. The non-significant chi-square ($p\text{-value} = 0.148$) indicates the model fits the data well. The null hypothesis of the chi-square test is that the sample correlation matrix arose because of the relationships specified in the LISREL model (Ulman, 2001). Given these results, scores for the latent variable PREP (as estimated from the LISREL model) become the scores of the variable.

Frequency statistics for each of the four questions and for the estimated variable are displayed in Table 3.2. Graph 3.1 provides a histogram of the degree of preparedness.

Table 3.2
Degree of Preparedness of Large Portuguese Unlisted Companies

	A	B	C	D	PREP
Mean	4.13	3.02	3.34	2.55	3.77
Median	4.00	4.00	3.43	2.00	3.54
Std. Deviation	2.43	1.37	1.85	1.53	1.58
Minimum	0	0	0	0	.00
Maximum	9.00	5.00	7.00	5.00	7.05
Percentiles					
25	3.00	2.00	2.00	1.00	2.65
75	6.00	4.00	4.57	4.00	4.90
N	Valid	111			
	Missing	5			

Graph 3.1
Histogram of the Degree of Preparedness of Large Portuguese Unlisted companies



As the right hand column of Table 3.2 shows, the maximum degree of preparedness (PREP) of any company is 7.05 and the minimum is 0. The maximum value of 7.05 refers to the most prepared company: that is, the one that has made all the assessment procedures (with the exception of the assessment of the reactions of the main business partners) and all the conversion procedures (although it may not have indicated an option, “Others”). One company has a score of 0, because it intends to initiate the transition process in the beginning of 2010.

Table 3.2 shows that the average level of PREP is 3.77, approximately half of the maximum score possible. Only 25% of companies have a PREP value higher than 4.9, indicating that only a small minority is well prepared.

The profile of the companies with an average PREP score reveals that they have made:

- three to five assessment procedures,
- all four first-time adoption procedures,
- two to four conversion procedures related to the information system (with prevalence of conversion of the accounting code), and
- two or three of other conversion procedures (especially professional training).

5.2 Independent Variables and Control Variables

The independent variables are classified into institutional factors, as follows.

Coercive pressures

PC = 1 if the parent company was involved in decisions regarding the conversion process, 0 otherwise

NOWN = 1 if the nationality of the owners is exclusively Portuguese, and 0 otherwise

Normative pressures

PA = number of professional accounting associations to which the respondent belongs

AUD = 1 if the auditor is a Big-four company, 0 otherwise

Mimetic pressures

CONS = 1 if consultancy services have been used, 0 otherwise

EXP = 1 if a company has export sales, 0 otherwise

The study includes three control variables: size, parent listing status, and profitability. *SIZE* is measured by total assets at the end of the financial year in Euros (€). Parent company listed status is a dummy variable (*LIST*), assuming 1 if the parent company is listed, and 0 otherwise. Profitability is measured by net income divided by total equity at the end of financial year (*ROE*).

6. Results

6.1 Descriptive Statistics

All variables were screened for outliers. One univariate outlier was found for *SIZE* and another for *ROE* (standardised scores exceeded 3.29, p -value < 0.001, two-tailed). These two univariate outliers matched with the multivariate outliers ($d.f.=10$, *Mahalanobis distance* > 29.588, p -value < 0.001, two-tailed) (Tabachnick & Fidell, 2001). For analysis including the control variables *SIZE* and *ROE*, we discarded these two outliers from the data matrix, leaving a sample of 109.

Table 3.3 displays descriptive statistics for the independent variables, including the control variables.

Table 3.3
Descriptive Statistics of Independent and Control Variables

<i>Variables</i>	
Parent company involved in preparedness	
Yes	12 (10.8%)
No	99 (89.2%)
National ownership	
Yes	68 (61.3%)
No	43 (38.7%)
Number of professional associations	
	$\mu = 1.07$
	$\sigma = 0.465$
Audit by Big-four company	
Yes	75 (67.6%)
No	36 (32.4%)

Use of consulting services	
Yes	65 (58.6%)
No	46 (41.4%)
Export company	
Yes	74 (66.7%)
No	37 (33.3%)
SIZE (Thousand €)	$\mu = 143.794$ $\sigma = 213.786$
Parent company listed	
Yes	34 (30.6%)
No	77 (67.4%)
Profitability	$\mu = 17.89$ $\sigma = 17.64$

The descriptive statistics reveal that only about a tenth of companies has a parent company involved the preparedness process. The majority of companies has only local owners, is audited by a Big-four company, has contracted consultancy services, and engages in export activities. The mean number of professional associations to which the respondent accountants and CFOs belong is approximately one. Analysis of descriptive statistics of the control variable SIZE reveals large standard deviations, indicating the presence of skewed variables (skewness of SIZE = 14.97). The control variable ROE was also skewed positively (9.44). Only 33% of the companies have a listed parent company.

6.2 Bivariate Analysis and Multivariate Analysis

We estimate a multiple regression model which assesses the influence of institutional factors on PREP.

$$\text{PREP}_i = \beta_0 + \beta_1 \text{PC}_i + \beta_2 \text{NOWN}_i + \beta_3 \text{PA}_i + \beta_4 \text{AUD}_i + \beta_5 \text{CONS}_i + \beta_6 \text{EXP}_i + C_1 \text{SIZE}_i + C_2 \text{LIST}_i + C_3 \text{ROE}_i + \varepsilon_i$$

The correlation matrix of the dependent variable, independent variables and control variables is presented in Table 3.4. The positive skewness of the variables SIZE and ROE was reduced through a logarithmic transformation of these variables. Pearson

correlations are displayed for continuous variables; Spearman's rho is used for continuous and dummy variables; Cramers' V is used when both variables are dummy.

Table 3.4
Correlation Matrix for the Dependent, Independent and Control Variables

	<i>PREP</i>	<i>PC</i>	<i>NOWN</i>	<i>PA</i>	<i>AUD</i>	<i>CONS</i>	<i>EXP</i>	<i>SIZE</i> (LOG)	<i>LIST</i>
<i>PREP</i>	1.000								
<i>PC</i>	.222 ^{S**}	1.000							
<i>NOWN</i>	.236 ^{S**}	-.081 ^V	1.000						
<i>PA</i>	.019 ^P	-.035 ^S	.018 ^S	1.000					
<i>AUD</i>	-.038 ^S	.026 ^V	-.321 ^{V***}	.054 ^S	1.000				
<i>CONS</i>	.149 ^S	.031 ^V	-.091	.038 ^S	.247 ^{V**}	1.000			
<i>EXP</i>	.247 ^{S***}	.026 ^V	-.156 ^V	-.145 ^S	.197 ^{V**}	.147 ^V	1.000		
<i>SIZE</i> (LOG)	.083 ^P	.058 ^S	.055 ^S	.052 ^P	.223 ^{S**}	.172 ^{S*}	.057 ^S	1.000	
<i>LIST</i>	-.049 ^S	.086 ^V	-.370 ^{V***}	.101 ^S	.287 ^{V***}	.020 ^V	.093 ^V	.012 ^S	1.000
<i>ROE</i> (LOG)	-.137 ^P	.008 ^S	-.138 ^S	-.255 ^{P***}	.058 ^S	-.055 ^S	-.056 ^S	-.093 ^P	.210 ^{S**}

^{P, S, V} Pearson, Spearman and Cramer correlations, respectively.

***, **, * Correlations significant at 0.01, 0.05 and 0.10, respectively.

Table 3.4 reveals companies for whom the parent company is involved in the preparedness process have statistically significant differences in terms of PREP compared to companies that do not have this type of coercive pressure. PREP also differs significantly between companies that have foreign owners compared to those that do not. Finally, companies engaging in export activities also have statistically significant differences in PREP.

Table 3.4 shows the highest correlation is 0.370, indicating the likely absence of multicollinearity in the regression analysis.¹⁵

Two sets of regressions are estimated. Regression 1 examines the effect of institutional factors on PREP. Regression 2 examines the effect of institutional variables and control variables on PREP. All assumptions of the multiple regression technique specified by Gujarati (2003) (correct model specification; linear relationship between dependent and continuous independent variables; absence of exact collinearity among the independent variables; normally distributed residuals with zero mean value; and residuals with constant variance) were fulfilled. Results are displayed in Table 3.5.

¹⁵ Nonetheless, inspection of multicollinearity was made.

Table 3.5
Regression Results

<i>Variables</i>	Regression 1 Coefficient	Regression 2 Coefficient
PC	1.176**	1.112**
NOWN	.561*	.528
PA	.160	.122
AUD	.137	.058
CONS	.510*	.535*
EXP	.817**	.873***
SIZE (LOG)		.026
LIST		.195
ROE (LOG)		-.776
R-squared	16.9%	18.1%
Model significance	.003	.015
K-S test for residual normality	Z=.058	Z= .030
N	111	109

*, **, *** Significant at 10%, 5% and 1% respectively

Regression 1, which includes only independent variables, indicates that the independent variables explain 16.9% of the variance in PREP. The R-squared is highly significant (p -value <0.01). Four characteristics are significant in explaining the dependent variable: the influence of parent companies (p -value <0.05 , two-tailed), national ownership (p -value <0.10 , two-tailed), having consultancy services (p -value <0.10 , two-tailed), and export sales (p -value <0.05 , two-tailed). The signs of the regression coefficients indicate that the influence of the parent companies and national owners have a positive influence on PREP, consistent with H_1 and H_2 , respectively. Companies contracting consultancy services and engaged in export activities exhibit a superior PREP, consistent with H_5 and H_6 . As the variable PREP is bounded between 0 and 7.05 (inclusive), a censored regression was performed (Tobit regression) as a robustness test. The levels of significance of the independent variables remained the same, with the exception of variable PC. This increased the statistical significance from 5% to 1%.¹⁶

Regression 2 (considering independent and control variables) shows that, when controlling for size, listing status of parent companies and profitability, the influence of the parent companies (p -value <0.05 , two-tailed), contracting consulting services (p -value <0.10 , two-tailed) and export activities (p -value <0.01 , two-tailed), also contribute significantly in explaining PREP. The signs of the regression coefficients indicate that all significant variables have a positive influence on PREP. Tobit regression shows all

¹⁶ The p -value changed from 0.011 to 0.009.

significant variables maintain their statistical significance, with the exception of the NOWN variable, which becomes statistically significant for a p -value of 0.10.¹⁷

7. Discussion and Conclusions

This investigation of the preparedness of large Portuguese unlisted companies to adopt the SNC on 1 January 2010 uses a theoretical framework grounded in new institutional theory. We reveal that, in the last quarter of 2009, the level of preparedness was low. The short elapsed time between the formal announcement of the adoption of the SNC (in April 2009) and formal operationalisation in January 2010 seems to be a likely explanation for the low degree of preparedness. Nonetheless, the low level of preparedness suggests there was organisational resistance to changes in the regulatory environment also. Actions of professionals and organisations are shaped by broader institutional logics (Thornton & Ocasio, 2008). The prevailing logic of the Continental tradition (inherent in the Portuguese accounting system) hindered isomorphic pressures towards adoption of the new laws and standards of the SNC. The new practices and symbols associated with the new accounting system are bound to a common-law logic that guides how actors should behave. However, the new normative prescriptions were yet to be internalised by accountants. Adoption of the SNC implied a shift in the dominant logic in the accounting field to one that is yet to be accepted as legitimate by Portuguese companies and by the Portuguese accounting profession. When logics are consistent and easily taken for granted, they are most influential in a field. However, like Hyvönen *et al.* (2009), we confirmed that when competing logics are in play in the same setting, they can trigger conflict (Owen-Smith & Powell, 2008); and thus, they can undermine the progress of the preparedness process.

These conclusions are consistent with the non-significant results of the hypotheses linked to normative pressures. Support of the major Portuguese accounting professional body (OTOC) for the new accounting rules only became clear after the Portuguese government issued the Decree-law with the new accounting rules in July 2009. This support was negotiated between the Portuguese government and the OTOC. As a concession, the accounting profession's social status was improved from Chamber to

¹⁷ The p -value changed from 0.118 to 0.086.

Order. The number of representatives of OTOC on the Portuguese Accounting Standards Board, sponsored by government, increased from one to two. Only then did OTOC become more committed to conducting professional training on IFRS, especially during October and November, 2009. This process of negotiation with institutional stakeholders to exchange concessions is described by Oliver (1991) as a *compromise* strategy (bargaining). This process reveals that professional associations are individual organisations who pursue goals and promote self-interests actively.

The non-official accountants association APOTEC in its 2009 annual report (dated March, 2010), indicated that it had asked the President of Portuguese Republic, Prime Minister, Minister of Finance, and political parties, to postpone the introduction of the new accounting rules.¹⁸ APOTEC was more active in resisting the adoption of the SNC. However, its strategy of defiance was unsuccessful.

Tolbert and Zucker (1996) contend that institutionalisation involves the development of some degree of social consensus concerning the value of the new structure. At the end of 2009, this was not achieved in the case of the new structure provided by the SNC. Due to the late acceptance of the new accounting rules by the Portuguese professional accounting bodies, the SNC was not translated into normative rules capable of guiding professional behaviour. This was particularly the case in the period of preparedness and the transition to the new accounting system. The resistance by the Portuguese accounting profession should be understood in the context of a code-law country, in which the imposition of a common-law *logic* conflicted with the prevailing competitive code-law *logic*. Consequently, additional difficulties were associated with the accounting change.

Though research on institutional logics usually highlights how this approach deviates from institutional analysis focusing on isomorphism (Lounsbury, 2007, 2008; Marquis & Lounsbury, 2007), we reveal a fundamental link between both. Our results indicate that coercive and mimetic factors are important in understanding the degree of preparedness. But, due to the resistance of the Portuguese accounting profession in changing the prevailing logic, normative pressures were not significant factors in the preparedness of unlisted companies. Results show that participation of a parent company in decisions regarding conversion procedures (H₁), national ownership (H₂),

¹⁸ See <http://www.apotec.pt/fotos/editor2/RelatorioDireccaoCentral2009.pdf> (accessed April 2011).

consulting services (H₅) and engaging in export activities (H₆) had a positive influence on the degree of preparedness.

Higher levels of preparedness of companies in which the parent company is involved in the conversion process confirm that, due to resource dependency, companies adapt accounting procedures that accord with the needs of the owners (e.g. Mezias, 1990; Touron, 2005). The results reflect the desire of corporate conglomerates for a single accounting system for consolidated and individual accounts. This will help them to align parent company accounting with the accounting required by their affiliates.

Companies with only local owners are better prepared to adopt the SNC than companies with foreign owners, consistent with H₂. Thus, national owners influence the level of preparedness positively. National owners are more aware of the implications of changing the accounting system than foreign owners, and are more aware of the importance of consonance with the new rules. They maintain higher expectations about the success of the conversion process due to legitimacy concerns. This is consistent with the concept of legitimacy proposed by Suchman (1995) in which there are two complementary perspectives: an institutional view emphasising how constitutive societal beliefs become embedded in organisations; and a strategic view emphasising how legitimacy can be managed to achieve organisational goals. Of the 66 companies with only national owners, 35 (53%) are subsidiaries of national parent companies that were making the conversion to the SNC as well. Shared rules and understandings between national parent companies and their subsidiaries about the appropriate organisational behaviour in the conversion process influenced levels of preparedness positively. From the 44 companies that have foreign owners, only four parent companies have influenced the preparedness of companies. The percentage of participation of foreign capital shows that 36 companies are controlled by foreign parent companies. Thus, due to concerns of legitimacy, the internationality of the owners is not an incentive for unlisted Portuguese companies to be better prepared.

The importance of mimetic behaviours on the levels of preparedness shows a general tendency for companies to imitate each other's accounting procedures in order to appear legitimate in their organisational field. Imitation of accounting practices of successful organisations has been effective in improving the degree of preparedness,

consistent with findings that mimetic mechanisms are a means of gaining competitive advantage (Collin *et al.*, 2009). Two different dimensions of mimetic pressures influenced the level of preparedness. First, the decision to engage consultancy companies and to adopt high quality conversion practices in the conversion process resulted in companies having higher levels of preparedness to adopt the SNC. Second, the ritual mimetic behaviour of export organisations that operate in an international commercial field revealed this to be an important argument for the adoption of IFRS.

Comparison of the results with those of Guerreiro *et al.* (2008) reveal that important incentives for *listed* companies to be prepared to adopt IFRS for consolidated accounts are not equally important for *unlisted* companies to be prepared to adopt the SNC on individual accounts. However, there is one exception: in respect of commercial international activity.

Guerreiro *et al.* (2008) concluded that the best prepared companies were large companies, with low levels of profitability, with commercial internationalisation, and with multinational auditors. However, size, profitability and auditor type were not significant in explaining preparedness to adopt the SNC.

The adoption of IFRS/SNC for individual accounts involved a much more complex and detailed conversion process than for consolidated accounts. Large companies with more complex structures, and dealing with complex operations, have found several difficulties in arranging to be fully prepared to adopt the IFRS/SNC in individual accounts. Multinational audit companies are more prominent in large companies (as Table 3.4 shows). However, their experience and knowledge of the SNC/IFRS was insufficient to overcome the complexity of the conversion process in this type of companies, including the specific requirements of the Portuguese taxation system for individual accounts. Thus, multinational audit companies are not a distinctive factor leading to better preparedness, either in large companies, or in smaller companies, in which they are less present. Lower levels of profitability were also not related to higher levels of preparedness to adopt the SNC. Guerreiro *et al.* (2008) concluded that less profitable listed companies were more eager to adopt a core of standards that were considered less conservative, and were likely to boost their reported rate of profitability in capital markets. As unlisted companies rely more on private information than on public financial statements in contracting with other parties (Ball &

Shivakumar, 2005), profitability is not a significant incentive to improve their preparedness to adopt the SNC. Nonetheless, these differences should take into account the elapsed time between the two studies, and the different institutional requirements faced by listed and unlisted companies that obscure a straight comparison.

The main shortcomings of this study are related to survey research. The data collection assumes that respondents had adequate knowledge to answer the questions, and that they have answered in a conscientious and truthful way. Additionally, the scarce literature about the pre-adoption phase of IFRS implies a degree of subjectivity when operationalising the PREP variable. Although the assessment and conversion procedures were supported by implementation guides issued by influential accounting firms, the inclusion of other procedures could result in a different measure that also is indicative of PREP.

This essay provides a profile of the unlisted companies that had a lower level of preparedness to adopt SNC standards. It also develops understanding of the conversion practices of unlisted companies, and explains why unlisted companies have exhibited a wide-ranging degree of preparedness to adopt the SNC. This knowledge should be helpful in countries that are yet to adopt IFRS for unlisted companies (e.g. Turkey, Mexico, Japan). Standard setters, regulators, governments, business and professional accounting associations will be better able to develop their strategies if they know the type of unlisted companies that are likely to need encouragement to adopt a new regime of accounting standards.

The scarce research relating to the process of adoption of IFRS may disguise the difficulties many companies face during their conversion to these standards. Our study contributes to the literature on local adoption of IFRS (Alp & Ustundag, 2009; Ding & Su, 2008; Jaruga *et al.*, 2007) by revealing the importance of the institutional environment and the need of all three isomorphic forces (normative, coercive and mimetic) to operate concordantly to achieve *de facto* application of these standards. Normative embeddedness appears to have been difficult to overcome due to the taken-for-grantedness of old values and rules and their embeddedness in the prevailing institutional logic. This raises some important research questions. To what extent can coercive and mimetic forces overcome normative resistance in the local adoption of IFRS, particularly in code-law countries? At what point does coercive and mimetic

behaviour become normative behaviour? Subsequent research should address such questions in other countries, possibly through the application of the model we have developed here. This would provide further important insight to how the conversion process evolves and how change in normative values occurs, particularly when anticipating the difficulties of implementing an IFRS-type accounting.

ESSAY 4

Voluntary Adoption of International Financial Reporting Standards by Large Portuguese Unlisted Companies - An Institutional Strategic Response?

1. Introduction

Globalisation of financial and commercial operations has provided strong incentives for the diffusion of IFRS worldwide. After 2005, the regulatory environment of the EU and the increased acceptance of IFRS in individual financial statements in several member-states, encouraged European companies to adopt IFRS (see Cuijpers & Buijink, 2005).

Additionally, European companies were aware that several other benefits were likely to accrue from voluntary adoption of IFRS. Multinational companies saw the benefits of easier consolidation of foreign accounts, greater staff mobility, smoother business communication processes, and reduced ambiguity in interpreting the financial data of subsidiaries (Diaconu, 2009; Joshi, 1998). Furthermore, individual companies were claimed to have contracting-driven incentives to adopt IFRS voluntarily in order to improve the quality of their financial statements (Francis *et al.*, 2008). IFRS are alleged to reflect economic substance more than legal form; reveal economic gains and losses in a more timely fashion; make earnings more informative; provide more useful balance sheets; and curtail managers' discretion to manipulate provisions, create hidden reserves, smooth earnings and hide economic losses from public view (Ball, 2006; Jaruga *et al.*, 2007). These advantages can reduce information asymmetries, thus facilitating the contracting process. According to Francis *et al.* (2008), large private companies engaged in export activities, and with high levels of external financing, also have incentives to adopt IFRS voluntarily.

In the 1990s, many studies explored the specific characteristics of firms that had voluntarily adopted non-local GAAP (e.g. Al-Basteki, 1995; Dumontier & Raffournier, 1998; El-Gazzar *et al.*, 1999; Murphy, 1999). These studies linked the decision to voluntarily adopt International Accounting Standards (the forerunner to IFRS) to the enhanced benefits that would accrue to adopting companies if they possessed a particular set of characteristics. In doing so, these studies did not take account of different institutional settings. However, later studies of reasons for the choice of non-local GAAP did analyse institutional features of the settings in which companies operated (such as level of legal protection of investors, quality of national accounting standards, development of financial markets; and the quest for legitimacy) (Collin *et al.*,

2009; Cuijpers & Buijink, 2005; Francis *et al.*, 2008; Renders & Gaeremynck, 2007; Touron, 2005).

This essay examines the voluntary adoption of IFRS from an institutional perspective rather than from a perspective premised on economic and efficiency arguments. We support the view that “[t]o survive and prosper... organizations need to achieve not only technical, operational efficiency but also social legitimacy” (Abernethy & Chua, 1996: 571). For theoretical support an institutional theory perspective is used to examine reasons for the voluntary adoption of IFRS by large Portuguese unlisted companies.

Institutional theory can be instrumental in developing an informed understanding of the reasons for the voluntary adoption of IFRS because it accommodates relevant institutional expectations of the organisational field. Accordingly, we adopt an institutional perspective to argue that the diffusion of organisational practices is influenced by regulative, normative and cognitive aspects of the institutional environment (consistent with Scott, 1995).

In this essay, we evaluate the role of strategic choice by applying the framework proposed by Oliver (1991) in order to better understand why Portuguese companies voluntarily decided to adopt IFRS. Our central hypothesis is that choice among different accounting standards regimes (different institutional forms) is a strategic response to the institutional pressures that affect companies.

Thus, this study is a response to calls by Carpenter and Feroz (2001) for further testing of the theoretical framework proposed by Oliver (1991); and a response to calls for more research into “[q]uantitative perceptual measures of the 10 proposed institutional antecedents to assess their predictive validity and allow refinement of Oliver’s (1991) typology in light of compiled empirical evidence” (Jamali, 2010: 635). Although some studies have tested the framework proposed by Oliver (1991) and have provided supporting evidence (Abernethy & Chua, 1996; Clemens & Douglas, 2005; Etherington & Richardson, 1994; Goodstein, 1994; Ingram & Simons, 1995; Jamali, 2010; Milliken *et al.*, 1998; Modell, 2001), Oliver’s full model has never been tested in the financial accounting field. Only two partial applications have been conducted. A partial test, by Carpenter and Feroz (2001), identified some of the strategic responses proposed by Oliver (1991), in a study of how four US states responded to institutional

pressures to adopt generally accepted accounting principles. Hyvönen *et al.* (2009) have used also Oliver's model to understand how differences in accounting institutional logics explain differences in the reactions to external pressures of two units of the Finnish Defence Forces.

This essay addresses a major criticism of institutional theory: that it downplays the role of agency and interest in organisational decision processes (Covaleski & Dirsmith, 1988; DiMaggio, 1988; Oliver, 1991; Powell, 1991; Scott, 1987). It applies the framework of Oliver (1991) to analyse the decision of large Portuguese organisations to select whether to adopt IFRS or maintain the regime of Portuguese accounting standards. Thereby, this essay explains the purposive action of Portuguese organisations within an institutional approach.

The results are based on responses to a questionnaire survey that was sent to the 500 largest Portuguese companies during September 2009, four months prior the adoption of the new Portuguese accounting system, the SNC. In the period 2005-2009, consistent with Portuguese legislation, IFRS were permitted for use by listed companies in their individual accounts and by unlisted companies in consolidated accounts and in their individual accounts (provided they maintained another accounting system for individual accounts that accorded with the national accounting system and had their accounts publicly certified). However, *truly* voluntary adoption of IFRS meant that any company could adopt IFRS, even if only for internal use.¹⁹ Thus, the adoption of IFRS by Portuguese companies was a voluntary decision unconstrained by regulatory mandate. Consequently, our investigation should provide better understanding of the tradeoffs these companies faced in choosing voluntarily among alternative accounting standards, and it should highlight the incentives that were influential in adopting IFRS (Francis *et al.*, 2008).

We find that voluntary adoption of IFRS by large Portuguese companies generally was an *acquiescence* to institutional demands. The decision was not one of mindless conformity, but a strategic response involving pro-active choice and reflecting organisational self-interest. All five institutional antecedents included in Oliver's (1991) framework (cause, constituents, content, control and context) provided significant explanations for the voluntary adoption of IFRS. They reveal the adequacy of this framework in this field of accounting research.

¹⁹Information about the voluntary use of IFRS was collected through the questionnaire survey.

The following section discusses the theoretical background of the study. Thereafter, hypotheses are developed, data collection procedures are specified, the model is defined, and explanatory variables are explored. Finally, the results and main conclusions are presented.

2. Theoretical Background

Some institutional theorists have contended that organisations have no option but to comply when confronted with the demands of external institutions. “Conform, either now or later!” (Scott, 2001: 170). Institutional expectations are viewed as agreements about the correct way to do things. However, the interests of organisations have been underemphasised in studies that have sought to understand institutionalised practices. The focus of investigation has been on the impact of institutional pressures on structural conformity and isomorphism. Such pressures are effected through mechanisms such as societal norms, professional training, accreditation practices, and state regulation (DiMaggio & Powell, 1983; Meyer & Rowan, 1977). By emphasising the effect of the institutional environment on structural conformity and isomorphism, institutional theorists have been criticised for being inattentive to the role of active agency, power and resistance in organisation-environment relations (Covaleski & Dirsmith, 1988; Dillard *et al.*, 2004; DiMaggio, 1988; Lounsbury, 2008).

Several recent studies have explored whether organisations in the same field are subject equally to identical institutional pressures. This seems sensible because organisations vary in the strength of cognitive beliefs and the normative controls to which they are subject over space and time (Scott, 2001). Institutional theory can only explain different organisational responses if organisations are seen as heterogeneous entities composed of functionally differentiated groups pursuing goals and promoting interests, rather than as being motivated exclusively by the quest for legitimacy and as outcomes of institutionalised practices. Thus, organisational responses to institutional prescriptions are a function of these internal dynamics (Greenwood & Hinings, 1996). These issues have been conceptualised in an institutional framework by argument that complete and uncontested institutionalisation is rare; and that interests and agency help determine how organisations adapt to institutional environments (Beckert, 1999; Dillard *et al.*, 2004; DiMaggio, 1988; Lounsbury, 2008; Oliver, 1991; Scott, 2001). The

adoption of a practice is conceived to represent an organisation's choices and to reflect their specific needs and interests.

Although there is value in acknowledging that organisations can react to institutional pressures in different ways, it is also important to analyse the extent to which institutional environments are influential and delimiting. Institutions set limits on appropriate ways for organisations to act, including in respect of how organisations respond to institutional pressures and how they choose strategies to pursue. Strategies appropriate in one organisational field can be inappropriate in another. Accordingly, not only are structures *shaped* institutionally (as early institutionalist theorists argued) but organisational strategies are *defined* institutionally as well (Scott, 2001). Consistent with this idea, Oliver (1991) applied the convergent insights of institutional theory and resource dependence theory to demonstrate how, in response to institutional pressures, company behaviour could vary from passive conformity to active resistance. Both of these perspectives have similar assumptions: that organisational choice is possible within the context of external constraints; and that organisations attempt to obtain stability and legitimacy.

Drawing on both theories, Oliver (1991) developed a preliminary conceptual framework to predict the strategic alternative responses of organisations to institutional pressures. This framework emphasised the role of organisational self-interests and active agency in organisational responses. Her approach suggested that organisations are not as powerless or as passive as conceived in earlier versions of institutional theory. Oliver (1991), in identifying the strategic responses organisations enact, suggested that organisations can react in direct response to the institutional conformity processes that affect them. They can do so with a strategic response from a continuum of possible responses. Oliver (1991) proposed five strategic responses that varied in terms of active agency from passivity to active resistance. She labelled them *acquiescence*, *compromise*, *avoidance*, *defiance* and *manipulation*. They are explained below.

Acquiescence: this entails habit, imitation or compliance. It means that organisations commonly accede to institutional pressures to enhance their legitimacy and social support.

Compromise: this incorporates a family of responses that includes balancing, pacifying or bargaining with external constituents. These three tactics seek to conform

and accommodate institutional expectation. However, in contrast to acquiescence, the degree of compliance is only partial and organisations are more active in promoting their interests.

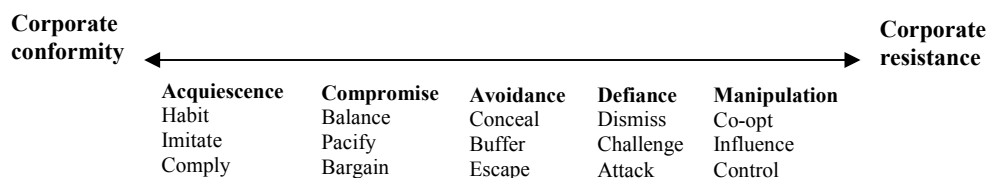
Avoidance: this is an organisational attempt to preclude conformity. This behaviour is conceived as having the form of concealment non-conformity, buffering from institutional pressures (decoupling), or escaping from institutional rules or expectations.

Defiance: this represents unequivocal rejection of institutional norms and expectations. Defiant organisations are highly public in resisting institutional pressures to conform. Such strategic behaviour implies increased active resistance to institutional processes and assumes three forms: dismissal, challenge and attack.

Manipulation: this is the most active response to institutional pressures. It implies actively changing the expectations or the sources that seek to express or enforce institutional pressures. Those pressures and expectations are not taken as a given constraint to be obeyed or defied. Instead, organisations co-opt by persuading institutional constituents to join them, to influence institutionalised values and beliefs, or to control the source, allocation or expression of social approval and legitimation.

Jamali (2010) presents these strategic responses along a continuum ranging from conformity to resistance (Figure 4.1).

Figure 4.1
Continuum of Possible Responses to Institutional Pressures (Jamali, 2010)



Having identified the variety of behaviours organisations can exhibit in response to institutional pressures, Oliver (1991) then proposed conditions that limited the actions of organisations. She developed ten hypotheses that corresponded to five institutional antecedents – cause, constituents, content, control and context. Those

hypotheses addressed the characteristics of institutional pressures that predisposed organisations to adopt a particular strategic response. (See Table 4.1 for a summary.)

Table 4.1
Institutional Antecedents and Predicted Strategic Responses (Oliver, 1991)

<i>Predictive Factor</i>	<i>Strategic Responses</i>				
	Acquiesce	Compromise	Avoid	Defy	Manipulate
Cause					
Legitimacy	High	Low	Low	Low	Low
Efficiency	High	Low	Low	Low	Low
Constituents					
Multiplicity	Low	High	High	High	High
Dependence	High	High	Moderate	Low	Low
Content					
Consistency	High	Moderate	Moderate	Low	Low
Constraint	Low	Moderate	High	High	High
Control					
Coercion	High	Moderate	Moderate	Low	Low
Diffusion	High	High	Moderate	Low	Low
Context					
Uncertainty	High	High	High	Low	Low
Interconnectedness	High	High	Moderate	Low	Low

3. The Relationship between Institutional Pressures and Strategic Responses

This essay investigates the importance of strategic choice and the institutional environment of organisations on the selection of accounting standards. As explained earlier, and in greater detail below, the institutional environment of large companies in the EU encouraged the voluntary adoption of IFRS. According to Oliver's (1991) framework, organisational responses of companies (including large Portuguese unlisted companies) to institutional pressures to adopt IFRS should have depended on:

- *why* these pressures were being exerted (cause)
- *who* was exerting these pressures (constituents)
- *what* these pressures were (content)
- *how* these pressures were exerted (control) and
- *where* the pressures occurred (context).

The hypotheses outlined below specify the effects of each institutional antecedent on the responsiveness of large Portuguese companies to institutional pressures to adopt

IFRS. High levels of responsiveness are identified as an acquiescence strategy. Lower levels of responsiveness are identified as a resistance strategy.

3.1 Cause

Oliver (1991) defined the cause of institutional pressures as the rationales, expectations and intended objectives that underlie institutional pressures for conformity. Generally, these institutional pressures are exerted to make organisations socially conformist or to increase economic efficiency or profitability. Acquiescence is the most probable strategic response to institutional pressures when organisations anticipate that conformity will enhance legitimacy (Meyer & Rowan, 1977; Oliver, 1991) or economic gain. However, when the legitimacy or economic gain expected from conformity to institutional pressures is low, organisations will compromise on the requirements for conformity; or will avoid the conditions implied by conformity; or will defy the institutional requirements to which they should conform; or will manipulate the conditions of conformity.

Accounting standards are used as rationalisations to maintain the appearance of legitimacy (Dillard *et al.*, 2004). They are an extra-organisational form of rationality that can reveal organisational commitment to rational behaviours (Touron, 2005). Accordingly, the diffusion of IFRS is highly explainable through the legitimacy these standards confer (Chua & Taylor, 2008). Considerations of legitimacy and social fitness are particularly important for large organisations. Because of their size, large organisations are subject to much attention from the state, media and professional organisations (Goodstein, 1994). Thus, large companies are highly visible and accountable by institutional actors. They experience high levels of social and political pressure to act in a socially desirable manner (Brammer & Pavelin, 2004; Islam & Deegan, 2010). Consequently, they have strong incentives to make decisions that imbue them with legitimacy (Goodstein, 1994; Ingram & Simons, 1995). Adoption of IFRS is one means of achieving legitimacy.

H1: The greater the size of an organisation, the greater is the level of responsiveness to institutional pressures for voluntary adoption of IFRS.

Economic gain can be expected also from the adoption of IFRS. An important source of demand for financial reporting is the contracting role of accounting: many contractual arrangements involving organisations require accounting outputs (Watts & Zimmerman, 1986). Accordingly, high quality accounting standards should facilitate contractual commitments by allowing outside parties to monitor the performance of companies (Francis *et al.*, 2008). If IFRS are high quality standards, as Barth *et al.* (2008) conclude, adoption of IFRS should provide companies with new business opportunities. In this vein, several studies have found that firms using IFRS voluntarily have more extensive foreign operations (Cuijpers & Buijink, 2005; Dumontier & Raffournier, 1998; El-Gazzar *et al.*, 1999; Francis *et al.*, 2008; Murphy, 1999). If so, this seems to indicate that IFRS fosters national and international business opportunities.

H2: The higher the degree of economic gain expected to be attained by large companies from the adoption of IFRS, the greater is the level of responsiveness to institutional pressures for voluntary adoption of IFRS.

3.2 Constituents

Organisations are affected by a myriad of potentially conflicting forces (such as laws, regulations or expectations). These come from a variety of sources (the State, professions, interest groups and the general public) (Oliver, 1991). Organisations engage in acquiescence responses when the degree of the multiple, conflicting constituents' expectations is low. However, when multiplicity is high, there will be more resistance to institutional pressures. Acquiescence to one constituent precludes an organisation from conforming to alternative constituents with conflicting expectations. In this case possible strategic responses to institutional pressures include compromise, avoidance, defiance and manipulation.

H3: The lower the degree of conflicting expectations by constituents of large companies, the greater is the level of responsiveness to institutional pressures for voluntary adoption of IFRS.

Organisational responses are affected also by the degree of external dependence on the pressure exerted by constituents. As sources of institutional pressures increase, acquiescence becomes the most likely response (Oliver, 1991). An important source of dependence on external constituents is financial dependence on banks and shareholders to serve debt and equity capital needs. In companies with high debt-to-equity ratios, adoption of IFRS can increase the capacity of financial statements to monitor agency relationships between creditors and shareholders (Dumontier & Raffournier, 1998). For shareholders, companies in multinational groups should find the adoption of IFRS useful due to easier consolidation procedures and lower costs of monitoring and controlling resource exchanges (Palmer *et al.*, 1993).

H4: The higher the degree of external dependence on constituents of large companies, the greater is the level of responsiveness to institutional pressures for voluntary adoption of IFRS.

H4.1: The higher the debt-to-equity ratio of large companies, the greater is the propensity of companies to adopt IFRS voluntarily.

H4.2: Large companies that are subsidiaries of multinational companies have greater propensity to adopt IFRS voluntarily than do large companies that are not subsidiaries of multinational companies.

3.3 Content

Oliver (1991) contends that when institutional pressures or expectations are consistent with the goals of an organisation, there is more willingness to acquiesce to them. When institutional pressures are not consistent, organisations begin to doubt the legitimacy of institutional expectations. This leads to more active strategies.

Since 2005, listed companies in the EU have had to comply with IFRS in their consolidated accounts. Thus, subsidiaries of parent companies with listed securities are more willing to adopt IFRS voluntarily: IFRS are consistent with their objectives to make consolidation of accounts easier and cheaper and to increase the harmonisation of internal information. Additionally, in 2010, Portugal implemented a new accounting system (the SNC) based on IFRS. Companies that found the adoption of the SNC *timely*, acknowledged the advantages of these standards. In doing so, they revealed the

consistency of these standards with their organisational goals. However, those companies that found the adoption of the SNC *untimely* signalled that there were no advantages for them in adopting these standards: that is, SNC standards did not align with their organisational goals.

H5: The higher the consistency of the organisational goals of large companies with the goals of IFRS, the greater is the level of responsiveness to institutional pressures for voluntary adoption of IFRS.

H5.1: Large companies with listed parent companies have a greater propensity to adopt IFRS voluntarily than do large companies with unlisted parent companies.

H5.2: The higher the level of concurrence by large companies that the new accounting system in 2010 would be timely for them, the greater is their propensity to adopt IFRS voluntarily.

The loss of autonomy associated with pressures to conform is hypothesised to predict the likelihood of an organisation complying or resisting these pressures (Oliver, 1991). Organisations are expected to acquiesce more readily to institutional pressures that do not threaten their decision-making autonomy. Such pressures might arise in respect of resource allocation or organisational administration (Oliver, 1991). In most Continental European countries, IFRS require the disclosure of more information. The accounting choice available to managers using IFRS is restricted when compared to local accounting standards (Ashbaugh, 2001; Ashbaugh & Pincus, 2001). As a consequence, a switch to IFRS encourages less accounting discretion and a loss of private benefits for company insiders (Renders & Gaeremynck, 2007).

H6: The lower the degree of discretionary constraints that large companies associate with IFRS, the greater is the level of responsiveness to institutional pressures for voluntary adoption of IFRS.

3.4 Control

Institutional control refers to the means by which pressures are imposed on organisations: it includes legal coercion and voluntary diffusion (Oliver, 1991).

Acquiescence is likely to occur when legal coercion is high and the consequences of non-compliance are punitive and strictly enforced. However, in the Portuguese context, adoption of IFRS was voluntary: between 2005 and 2009 no laws or enforcement mechanisms could be applied to any Portuguese company that adopted IFRS voluntarily. So, in terms of control, this study will only test the hypothesis relating to the diffusion of IFRS.

If are institutional rules or norms more broadly diffused and supported, it is more likely that organisations will conform to these pressures. Institutionalisation occurs as the density of adoption of organisational practices provides cognitive legitimacy. These practices become taken-for-granted as the natural and appropriate arrangement (Greenwood *et al.*, 2002). This is because their social validity become largely unquestioned (DiMaggio & Powell, 1983; Fligstein, 1985; Tolbert & Zucker, 1983).

H7: The greater the degree of international diffusion of IFRS as perceived by large companies, the greater is the level of responsiveness to institutional pressures for voluntary adoption of IFRS.

3.5 Context

Institutional context is defined by Oliver (1991) as the conditions within which institutional pressures are exerted on organisations – specifically, the extent of environmental uncertainty and interconnectedness. Oliver argues that organisational decision makers generally prefer stability and predictability. So, when companies face high environmental uncertainty, they acquiesce to institutional pressures because institutional conformity will protect them from environmental turbulence (Meyer & Rowan, 1977). Additionally, compromise and avoidance are viewed as strategic responses that are expected in environments of high uncertainty. Adoption of a high quality set of accounting standards (such as IFRS) can help companies to cope with uncertain environments.

H8: The greater the level of environmental uncertainty faced by large companies, the greater is the level of responsiveness to institutional pressures for voluntary adoption of IFRS.

A high degree of interconnection between organisations facilitates the diffusion of institutional norms and demands, encouraging conformity with them (Oliver, 1991). In highly interconnected environments, norms are diffused through relational channels that lead to more consensus about them and to greater ubiquity of institutional effects. This is consistent with acquiescence to institutional pressures. Professional and trade associations are important conduits for the diffusion of institutional norms and expectations because they confer organizational legitimacy on normative grounds (DiMaggio & Powell, 1983). Additionally, they promote the interconnectedness of institutional environments (Goodstein, 1994). Organisational interconnectedness is more likely to occur in less fragmented or competitive environments that encourage the spread of institutional consensus and conformity (Oliver, 1991). Strong cooperation in organisational fields leads companies to be less active and more willing to cope with institutional demands (Clemens & Douglas, 2005; Goodstein, 1994).

H9: The greater the interconnectedness of large companies with the environment, the greater is the level of responsiveness to institutional pressures for voluntary adoption of IFRS.

H9.1: The greater the number of industry associations to which large companies belong, the greater is the propensity to adopt IFRS voluntarily.

H9.2: The higher the degree of organisation of the industry in which large companies operate, the greater is the propensity to adopt IFRS voluntarily.

4. Method

4.1 Sample

Data were collected using a questionnaire survey that could be completed by both (or either) the CFO and accountant in each of the 500 largest Portuguese companies in September 2009.²⁰ The complementarities of functional responsibilities between CFOs and accountants enabled them to provide good insight to accounting practices and to the

²⁰ This list of companies, reported to 2007, was published in the management magazine "Exame" in 2008. Dun & Bradstreet provided the financial data for 2007 for these companies.

institutional environment of their organisations. Pre-survey contact was made with the surveyed companies during the month prior to delivery. The questionnaire was evaluated for readability, completeness and clarity through five pilot tests prior to despatch, consistent with the advice of Salant and Dillman (1994). During October and November of 2009 three follow-up contacts were made with non-respondents.

Of an initial sample of 500 companies, 26 were removed. Ten companies had listed securities and had been obliged to comply with IFRS from 2005; 13 companies were state hospitals and were required to apply a specific accounting plan approved by the Ministry of Health; and 3 companies had been acquired by other companies. Thus, the final population comprised 474 companies. Of these, 158 completed and returned the questionnaire, indicating a response rate of 33.4%. This is a typical response rate in unsolicited surveys (Nazari *et al.*, 2006).

Non-response bias was investigated by comparing the representativeness of the distribution of non-respondents and the distribution of respondents, in terms of turnover and industry (see Fullerton & McWatters, 2002). The Komolgorov-Smirnov z test confirmed that turnover was not distributed normally ($p = 0.000$). Consequently, the Mann-Whitney U non-parametric test revealed that differences between respondents and non-respondents were not statistically significant in terms of turnover ($p = 0.927$). Chi-square tests revealed no significant differences between responding and non-responding companies in industry ($p = 0.135$). Accordingly, the sample was deemed to be representative of the underlying population.

Nonetheless, lack of information on the rate of voluntary adoption of IFRS in the population renders it impossible to infer whether the sample is biased towards firms that adopted IFRS voluntarily.

4.2 Measurement of Variables

Consistent with Oliver's (1991) suggestions for future research, our questionnaire included questions intended to provide information to test the validity of Oliver's model. Independent variables were classified into the five institutional antecedents proposed by Oliver (1991).

Scale variables were evaluated using a 5-point Likert-type scale. The overall average of missing data was 20%. Those data were not *missing completely at random* (MCAR) (Little's MCAR test with Chi-Square = 1246.98, d.f. = 1154, $p = .029$). However, since *Separate Variance t Tests* showed that missing values are *missing at random* ($p > 0.002$)²¹, the Expectation Maximisation method was used to estimate missing values.

4.2.1 Cause

The quest for legitimacy is associated with size, as measured by the value of assets in financial statements (variable SIZE).²² The perceived economic gain (variable ECG) is evaluated through the level of agreement with the statement that adoption of IFRS, in an internationalisation context could provide more business opportunities to a company. This was evaluated on a 5-point Likert-type scale, ranging from “Totally disagree” to “Totally agree”.

4.2.2 Constituents

For the multiplicity of constituents (MLTC), respondents were asked to evaluate the degree of homogeneity of their customers, competition, shareholders, creditors and market. This was measured on a five-point Likert-type scale, ranging from “Extremely homogeneous” to “Not homogeneous.” *Cronbach's Alpha if item deleted* led to the elimination of responses regarding the homogeneity of shareholders and the homogeneity of creditors.²³ The final Cronbach's Alpha of the three items was 0.736. A Categorical Principal Components Analysis (CPCA) of these three items yielded a factor that explains 65.9% of the variance of the original variables, revealing that the

²¹ This level of significance was adjusted for a family-wise Type I error rate for the 26 *t*-tests for each variable. The criterion for assessing the relationship of missing data was set at $\alpha = 0.002$ (see Tabachnick & Fidell, 2001, p.551).

²² Alternative explanations for the voluntary adoption of IFRS by large companies include those associated with the higher political costs these companies face (Watts & Zimmerman, 1986) and the higher level of resources they have. To assess whether larger Portuguese companies are engaged actively in searching for legitimacy, we analysed the relationship between size and disclosure of sustainability reports. Disclosure of sustainability reports usually is made by companies that search for legitimacy and use this as a legitimising tool (e.g. Aerts & Cormier, 2009). A Mann-Whitney *U*-test confirmed that the size of companies disclosing a sustainability report is significantly higher than the size of companies not disclosing such a report ($p=0.001$). This confirms that larger companies are more engaged in actions that increase their legitimacy.

²³ Elimination of these items improved construct reliability.

“constituents construct” is reliable and uni-dimensional. Consequently, the component variable was used in the statistical analyses reported later.

The pressure of external constituents was measured by two variables: first, DEPC, the debt-to-equity ratio companies; and DEPMN, a dummy variable assigned a score of 1 if a company was a subsidiary of a multinational company, and 0 otherwise.

4.2.3 Content

Consistency with organisational goals was evaluated by a dummy variable with a score of 1 if the parent company is listed, and 0 otherwise (CLIST); and by asking respondents their opinion of the timeliness of the new accounting system in 2010 for their companies (CTIME). Responses were recorded on a five point Likert-type scale, ranging from “Extremely untimely” to “Extremely timely”.

The level of discretionary constraints imposed by IFRS was assessed using the variable DCON. We posed a question about the degree of autonomy in organisational decisions allowable by IFRS, compared to national accounting system. We rated this using a Likert scale that varied from “Much less autonomy” to “Much more autonomy”.

4.2.4 Control

The degree of international diffusion of IFRS that was perceived by large Portuguese companies (variable INTD) was evaluated through the level of agreement with the statement that increased international acceptance of IFRS in recent years has made the widespread adoption of IFRS by businesses of all kinds inevitable. This was evaluated by a five point Likert-type scale, ranging from “Totally disagree” to “Totally agree.”

4.2.5 Context

To investigate the influence of uncertainty on strategic responses, Oliver (1991) proposed that managers should be asked about the degree of confidence they had in

predicting the future in terms of several key dimensions of their environment. Accordingly, to assess the level of uncertainty of the organisational environment, the questionnaire included thirteen questions about company capacity to predict the evolution of several environmental factors. These were evaluated through a five point Likert-type scale, ranging from “None” to “Very high.” These questions were associated with the categories of risk proposed by Lajili and Zéghal (2005), that is: financial risk (changes in the interest rate and in access to financial funds), strategic risk (changes in competition, market prices and market share), government regulation risk (changes in government regulation and taxation), operational risk (technical failures, human errors and personnel accidents), political risk (risks due to conducting business internationally), technological risk (risks due to rapid technological change) and accounting risk (risks arising from evolution of accounting standards).

Cronbach’s Alpha of the thirteen items was 0.880. A CPCA of these items revealed three components of uncertainty with eigenvalues greater than 1. These explained 66.2% of the variance of the original variables. The component loadings indicated that the first component (UNC_E) explained the uncertainty of the external environment (including changes in interest rates, strategic risk, government regulation risk, political risk, risk of conducting business internationally, technological risk and accounting risk); the second component (UNC_O) explained uncertainty related to operational risk; and the third component (UNC_F) explained uncertainty related to the financial risk of accessing funds. The three component scores were used in the statistical analyses reported later.

Interconnectedness was measured by two variables: the number of industry associations to which companies belong (ICASS) and the opinion of respondents about the degree of organisation of their industry (ICSECT). This was measured on a five point Likert-type scale, varying from “Not organised” to “Extremely well organised”.

In summary, the independent variables are classified into predictive factors as follows:

Cause:

<i>Legitimacy</i>	<i>SIZE</i>	= Total assets
<i>Efficiency</i>	<i>ECG</i>	= Opinion about the economic gain perceived from IFRS adoption

Constituents:

<i>Multiplicity</i>	<i>MLTC</i>	= Scores estimated through CPCA
<i>Dependence</i>	<i>DEPC</i>	= the debt-to-equity ratio
	<i>DEPMN</i>	= 1 if a company was a subsidiary of a multinational company, 0 otherwise

Content:

<i>Consistency</i>	<i>CLIST</i>	= 1 if the parent company is listed, 0 otherwise;
	<i>CTIME</i>	= Opinion about the timeliness of the new accounting system in 2010
<i>Constraint</i>	<i>DCON</i>	= Opinion about the degree of autonomy in organisational decisions allowable by IFRS, compared to national accounting system

Control:

<i>Diffusion</i>	<i>INTD</i>	= Opinion on whether international acceptance of IFRS in recent years has made the widespread adoption of IFRS by businesses of all kinds inevitable
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Context:

<i>Uncertainty</i>	<i>UNC_E</i>	= Scores estimated through CPCA
	<i>UNC_O</i>	
	<i>UNC_F</i>	
<i>Interconnectedness</i>	<i>ICASS</i>	= Number of industry associations to which companies belong
	<i>ICSECT</i>	= Opinion about the degree of organisation of their industry

5. Results

5.1 Descriptive Statistics and Univariate Results

Descriptive statistics for the continuous variables used to test hypotheses are reported in Table 4.2. Of the 158 companies completing and returning the questionnaire, 116 used the national accounting system (73.4%) while the remaining 42 used IFRS (26.6%). Data were screened for outliers according to a method advocated by Tabachnick and Fidell (2001) (standardised scores >3.29 , $p < 0.001$). Accordingly, one case with a significant extreme value for SIZE and one case for DEPC were discarded.

The average size of companies adopting IFRS voluntarily is considerably larger than for companies that continued to use local accounting standards. The debt-to-equity ratio (DEPC) was also higher for IFRS adopters.

To assess differences between the companies that adopted IFRS voluntarily and those that used the national accounting system, we performed a Komolgorov-Smirnov z test for the continuous variables to assess normality of the distribution. Only UNC_E and UNC_F were distributed normally ($p = .200$). Therefore, differences between the groups of companies were tested using a T -test for these variables. A non-parametric Mann-Whitney U -test was used for the other continuous variables and ordinal variables. Chi-square tests were used for dummy variables.

Table 4.2 reveals statistically significant differences for size and listing status of parent companies between companies that adopted IFRS voluntarily and companies that used the national accounting system. In addition, these two groups of companies have significantly different opinions regarding the timeliness of the imposition of the new accounting system (SNC) for them in 2010. Significant differences were found as well in terms of the level of discretionary constraints imposed by IFRS, and the degree of international diffusion of IFRS.

Table 4.2
Descriptive Statistics and Univariate Tests

<i>Variables</i>	<i>Number of observations</i>	<i>IFRS Companies</i>	<i>Non-IFRS companies</i>	<i>Student t-test</i>	<i>Mann-Whitney U-test</i>	<i>Chi-square test</i>
SIZE (T€)	157	$\mu = 261,857$ $\sigma = 313,493$	$\mu = 139,471$ $\sigma = 210,148$		$Z = -3.521^{***}$	
ECG	158	$\mu = 3.40$ $\sigma = 1.014$	$\mu = 3.65$ $\sigma = .837$		$Z = -1.192$	

MLTC	158	$\mu = 0.12$ $\sigma = 1.23$	$\mu = -0.04$ $\sigma = 0.91$	$Z = -0.569$	
DEPC	157	$\mu = 65.44$ $\sigma = 23.02$	$\mu = 62.53$ $\sigma = 20.63$	$Z = -0.891$	
DEPMN	158	1 = 15 (36%) 0 = 27 (65%)	1 = 37 (32%) 0 = 79 (68%)		$\chi^2 = 0.204$
CLIST	158	1 = 28 (67%) 0 = 14 (33%)	1 = 33 (28%) 0 = 83 (72%)		$\chi^2 = 19.002^{***}$
CTIME	158	$\mu = 3.48$ $\sigma = .773$	$\mu = 2.90$ $\sigma = .773$	$Z = -3.899^{***}$	
DCON	158	$\mu = 2.98$ $\sigma = .897$	$\mu = 3.53$ $\sigma = .727$	$Z = -3.729^{***}$	
INTD	158	$\mu = 4.26$ $\sigma = .544$	$\mu = 4.01$ $\sigma = .653$	$Z = -2.1631^{**}$	
UNC_E	158	$\mu = 0.05$ $\sigma = 0.94$	$\mu = -0.02$ $\sigma = 1.03$	$t = -0.356$	
UNC_O	158	$\mu = 0.15$ $\sigma = 1.09$	$\mu = -0.06$ $\sigma = 0.97$	$Z = -1.163$	
UNC_F	158	$\mu = 0.05$ $\sigma = 1.08$	$\mu = -0.02$ $\sigma = 0.98$	$t = -0.352$	
ICASS	158	$\mu = 1.81$ $\sigma = 2.05$	$\mu = 1.84$ $\sigma = 2.55$	$Z = -0.123$	
ICSECT	158	$\mu = 3.67$ $\sigma = .721$	$\mu = 3.43$ $\sigma = .935$	$Z = -1.468$	

******, ******* Significant at 5%, 1% level, respectively.

5.2 Logit Regression

A logistic regression model was estimated to test the hypotheses formulated earlier and to confirm the univariate results. The method adopted was similar to that used in other studies of the voluntary adoption of non-local GAAP (Cuijpers & Buijink, 2005; Dumontier & Raffournier, 1998; El-Gazzar *et al.*, 1999; Francis *et al.*, 2008). In our model, ADOPT equals 1 in companies using IFRS voluntarily, and 0 in companies that apply the national accounting system.

$$\text{ADOPT}_i = \beta_0 + \beta_1 \text{SIZE}_i + \beta_2 \text{ECG}_i + \beta_3 \text{MLTC}_i + \beta_4 \text{DEPC}_i + \beta_5 \text{DEPMN}_i + \beta_6 \text{CLIST}_i + \beta_7 \text{CTIME}_i + \beta_8 \text{DCON}_i + \beta_9 \text{INTD}_i + \beta_{10} \text{UNC_E}_i + \beta_{11} \text{UNC_O}_i + \beta_{12} \text{UNC_F}_i + \beta_{13} \text{ICASS}_i + \beta_{14} \text{ICSECT}_i + \varepsilon_i$$

Because independent continuous variables have different measurement scales, we standardised these predictors before the analysis began. Thereby, we obtained the

respective standardised coefficients and odds ratios [Exp(B)] that we needed, enabling them to be compared (Tabachnick & Fidell, 2001). Analysis of residuals of the initial logit model (156 cases), indicated seven outliers.²⁴ Thus, we estimated the model *with* these seven cases (Model A) and *without* these seven cases (Model B). This enabled us to assess differences in the overall results, particularly in terms of the accuracy rate of the model. No multicollinearity was evident.²⁵ Results for both models are displayed in Table 4.3.

Table 4.3
Logit Regression Results

<i>Independent variable</i>	<i>Model A</i>			<i>Model B</i>		
	Coefficient	S.E.	Exp(B)	Coefficient	S.E.	Exp(B)
ZSIZE	1.396**	0.565	4.041	2.152**	0.851	8.599
ZECG	-0.051	0.265	0.951	0.003	0.330	1.003
ZMLTC	0.271	0.269	1.311	0.343	0.337	1.410
ZDEPC	0.036	0.377	1.036	-0.446	0.528	0.640
DEPMN	0.712	0.543	2.039	1.499**	0.720	4.476
CLIST	1.710***	0.519	5.530	2.853***	0.819	17.341
ZCTIME	1.223***	0.320	3.397	2.466***	0.574	11.772
ZDCON	-1.028***	0.336	0.358	-1.792***	0.567	0.167
ZINTD	0.408	0.308	1.503	0.363	0.410	1.438
ZUNC_E	-0.277	0.273	0.758	-1.158***	0.432	0.314
ZUNC_O	0.207	0.246	1.231	0.340	0.296	1.405
ZUNC_F	0.036	0.242	1.036	0.034	0.307	1.035
ZICASS	-0.061	0.227	0.941	-0.225	0.283	0.799
ZICSECT	0.330	0.284	1.391	0.888**	0.386	2.430
Contant	-2.429***	0.450	0.088	-4.247***	0.891	0.014
N		156			149	
Model significance		0.000			0.000	
% predicted		81.4			85.9	
Nagelkerke R ²		51.3			68.4	

** , *** Significant at 5%, 1% level, respectively.

Model A makes correct predictions 81.4% of the time, with a chi-square significant at 1%. The strength of association of Model A, measured by Nagelkerke R² is 51%. Thus, the voluntary adoption of IFRS is more likely to occur in larger companies, in firms with parent companies with listed securities, and in companies for which the adoption of the SNC was timely. Firms adopting IFRS find this core of

²⁴ Seven cases with studentised residuals greater than ± 2.0 were identified. These cases are very poorly predicted by the solution. They are in one category of the outcome (e.g. 1 – adopt IFRS) but the solution predicts them to have a high probability of being in another category (e.g. 0 – do not adopt IFRS).

²⁵ In logistic regression, high correlation among predictors is signalled by very high standard errors for parameter estimates (Tabachnick & Fidell, 2001). Table 4.3 shows no standard errors to be exceptionally large for estimated parameters.

standards more restrictive than companies adopting the national accounting system. Opinions about the international diffusion of IFRS are not significantly different between IFRS adopters and non-adopters, contrary to the univariate analysis. The odds ratios of standardised predictors²⁶ reveal that the most important continuous variable explaining voluntary adoption is the size of organisations. This is followed by opinions about the timeliness of the imposition of SNC, and opinions about the discretionary constraints imposed by IFRS. Firms with listed parent companies are 5.53 times more likely to adopt IFRS than firms with unlisted parent companies.

As explained earlier, the residuals of Model A identify seven outlying cases. Excluding these cases improved the accuracy of the logit model to 85.9% and its strength of association to 68%. Model B confirms the statistical significance of all variables identified as significant in Model A. The improved model reveals that adoption of IFRS is also likely to occur in subsidiaries of multinational companies, in companies with high levels of environmental uncertainty, and in companies belonging to industries that are better organised. The odds ratios of the continuous variables reveals that for this narrowed set of companies, the most important factor explaining voluntary adoption of IFRS was their view of the timeliness of imposition of the new Portuguese accounting standards based on IFRS (SNC). Company size is the second most important factor, followed by belonging to organised sectors, by opinions about discretionary constraints, and the environmental uncertainty of organisations. By far the most important dummy variable is the listing status of the parent company, followed by the status of being a subsidiary of a multinational company.

6. Discussion and Conclusions

By incorporating a theoretical framework grounded in institutional theory to investigate organisational and environmental factors that condition the voluntary adoption of IFRS, we are able to evaluate Oliver's (1991) framework for its capacity to explain the relationship between institutional pressures for voluntary adoption of IFRS and the strategic responses of large Portuguese companies. We identify also which strategic response best describes voluntary adoption.

²⁶ Of the statistically significant predictors, the most important are those that change the odds of the outcome the most. The further the estimated odds ratio is from 1, the more influential the predictor (Tabachnick & Fidell, 2001). However, interpretation of the odds ratio of dummy variables differs from the interpretation of the odds ratio for continuous variables.

Univariate and multivariate analyses of the *cause* of institutional pressures reveal a strong relationship between size and voluntary adoption of IFRS. This is consistent with H₁: that is, large firms are under greater pressure to maintain their social legitimacy due to their size and visibility (Brammer & Pavelin, 2004; Islam & Deegan, 2010). Thus, adoption of IFRS is one way to increase social fitness. When selecting accounting standards, large organisations accommodate institutional pressures (acquiescence) by adopting an accounting system that signals their financial statements are high quality and transparent. This is consistent with earlier studies that represented the institutional factor *cause* through the size of organisations (Goodstein, 1994; Ingram & Simons, 1995) and found that larger organisations are more likely to acquiesce to institutional demands.

Empirical results associated with the institutional factor, *content*, reinforce the importance of this institutional antecedent in explaining the voluntary adoption of IFRS. Univariate and multivariate analyses reveal that firms with parent listed companies (H_{5.1}), and that find adoption of the SNC more timely (H_{5.2}), are more likely to adopt IFRS voluntarily. This lends additional support to findings of that acquiescence is more likely when organisations respond to institutional demands that are consistent with their goals (Ingram & Simon, 1995).

Companies which adopt IFRS voluntarily assign a lower degree of autonomy to this core of standards in their organisational decisions compared to the national accounting system. This is contrary to hypothesis H₆. The relative importance of significant explanatory variables (assessed by inspecting odds ratios) reveals this to be a much less important variable in explaining voluntary adoption of IFRS than size and opinions about the timeliness of the SNC. So, for large Portuguese companies, the advantages of adopting IFRS (such as the legitimacy achieved through adoption) outweigh the loss of decision-making autonomy that ensues. When organisations face institutional pressures of different strengths, they appear to actively choose the ones with which they want to comply.

These findings confirm that acquiescence by companies is not a blind response to institutional demands. Rather, it is a strategic organisational response to promote self-interests and to actively choose the pressures with which they want to acquiesce. Instead of regarding organisational conformity to institutional demands to be an outcome of institutional pressures (DiMaggio & Powell, 1983; Meyer & Rowan, 1977), conformity

is largely predictable by the inherent nature of institutional pressures (Oliver, 1991) and by the relative importance of such pressures to each organisation. Thus, the range of possible strategic responses companies can display is a consequence of the relative importance they allocate to different institutional elements. This is consistent with there being a continuous line of responses between acquiescence and manipulation, as suggested by Oliver (1991).

Univariate analysis revealed that *control* through diffusion of IFRS is also important in explaining responsiveness to institutional demands to adopt IFRS. Companies choosing to adopt IFRS voluntarily have significantly different opinions about international diffusion of these standards, compared to companies that decide to persist in using the national accounting system.²⁷

A more restricted sample that eliminates regression outliers shows that *constituents* and *context* are important predictors of choice of strategy. Subsidiaries of multinational companies are more likely to adopt IFRS voluntarily. This supports the resource-dependence contention of institutional theory: that is, that dependent organisations are less likely to resist the demands of organisations on whom they depend (DiMaggio, 1988; DiMaggio & Powell, 1983). Companies belonging to more organised industries are more likely to adopt IFRS voluntarily, consistent with results that acquiescence strategies are associated with a high connectedness with the environment and strong cooperation among firms from the same industry (Clemens & Douglas, 2005; Goodstein, 1994). The limited capacity of organisations to predict the evolution of some environmental factors seems to encourage voluntary adoption of IFRS. Companies operating in highly uncertain environments are more willing to comply with institutional demands (and adopt IFRS). Thus, organisations seem to cope with environmental uncertainty by providing financial statements that comply with high quality standards in the hope that this will cause constituents to have higher confidence in their financial statements and in their performance.

The non-significant result of our hypothesis that economic gains would flow from the adoption of IFRS strengthens the pre-eminence of institutional arguments over efficiency considerations in explaining the diffusion of organisational practices. This result suggests that studies of the voluntary adoption of IFRS should incorporate features of the institutional environments in which companies are embedded if they are

²⁷ The average responses show that voluntary adopters find IFRS more diffused internationally than non-adopters.

to provide a better understanding of decisions regarding the choice of accounting standards.

The multiplicity of constituents was not relevant in explaining the voluntary adoption of IFRS by large Portuguese companies. No significant differences were found among adopters and non-adopters in terms of the homogeneity of customers, competitors and markets. However, because shareholders are one of the most important users of financial statements, they are one of the most important constituents to be considered when companies choose an accounting standards regime. Although our construct of multiplicity of constituents (MLTC) did not include responses about the homogeneity of shareholders, we believe its inclusion would not change the non-significance of this predictive factor. There is a high concentration of ownership capital in the majority of Portuguese companies (Lopes & Rodrigues, 2007; Oliveira *et al.*, 2010), indicating that the level of expected differences in terms of homogeneity of shareholders is likely to be non-significant between adopters and non-adopters of IFRS. Therefore, within the institutional environment of large Portuguese companies, this predictive factor in Oliver's (1991) model has limited importance in explaining the voluntary adoption of IFRS.

Generally, voluntary adoption of IFRS by large Portuguese companies reflects an *acquiescence* response to institutional demands. However, such a response is not one of blind conformity to institutional expectations. Rather, it is a purposive response involving self-interest and evaluation of the many dynamic aspects of the organisational environment, including weighting the importance of IFRS to the pursuit of organisational goals.

Prior studies on voluntary adoption of IFRS have not incorporated the demands of the institutional environment in which organisations are embedded. Thus, an important strength of the present study is the explicit use of institutional variables to explain the voluntary adoption of IFRS. Our findings confirm that institutional theory as a powerful theoretical framework for analysing the diffusion of institutional practices; and that Oliver's (1991) framework is useful in analysing how organisational responses to institutional pressures translate into the diffusion of IFRS. We provide empirical validation of the conditions under which large companies engage in an acquiescence response to institutional pressures for the voluntary adoption of IFRS.

The newness of applying the Oliver's (1991) framework to study the voluntary adoption of IFRS implies a degree of subjectivity in the operationalisation of the five institutional antecedents. Although the constructs produced display acceptable reliabilities, additional research is needed for refinement.

By promoting further understanding of the relationship between institutional pressures and decisions regarding which regime of accounting standards to adopt, stakeholders and policymakers should have a better understanding of the motivators that induce companies to comply and acquiesce to demands to adopt IFRS. Future research should investigate how the voluntary adoption of IFRS can benefit from the integration of institutional and technical-economic perspectives; and assess the importance of each of these factors in motivating the voluntary adoption of regimes of accounting standards. Follow up research should analyse how, after the adoption of IFRS/SNC, organisational field expectations evolve, and how new accounting practices are institutionalised by companies. Effective conformity or decoupled practices are some of the responses that adopters can exhibit in the application of IFRS/SNC. Such a study could refine understanding of the application of Oliver's model to the field of financial accounting.

Concluding Remarks

This thesis has used an institutional lens to understand the institutionalisation process of the SNC/IFRS and the behaviour of large Portuguese unlisted companies in a mandatory context and in a voluntary context. The thesis adopted a two-phase approach that included qualitative and quantitative research methods. Using the literature review presented in the first essay as a frame, three essays are then presented. Each essay reports the findings of a separate empirical study, using data collected from semi-structured interviews and archival sources, and a questionnaire survey. An overview of the main findings and contributions of the thesis follows.

The literature review in the first essay revealed that institutional theory is a powerful lens for analysing the adoption of new organisational structures, such as new accounting systems. Because the choice of organisational structures reflects the rules, norms and cultural beliefs prevalent within society, organisations are granted societal legitimacy if they adopt the “right” accounting system. Accordingly, the diffusion of IFRS is explained by two main arguments. First, by argument that the adoption of a particular regime of accounting standards by individual organisations or by nation states is a means for conforming to institutional pressures. Second, by argument that diffusion of IFRS is explained by a process of mimesis, in which developing countries adopt standards of developed countries. IFRS embody a powerful legitimising force that confers credibility to those who chose to adopt them.

The first essay also provided theoretical arguments about the usefulness of institutional theory in explaining the role of the accounting profession in diffusing accounting practices (in particular, IFRS), and in explaining changes in the structural boundaries of accounting regulation. This essay stressed the importance of analysing changes in the norms, collective beliefs and institutional logics in evaluating the success of a local adoption of IFRS. It highlighted also how the combination of institutional theory with empirical experiences provided by the diffusion of IFRS can be a productive and creative arena for future research.

The second essay revealed that the institutionalisation process of the SNC was generally consistent with the model of institutional change proposed by Dillard *et al.* (2004). At the political and economic level, the EU has been active in adapting its legitimisation, signification and domination structures to the widely accepted accounting

criteria of IFRS. Nation states such as Portugal have changed their accounting systems accordingly, and have developed new accounting systems based on EU-endorsed IFRS. However, in the case of Portugal, coercive pressures were combined with normative pressures exerted by an influential agent, the Minister of Finance. Nonetheless, the Portuguese government included a standard for SMEs in the final content of the SNC to ensure the SNC adequately satisfied the needs of all companies.

Regarding the organisational field level, OTOC was asked to comment on the new accounting model at a very advanced stage of the process, close to the preparation of its final draft version. This made it very difficult for OTOC to propose an accounting system with significantly different features (e.g. more rules-based or more grounded on Continental traditions). Accordingly, the President of OTOC capitalised on the situation by bargaining with the government to elevate the status of the accounting profession to that of “Order”. Ultimately, the SNC was seen by OTOC as consistent with the prevailing representational schema of the accounting profession – a schema that values integration between accounting services and business management. Nonetheless, the OTOC vision was not shared by small accounting firms. They responded by implementing the SNC in a limited, partial way. This was because the SNC conflicted with the needs and goals of accountants for these small firms. Simultaneously, they were allowed to use an SME standard. This made only small differences in accounting practices when compared to the POC. The use of the SNC by small accounting firms was more in the nature of a “ceremonial” one. They preferred to maintain the old representational schema when framing new situations. The loose coupled accounting practices that resulted from institutional contradictions (legitimacy undermining functional efficiency and isomorphism conflicting with divergent interest) offered these accountants a comforting sense of stability. Despite this, a different behaviour was exhibited by an accountant in a larger accounting firm that had adopted all the NCRF of the SNC. This essay revealed that when interests and needs of agents are reconciled by imposed practices, institutionalisation can occur.

Additionally, the second essay highlighted how accounting standards were easier to change than the representational schemas of Portuguese accountants. The enforcement system implemented by the CNC and the quality control mechanisms of OTOC can encourage companies to engage more actively in changing their accounting practices. Nonetheless, embrace of an accounting system grounded on an Anglo-Saxon

institutional logic and on a principles-based approach is only possible if there is a gradual transformation of signification and legitimation structures in the evolving social environment.

Suggestions were offered in the second essay to refine the Dillard *et al.* (2004) model. In establishing accounting standards involving due process procedures, argument was presented that inversion of cascading institutional process can occur before the institutionalisation process reaches the organisational level. Specifically, positions taken by professional accounting associations and other organised parties reflect the operating practices that are considered legitimate at the organisational field level, influencing regulations enacted at the political and economic level. These suggested refinements enhance the applicability of the Dillard *et al.* (2004) model to the accounting arena.

The third essay investigated the institutional factors that, in a mandatory context, were associated with the preparedness of large Portuguese unlisted companies to adopt the SNC on 1 January, 2010. Empirical evidence revealed the degree of preparedness was low. Institutional factors with a positive influence on the degree of preparedness included the participation of a parent company in decisions regarding conversion procedures, the presence of exclusively Portuguese shareholders, the extent of reliance on consulting services, and the conduct of export activities. By complementing a study of isomorphic influences with the concepts of resistance and institutional logic, important insights were provided to the behaviour of large Portuguese unlisted companies in a mandatory context. Though coercive and mimetic institutional factors influenced levels of preparedness positively, the progress of the preparedness process was undermined by the resistance of the Portuguese accounting profession and the embeddedness of code-law practices in the prevailing logic. These results are consistent with those reported in the second essay. They confirmed that normative embeddedness is more difficult to overcome than changes in accounting rules.

The third essay provided understanding of the conversion practices of unlisted companies, and explained the conditions that led them to exhibit varying degrees of preparedness to adopt the SNC. Results enhance understanding of the type of unlisted companies that are likely to need encouragement to adopt a new mandatory regime of accounting standards. This knowledge should be beneficial to standard setters,

regulators, governments, businesses and professional accounting associations in countries that are yet to adopt IFRS for unlisted companies. Additionally, it is important to recognise that research on accounting harmonization has focused on the pre-adoption phase of IFRS (e.g. advantages, disadvantages and obstacles to convergence) and on the post-adoption phase of IFRS (e.g. measurement of harmonization and adoption effects). It has failed to capture the “middle-moment” in which companies establish the mechanisms for translating new organisational procedures: that is, for interpreting and reformulating accounting practices. Accordingly, study of the preparedness of companies to adopt IFRS (or adapted IFRS) in this thesis should extend understanding of how these standards become institutionalised.

Finally, the fourth essay analysed the relationship between institutional pressures and the voluntary adoption of IFRS by large Portuguese unlisted companies. This analysis was conducted using the strategic response framework proposed by Oliver (1991). The findings corroborate and complement conclusions drawn in other essays. Results revealed that larger companies, because of their size and visibility, are under strong pressure to maintain their social legitimacy. Thus, they have greater propensity to adopt IFRS voluntarily. As with nation states, individual organisations perceive the adoption of IFRS as a way to achieve social fitness and increase legitimacy. The fourth essay also revealed that voluntary adoption of IFRS occurs when institutional pressures are consistent with the goals and interests of organisations. This highlights the importance of the theorisation process the Portuguese government engaged in, prior to implementing the SNC, to achieve a high level of consensus within Portuguese society. Moreover, resource-dependence, connectedness with the organisational field, and environmental uncertainty were identified as important explanatory factors influencing the voluntary adoption of IFRS too, consistent with traditional institutional theory-based arguments. Nonetheless, contrary to initial predictions, companies which adopted IFRS voluntarily assigned to these adopted standards a lower degree of autonomy in their organisational decisions than they did with standards in the national system. This should discourage voluntary adoption. However, analysis of the relative importance of the significant explanatory variables influencing voluntary adoption was revealing. This analysis showed that the loss of autonomy resulting from the adoption of IFRS is much less important for these companies than the legitimacy IFRS can offer or the consistency of these standards with their interests. Consequently, voluntary adoption of

IFRS is a strategic organisational response: companies evaluate the pressures they want to acquiesce with and they promote their self-interests when responding to institutional pressures.

The results of the fourth essay also complement the findings of the second essay. As with a mandatory context, adoption of new accounting standards in a voluntary context is influenced also by the needs and interests of firms. The multiple levels of accounting regulation in Portugal (IFRS, NCRF, NCRF-PR and Micro-entities) raise questions about the future strategic choices of Portuguese companies when faced with deciding on a higher level of accounting regulation than that to which they are obliged. Nonetheless, findings of second essay regarding loose coupling of the SNC suggest further investigation should be made of any ceremonial use of IFRS or higher levels of accounting regulation by these companies. Such strategic choice can secure external legitimacy to these companies but, at the end, the regime of accounting standards adopted can remain detached from accounting practices because its interpretation and enactment in day-to-day activities is still grounded on a code-law logic. Additionally, because the SNC resulted from the adaptation of IFRS to the Portuguese culture, the effectiveness of such endeavour can be assessed through the investigation of the levels of compliance of companies adopting IFRS and companies adopting the SNC.

Overall, the broad contribution of this thesis is its extension of understanding of the institutional processes affecting the adoption of a new regime of accounting practices. By exploring the main institutional arguments that are relevant in influencing the diffusion of IFRS globally, the thesis extends the analysis of the rationales underlying the adoption of these standards. In doing so, to a great extent, it overcomes functionalist perspectives that dominate the literature on accounting harmonisation.

This thesis also deepens understanding of how a new accounting system was institutionalised within Portuguese society, in a mandatory context. In terms of Scott's (1995) concept of institutions, in Portugal, IFRS have achieved the regulative element entirely, and have gradually become a normative system within the accounting profession. However, IFRS are far from becoming a collection of shared conceptions or the prevailing frame through which accounting meaning is framed. This is consistent with the view that the cultural-cognitive element is the deepest underpinning of institutions.

These findings are complemented by the view that, when companies are not required to use IFRS, they use this rationalised myth strategically to respond to pressures of institutional constituents and to promote their self-interest in the choice of the rewards conferred by organisational conformity.

However, research in this matter is far from complete or exhausted. This thesis has revealed the strengths of analysing the accounting harmonisation process through an institutional lens. The post-implementation phase occurring in several countries that have adopted IFRS (or adapted IFRS) is, and will be, an appealing important area for future research. Such research should investigate the institutional dynamics across the various levels of societal systems, the evolving trade-off between transnational regulatory structures and traditional power structures, and the way new accounting practices emerge, are diffused, and subsequently decline. Combining institutional theory with processes of accounting harmonisation provides institutional theory with an evolving field for investigation. The adoption of an institutionalist perspective by accounting researchers in the future has strong potential to extend understanding of why and how IFRS or similar accounting regimes diffuse.

This thesis should help to stimulate further investigations into the processes of accounting change. Such investigations have the potential to deepen understanding of how accounting changes are institutionalised in national and international settings in a modern fast-paced world. It should thereby develop more mature and informed understandings of the likely behaviour of accountants and accounting-related institutions in response to future change proposals.

Appendices

Appendix A: Script of the Interview with the President of the CNC and two Members of the Executive Commission

1. How did the SNC arise? How has the new accounting system evolved since then?
2. What were the major reasons for the CNC developing an accounting system based on IFRS in Portugal?
3. What was the importance of the international accounting harmonisation process in the decision of the CNC to develop the SNC?
4. What was the importance of the harmonisation of financial statements between listed and unlisted companies in the decision to adopt the SNC?
5. What were the most controversial or consensual questions during the process of developing the SNC?
6. What are the greatest problems or difficulties that the CNC anticipates unlisted companies will have in adopting the SNC?
7. Did the Portuguese government give directions to the CNC to impose a regime of accounting standards based on IFRS on unlisted companies? If so, what were the main arguments of the government?
8. What is the opinion of the majority of the organisations that belong to the General Council of the CNC about the new SNC?
9. Have professional organisations exerted some kind of pressure on the CNC to impose an accounting system based on IFRS on unlisted companies?
10. What was the position of OROC towards the SNC?
11. To what extent did the position of OROC reveal the opinion of international accounting firms (Big-four) about the SNC?
12. To what extent was the decision to develop the SNC influenced by a similar decision of a regulatory body of other country?

Appendix B: Script of the Interview with the President of the Executive Commission of the CNC and with other Member of the Executive Commission

1. How did the development of the SNC evolve since 2003? How many meetings did the CNC have with the Portuguese government? What was decided in each meeting?
2. In December 2005, the Minister of Finance issued a press release in which he announced the intention of creating a work group to change the tax code, so that IFRS could be used by all companies. In early 2006, this work group was created.

Did the CNC have any guidance from the government during the development of the SNC? Was this guidance detailed or general?

3. The new accounting system is very different from the old accounting system. At the beginning, what were the opinions of the members of the Executive Commission about the features of the new accounting system?
4. The initial version of the SNC did not include a SME standard. Why was this standard included later?
5. What were the most difficult issues during the process of adapting IFRS to the Portuguese context?
6. During the preparation of the NCRF, what were the criteria used in the elimination of certain paragraphs of IFRS?
7. Did the professions of the members of the Executive Commission have some influence on the establishment of the SNC? And on the elaboration of the NCRF?
8. Were the members of the Executive Commission aware of what was occurring in other countries of the European Union?
9. In your opinion, what are the main obstacles or problems likely to arise in the adoption of the SNC by Portuguese not-listed companies?

**Appendix C: Script of the Interview with the Representative of the CNC on the
ARC of the European Commission**

1. Has the European Commission provided guidance and indicated a preference on how Member-states should regulate financial statements of unlisted companies, after Regulation 1606/2002?
2. What are the reasons for the different choices taken by Member-states after the Regulation?
3. What are the main reasons for the choice taken by the CNC?
4. Was the option taken by the CNC influenced by the choice taken any particular country? Which was/were most influential?
5. Did power structures regarding accounting regulation change because of the accounting harmonisation process?

Appendix D: Script of the Interview with the President of OTOC

1. How would you describe the role of OTOC in the process of developing the SNC?
2. What was the initial opinion of OTOC about the new accounting model? Has this position evolved over time?
3. Did OTOC feel pressure to stand for, or against, the SNC by some groups (auditors, other professional associations, financial analysts, universities, or academics)?
4. To what extent were the suggestions made by OTOC, during the due process of the SNC, accepted by the CNC and incorporated in the final version of the accounting system?
5. How would you describe the capacity of OTOC to influence accounting standard setting by the CNC?
6. Was this influence exerted through participation in the Executive Committee of the CNC, through due processes procedures, or through contacts with the government?
7. During the second half of 2009, OTOC has intensified training on the SNC. What were the main objectives of the training?
8. How did OTOC choose the content of the training? And the number of courses on the SNC required in each period?
9. What has been the feedback from training sections? What were the main difficulties for accountants?
10. To what extent did accountants, especially those belonging to small accounting firms, internalise the principles and concepts of the SNC?
11. What changes occurred in the functioning of OTOC as a consequence of the adoption of the SNC (regulations, admission tests)?
12. OTOC evaluates the work quality of accountants through quality control. Was there a change in the rules or practices relating to quality control of OTOC (e.g. new procedures for assessing professional or technical judgments, for assessing measurement of fair value)?
13. Can you describe the profile of a good accountant for OTOC? Did this assessment change after the SNC?

14. What were the key agents influencing actions of OTOC during this process of accounting change (government, members, professional associations of other countries)?

Appendix E: Script of the Interviews with Accountants

1. How did your company deal with the conversion to the SNC?
2. Given the type of companies you work with, which level of accounting regulation will you use? The 28 NCRF or the NCRF-PE?
3. Did you make such a decision alone or in consultation with your clients?
4. Are some of your clients audited? How would you describe your relationship with the auditors during the conversion process (cooperation or conflict)?
5. When applying the SNC in companies that are not audited, did you feel increased difficulties by not having this support?
6. To what extent did you talk with your peers for clarifications during the conversion process?
7. What do you consider was most important in your process of preparedness for the SNC? Exchanging ideas with peers or the training sections you attended?
8. What was the main driver of your preparedness (needing credits of OTOC, not to fail as accountant, pressure to meet tax deadlines, pressure to maintain a good image towards your clients, pressure exerted by the management of companies)?
9. Before the adoption of the SNC, did you assess the changes that would occur and their impact on your clients' financial statements?
10. What are the main difficulties that you experienced when adopting the NCRF-PE?
11. Did the managers of the companies follow the conversion process?
12. Was the preparedness obtained through training sections useful to adopt the SNC?
13. In your opinion, to what extent does the NCRF-PE allow more or less decision-making autonomy (freedom of choice) compared to the old accounting system?
14. If the adoption of the SNC was optional, would you continue to use the old accounting system or would you adopt the SNC? What are the reasons for such position?
15. To what extent was the application of NCRF-PE very different from the old accounting system?

16. What is your opinion of the quality of financial information that is made in accordance with the NCRF-PE compared to old accounting system?
17. Have you noticed any reaction from banks or other users of financial information regarding adoption of the SNC?
18. How do you expect to operate enforcement systems of the SNC?
19. Regarding your business, to what extent has the adoption of the SNC changed the way your business operates?
20. To what extent has the SNC provided new business opportunities for the firm?
21. To what extent has the SNC enhanced your prestige or status with your clients?
22. How would you characterise your activity in terms of uncertainty? That is, during your normal business, how do you evaluate the ability of your firm to predict the growth in number of customers, the tax laws or emergence of new competitors?

Appendix F: Universe of the 500 Largest Portuguese Unlisted Companies
(published in the management magazine, *Exame*, in 2008)

Position Name

1	PETRÓLEOS DE PORTUGAL - PETROGAL, S.A.
2	MODELO CONTINENTE - HIPERMERCADOS, S.A.
3	EDP DISTRIBUIÇÃO - ENERGIA, S.A.
4	BP PORTUGAL - COMERCIO DE COMBUSTIVEIS E LUBRIFICANTES, S.A.
5	TRANSPORTES AEREOS PORTUGUESES, S.A.
6	PT COMUNICAÇÕES, S.A.
7	REPSOL PORTUGUESA, S.A.
8	PINGO DOCE - DISTRIBUIÇÃO ALIMENTAR, S.A.
9	AUTOEUROPA - AUTOMÓVEIS, LDA
10	TMN - TELECOMUNICAÇÕES MÓVEIS NACIONAIS, S.A.
11	QIMONDA PORTUGAL, S.A.
12	VODAFONE PORTUGAL - COMUNICAÇÕES PESSOAIS, S.A.
13	EDP - ENERGIAS DE PORTUGAL, S.A.
14	GALP GÁS NATURAL, S.A.
15	COMPANHIA PORTUGUESA DE HIPERMERCADOS, S.A.
16	SAIPEM (PORTUGAL) - COMÉRCIO MARÍTIMO, SOCIEDADE UNIPessoal, S.A.
17	FEIRA NOVA - HIPERMERCADOS, S.A.
18	REPSOL POLÍMEROS, LDA
19	DIA PORTUGAL - SUPERMERCADOS, SOCIEDADE UNIPessoal, LDA
20	CEPSA - PORTUGUESA PETRÓLEOS, S.A.
21	LACTOGAL - PRODUTOS ALIMENTARES, S.A.
22	MOTA-ENGIL, ENGENHARIA E CONSTRUÇÃO, S.A.
23	ALLIANCE HEALTHCARE, S.A.
24	CTT - CORREIOS DE PORTUGAL, S.A.
25	RECHEIO - CASH & CARRY, S.A.
26	RENAULT PORTUGAL, S.A.
27	SIVA - SOCIEDADE DE IMPORTAÇÃO DE VEICULOS AUTOMOVEIS, S.A.
28	SOPORCEL - SOCIEDADE PORTUGUESA DE PAPEL, S.A.
29	CONTINENTE HIPERMERCADOS, S.A.
30	ZON TV CABO PORTUGAL, S.A.
31	DELPHI AUTOMOTIVE SYSTEMS - PORTUGAL, S.A.
32	UNILEVER JERÓNIMO MARTINS, LDA
33	TRANSGÁS, S.A.
34	BRISA - AUTO ESTRADAS DE PORTUGAL, S.A.
35	G.M.A.C.- COMERCIO E ALUGUER DE VEICULOS, LDA
36	OCP-PORTUGAL - PRODUTOS FARMACEUTICOS, S.A.
37	WORTEN - EQUIPAMENTOS PARA O LAR, S.A.
38	PORTUCEL - EMPRESA PRODUTORA DE PASTA E PAPEL, S.A.
39	GALPGESTE - GESTÃO DE AREAS DE SERVIÇO, S.A.
40	MAKRO CASH & CARRY PORTUGAL, S.A.
41	PEUGEOT CITROEN AUTOMÓVEIS PORTUGAL, S.A.
42	MERCEDES-BENZ PORTUGAL, S.A.
43	REAGRO - IMPORTAÇÃO E EXPORTAÇÃO, S.A.
44	CONTINENTAL MABOR - INDÚSTRIA DE PNEUS, S.A.
45	NESTLE - PORTUGAL, S.A.
46	SOMINCOR - SOCIEDADE MINEIRA DE NEVES-CORVO, S.A.
47	TEIXEIRA DUARTE - ENGENHARIA E CONSTRUÇÕES, S.A.
48	ELCA COSMÉTICOS, LDA
49	TOYOTA CAETANO PORTUGAL, S.A.
50	TABAQUEIRA - EMPRESA INDUSTRIAL DE TABACOS, S.A.
51	SN SEIXAL - SIDERURGIA NACIONAL, S.A.
52	SIEMENS, S.A.
53	SOMAGUE - ENGENHARIA, S.A.
54	PT PRIME - SOLUÇÕES EMPRESARIAIS DE TELECOMUNICAÇÕES E SISTEMAS, S.A.
55	BLAUPUNKT AUTO-RADIO PORTUGAL, LDA
56	CIMPOR - INDÚSTRIA DE CIMENTOS, S.A.
57	UNITED EUROPEAN CAR CARRIERS, UNIPessoal, LDA
58	PEUGEOT PORTUGAL AUTOMÓVEIS, S.A.
59	MEGASA, COMERCIO DE PRODUTOS SIDERURGICOS, LDA
60	CODIFAR - COOPERATIVA DISTRIBUIDORA FARMACEUTICA, C.R.L.
61	EL CORTE INGLES - GRANDES ARMAZENS, S.A.

62 SCC - SOCIEDADE CENTRAL DE CERVEJAS E BEBIDAS, S.A.
63 SONAECOM - SERVIÇOS DE COMUNICAÇÕES, S.A.
64 SOCIEDADE DE CONSTRUÇÕES SOARES DA COSTA, S.A.
65 REN TRADING, S.A.
66 TURBOGÁS - PRODUTORA ENERGETICA, S.A.
67 MIDSID - SOCIEDADE PORTUGUESA DE DISTRIBUIÇÃO, S.A.
68 HEWLETT-PACKARD PORTUGAL, LDA
69 AUTOMÓVEIS CITROEN, S.A.
70 BP GEST24 - EXPLORAÇÃO DE POSTOS ABASTECIMENTO LOJAS DE CONVENIÊNCIA, SOC.
UNIPESSOAL, LDA
71 CPCDI - COMPANHIA PORTUGUESA DE COMPUTADORES DISTRIBUIÇÃO DE PRODUTOS
INFORMATICOS, S.A.
72 GESPOST - GESTÃO E ADMINISTRAÇÃO DE POSTOS DE ABASTECIMENTO, UNIPESSOAL, LDA
73 CAETANO - AUTO, S.A.
74 ANA - AEROPORTOS DE PORTUGAL, S.A.
75 COMPANHIA IBM PORTUGUESA, S.A.
76 CP - CAMINHOS DE FERRO PORTUGUESES, E.P.
77 MSF - MONIZ DA MAIA, SERRA & FORTUNATO - EMPREITEIROS, S.A.
78 TOTAL PORTUGAL - PETRÓLEOS, S.A.
79 FNAC PORTUGAL - ACTIVIDADES CULTURAIS E DISTRIBUIÇÃO DE LIVROS, DISCOS
MULTIMÉDIA E PRODUTOS TÉCNICOS, LDA
80 SONAE INDÚSTRIA - PRODUÇÃO E COMERCIALIZAÇÃO DE DERIVADOS DE MADEIRA, S.A.
81 SAMSUNG - ELECTRÓNICA PORTUGUESA, S.A.
82 C.A.C.I.A. - COMPANHIA AVEIRENSE DE COMPONENTES PARA A INDÚSTRIA AUTOMÓVEL, S.A.
83 GCT-ON LINE - DISTRIBUIÇÃO ALIMENTAR DIRECTA, S.A.
84 ZARA PORTUGAL - CONFECÇÕES, UNIPESSOAL, LDA
85 SOUZA CRUZ OVERSEAS, S.A.
86 UNIÃO DOS FARMACEUTICOS DE PORTUGAL, C.R.L.
87 LUSOSIDER - AÇOS PLANOS, S.A.
88 BOSCH TERMOTECNOLOGIA S.A.
89 COOPROFAR - COOPERATIVA DOS PROPRIETÁRIOS DE FARMÁCIA, C.R.L.
90 ESSO PORTUGUESA, LDA
91 FAURECIA - ASSENTOS DE AUTOMÓVEL, LDA
92 VIAGENS ABREU, S.A.
93 ZAGOPE - CONSTRUÇÕES E ENGENHARIA, S.A.
94 SOVENA PORTUGAL - CONSUMER GOODS, S.A.
95 COFANOR - COOPERATIVA DOS FARMACÊUTICOS DO NORTE, C.R.L.
96 EDIFER - CONSTRUÇÕES PIRES COELHO & FERNANDES, S.A.
97 VASP - DISTRIBUIDORA DE PUBLICAÇÕES, LDA
98 SOVENA OILSEEDS PORTUGAL, S.A.
99 AMORIM & IRMÃOS, S.A.
100 MITSUBISHI FUSO TRUCK EUROPE - SOCIEDADE EUROPEIA DE AUTOMÓVEIS, S.A.
101 FIAT DISTRIBUIDORA PORTUGAL, S.A.
102 BAVIERA - COMÉRCIO DE AUTOMÓVEIS, S.A.
103 RADIO POPULAR - ELECTRODOMESTICOS, S.A.
104 LENA ENGENHARIA E CONSTRUÇÕES, S.A.
105 PERDIX INTERNATIONAL FOODS - COMÉRCIO INTERNACIONAL, SOCIEDADE UNIPESSOAL, LDA
106 MEADOWLARK - TELECOMUNICAÇÕES E SERVIÇOS, LDA
107 DANONE PORTUGAL, S.A.
108 AUTO-SUECO, LDA
109 TEJO ENERGIA - PRODUÇÃO E DISTRIBUIÇÃO DE ENERGIA ELÉCTRICA, S.A.
110 MONTEADRIANO - ENGENHARIA E CONSTRUÇÃO, S.A.
111 ESTORIL-SOL III - TURISMO, ANIMAÇÃO E JOGO, S.A.
112 PETRIN - PETRÓLEOS E INVESTIMENTOS, S.A.
113 S.P.L.A. - SOCIEDADE PORTUGUESA DE LEILÕES DE AUTOMOVEIS, S.A.
114 REFRIGE - SOCIEDADE INDUSTRIAL DE REFRIGERANTES, S.A.
115 MARTIFER - CONSTRUÇÕES METALOMECÂNICAS, S.A.
116 CENIBRA-INTERNACIONAL - SERVIÇOS E COMÉRCIO (SOCIEDADE UNIPESSOAL), LDA
117 D.L.I. - DISTRIBUIÇÃO E LOGISTICA PARA A INFORMÁTICA, S.A.
118 SPDAD - SOCIEDADE PORTUGUESA DE PRODUÇÃO E DISTRIBUIÇÃO DE ARTIGOS DE DESPORTO,
LDA
119 CELULOSE DA BEIRA INDUSTRIAL (CELBI), S.A.
120 MERCK SHARP & DOHME, LDA
121 LUSO FINSA - INDUSTRIA E COMERCIO DE MADEIRAS, S.A.
122 CUF - QUÍMICOS INDUSTRIAIS, S.A.
123 PROPEL - PRODUTOS DE PETRÓLEO, LDA
124 MANUEL RUI AZINHAI NABEIRO, LDA
125 MEGAMEIOS - PUBLICIDADE E MEIOS, A.C.E.

126 CABELTE - CABOS ELÉTRICOS E TELEFÓNICOS, S.A.
127 COLEPCCL PORTUGAL - EMBALAGENS E ENCHIMENTOS, S.A.
128 OFFCEP-OFFICE CENTRE PORTUGAL - EQUIPAMENTO DE ESCRITÓRIO, LDA
129 GENERAL CABLE CELCAT - ENERGIA E TELECOMUNICAÇÕES, S.A.
130 CONTACTO - SOCIEDADE DE CONSTRUÇÕES, S.A.
131 PORTUCEL VIANA - EMPRESA PRODUTORA DE PAPÉIS INDÚSTRIAS, S.A.
132 OPWAY - ENGENHARIA, S.A.
133 FARBEIRA COFARBEL FARCENTRO - COOPERATIVA FARMACEUTICA, C.R.L.
134 BA VIDRO, S.A.
135 GROHE PORTUGAL - COMPONENTES SANITARIOS, LDA
136 SATA INTERNACIONAL - SERVIÇOS E TRANSPORTES ÁEREOS, S.A.
137 COMPANHIA INDUSTRIAL DE RESINAS SINTÉTICAS, CIRES, S.A.
138 CIBAL - DISTRIBUIÇÃO DE BEBIDAS E ALIMENTAÇÃO, S.A.
139 SEAT PORTUGAL, UNIPESSOAL, LDA
140 CME - CONSTRUÇÃO E MANUTENÇÃO ELECTROMECHANICA, S.A.
141 BOTELHO & RODRIGUES, LDA
142 INSCO - INSULAR DE HIPERMERCADOS, S.A.
143 CASAIS - ENGENHARIA E CONSTRUÇÃO, S.A.
144 SLEM - SOCIEDADE LUSO ESPANHOLA DE METAIS, LDA
145 GLAXOSMITHKLINE - PRODUTOS FARMACEUTICOS, LDA
146 HOSPITAL AMADORA/SINTRA - SOCIEDADE GESTORA, S.A.
147 FERPINTA - INDÚSTRIAS DE TUBOS DE AÇO DE FERNANDO PINHO TEIXEIRA, S.A.
148 TRANSPORTES FREITAS, LDA
149 REPSOL GÁS PORTUGAL, S.A.
150 ROCHE FARMACÊUTICA QUÍMICA, LDA
151 ERICSSON - TELECOMUNICAÇÕES, LDA
152 T.V.I. - TELEVISÃO INDEPENDENTE, S.A.
153 ASTRAZENECA - PRODUTOS FARMACÊUTICOS, LDA
154 EEM - EMPRESA DE ELECTRICIDADE DA MADEIRA, S.A.
155 SPORT ZONE - COMERCIO DE ARTIGOS DE DESPORTO, S.A.
156 LISBOAGAS GDL - SOCIEDADE DISTRIBUIDORA DE GAS NATURAL DE LISBOA, S.A.
157 ILIDIO MOTA - PETROLEOS E DERIVADOS, LDA
158 CUF - ADUBOS DE PORTUGAL, S.A.
159 SOGRAPE VINHOS, S.A.
160 GALP MADEIRA - DISTRIBUIÇÃO E COMERCIALIZAÇÃO DE COMBUSTÍVEIS E LUBRIFICANTES, S.A.
161 SANOFI-AVENTIS - PRODUTOS FARMACEUTICOS, S.A.
162 LUSOS CUT - AUTO ESTRADAS DAS BEIRAS LITORAL E ALTA, S.A.
163 EPAL - EMPRESA PORTUGUESA DAS ÁGUAS LIVRES, S.A.
164 MANUEL NUNES & FERNANDES II, LDA
165 ELECTRICIDADE DOS AÇORES, S.A.
166 OGMA - INDÚSTRIA AERONÁUTICA DE PORTUGAL, S.A.
167 ACEMBEX - COMERCIO E SERVIÇOS, LDA
168 MITSUBISHI MOTORS DE PORTUGAL, S.A.
169 SAFEBAG - INDÚSTRIA COMPONENTES DE SEGURANÇA AUTOMÓVEL, S.A.
170 TATE & LYLE AÇUCARES PORTUGAL, S.A.
171 SIC - SOCIEDADE INDEPENDENTE DE COMUNICAÇÃO, S.A.
172 BAYER PORTUGAL, S.A.
173 AUTO-INDUSTRIAL, S.A.
174 BIAL - PORTELA & CA., S.A.
175 ABBOTT LABORATORIOS, LDA
176 JORGE SA, S.A.
177 AUTO-SUECO (COIMBRA), LDA
178 RAÇÕES VALOURO, S.A.
179 LONGA VIDA - INDÚSTRIAS LÁCTEAS, S.A.
180 IBEROL - SOCIEDADE IBÉRICA DE BIOCUMBUSTÍVEIS E OLEAGINOSAS, S.A.
181 ARBORA Y AUSONIA, S.L.
182 HONDA PORTUGAL, S.A.
183 JMR - PRESTAÇÃO DE SERVIÇOS PARA A DISTRIBUIÇÃO, S.A.
184 LFP - LOJAS FRANCAS DE PORTUGAL, S.A.
185 TETRA PAK PORTUGAL - SISTEMAS DE EMBALAGEM E TRATAMENTO PARA ALIMENTOS, S.A.
186 STAR - VIAGENS E TURISMO, S.A.
187 CONDURIL - CONSTRUTORA DURIENSE, S.A.
188 LISNAVE - ESTALEIROS NAVAIS, S.A.
189 CONSTRUCTORA SAN JOSE, S.A. (PONTEVEDRA) REPRESENTAÇÃO EM PORTUGAL
190 INSTITUTO PORTUGUÊS DE ONCOLOGIA DO PORTO FRANCISCO GENTIL, E.P.E.
191 SANER - SOCIEDADE ALIMENTAR DO NORTE, S.A.
192 PATINTER - PORTUGUESA DE AUTOMOVEIS TRANSPORTADORES, S.A.

193 TECNOVIA - SOCIEDADE DE EMPREITADAS, S.A.
194 FLORENCIO AUGUSTO CHAGAS, S.A.
195 PROSEGUR - COMPANHIA DE SEGURANÇA, LDA
196 TRANSINSULAR - TRANSPORTES MARITIMOS INSULARES, S.A.
197 CIN - CORPORAÇÃO INDUSTRIAL DO NORTE, S.A.
198 ALBERTO MARTINS DE MESQUITA & FILHOS, S.A.
199 FROMAGERIES BEL PORTUGAL, S.A.
200 SOLVERDE - SOCIEDADE DE INVESTIMENTOS TURISTICOS DA COSTA VERDE, S.A.
201 MANITOWOC CRANE GROUP PORTUGAL, LDA
202 VIATEL - TECNOLOGIA DE COMUNICAÇÕES, S.A.
203 DATABOX - INFORMÁTICA, S.A.
204 YAZAKI SALTANO DE OVAR - PRODUTOS ELÉCTRICOS, LDA
205 LEASE PLAN PORTUGAL - COMERCIO E ALUGUER DE AUTOMOVEIS E EQUIPAMENTOS,
UNIPessoal, LDA
206 ALVES BANDEIRA & CA., LDA
207 WEBASTO PORTUGAL - SISTEMAS PARA AUTOMÓVEIS, LDA
208 EXIDE TECHNOLOGIES, LDA
209 ENERPULP - COGERAÇÃO ENERGETICA DE PASTA, S.A.
210 SCUTVIAS - AUTOESTRADAS DA BEIRA INTERIOR, S.A.
211 PRISMA - COMBUSTÍVEIS E LUBRIFICANTES, S.A.
212 DOW PORTUGAL - PRODUTOS QUIMICOS, SOCIEDADE UNIPessoal, LDA
213 RECKITT BENCKISER (PORTUGAL), S.A.
214 MILANGE - COMÉRCIO INTERNACIONAL E SERVIÇOS, LDA
215 FDO - CONSTRUÇÕES, S.A.
216 J.SOARES CORREIA - ARMAZÉNS DE FERRO, S.A.
217 ESTAMO - PARTICIPAÇÕES IMOBILIÁRIAS, S.A.
218 SUMOLIS - GESTÃO DE MARCAS, S.A.
219 SAS - AUTOSYSTEMTECHNIK DE PORTUGAL, UNIPessoal, LDA
220 C.M.P. - CIMENTOS MACEIRA E PATAIAS, S.A.
221 INSTITUTO PORTUGUES DE ONCOLOGIA DE LISBOA FRANCISCO GENTIL, E.P.E.
222 VICTOR GUEDES - INDUSTRIA E COMERCIO, S.A.
223 PHILIPS PORTUGUESA, S.A.
224 SPORT TV PORTUGAL, S.A.
225 SECURITAS - SERVIÇOS E TECNOLOGIA DE SEGURANÇA, S.A.
226 RIBERALVES - COMÉRCIO E INDÚSTRIA DE PRODUTOS ALIMENTARES, S.A.
227 RENOVA - FABRICA DE PAPEL DO ALMONDA, S.A.
228 GERTAL - COMPANHIA GERAL DE RESTAURANTES E ALIMENTAÇÃO, S.A.
229 GLOBAL NOTÍCIAS - PUBLICAÇÕES, S.A.
230 DOMINGOS DA SILVA TEIXEIRA, S.A.
231 PORTGÁS - SOCIEDADE DE PRODUÇÃO E DISTRIBUIÇÃO DE GÁS, S.A.
232 MATUDIS - COMÉRCIO DE PRODUTOS ALIMENTARES, LDA
233 SANTOS BAROSA - VIDROS, S.A.
234 BENTELER - INDUSTRIA DE COMPONENTES PARA AUTOMOVEIS, LDA
235 PORTUGÁLIA - COMPANHIA PORTUGUÊSA DE TRANSPORTES AÉREOS, S.A.
236 BUNGE IBERICA PORTUGAL, S.A.
237 SIBS - SOCIEDADE INTERBANCARIA DE SERVIÇOS, S.A.
238 CONSTANTINO FERNANDES OLIVEIRA & FILHOS, S.A.
239 ESTALEIROS NAVAIS DE VIANA DO CASTELO, S.A.
240 SANTOGAL V - COMERCIO E REPARAÇÃO DE AUTOMOVEIS, S.A.
241 SERVIER PORTUGAL - ESPECIALIDADES FARMACEUTICAS, LDA
242 HUF PORTUGUESA - FÁBRICA DE COMPONENTES PARA O AUTOMÓVEL, LDA
243 FAPRICELA - INDÚSTRIA DE TREFILARIA, S.A.
244 EUROPCAR INTERNACIONAL - ALUGUER DE AUTOMOVEIS, S.A.
245 FISIPE - FIBRAS SINTÉTICAS DE PORTUGAL, S.A.
246 GALP ENERGIA, S.A.
247 GASPE - COMBUSTÍVEIS, LDA
248 BSHP - ELECTRODOMESTICOS, SOCIEDADE UNIPessoal, LDA
249 REN - GASODUTOS, S.A.
250 IBERUSA - HOTELARIA E RESTAURAÇÃO, S.A.
251 J.P. SÁ COUTO, S.A.
252 LIDOSOL II - DISTRIBUIÇÃO DE PRODUTOS ALIMENTARES, S.A.
253 POWERMEDIA - SERVIÇOS PUBLICITÁRIOS, S.A.
254 CEREALIS - MOAGENS, S.A.
255 PEUGEOT PORTUGAL AUTOMÓVEIS DISTRIBUIÇÃO (PPAD), S.A.
256 NOVADELTA - COMÉRCIO E INDÚSTRIA DE CAFÉS, S.A.
257 LEGRAND ELECTRICA, S.A.
258 AVELINO FARINHA & AGRELA, S.A.
259 SOLIDAL - CONDUTORES ELÉCTRICOS, S.A.

260 DAI - SOCIEDADE DE DESENVOLVIMENTO AGRO-INDUSTRIAL, S.A.
 261 COMAR - GESTÃO DE POSTOS DE COMBUSTÍVEIS, LDA
 262 ANTÓNIO TEIXEIRA LOPES & FILHOS, LDA
 263 CENTRO HOSPITALAR DE TRÁS-OS-MONTES E ALTO DOURO, E.P.E.
 264 CARNES DO CONTINENTE - INDÚSTRIA E DISTRIBUIÇÃO DE CARNES, S.A.
 265 MERCAUTO - METALOMECANICA DE REPARAÇÃO E CONSTRUÇÃO DE AUTOMÓVEIS, LDA
 266 COFICAB PORTUGAL - COMPANHIA DE FIOS E CABOS, LDA
 267 ENERTICA - DISTRIBUIÇÃO DE COMBUSTIVEIS, S.A.
 268 YAZAKI SALTANO DE PORTUGAL - COMPONENTES ELÉCTRICOS PARA AUTOMÓVEIS, LDA
 269 ALVES RIBEIRO, S.A.
 270 ACCENTURE - CONSULTORES DE GESTÃO, S.A.
 271 SOGENAVE - SOCIEDADE GERAL DE ABASTECIMENTOS À NAVEGAÇÃO E INDÚSTRIA
 HOTELEIRA, S.A.
 272 RAR - REFINARIAS DE AÇUCAR REUNIDAS, S.A.
 273 CTT EXPRESSO - SERVIÇOS POSTAIS E LOGÍSTICA, S.A.
 274 PREH PORTUGAL, LDA
 275 CONSTRUTORA ABRANTINA, S.A.
 276 SCHNEIDER ELECTRIC PORTUGAL - APARELHAGEM ELECTRICA, LDA
 277 SICASAL - INDÚSTRIA E COMÉRCIO DE CARNES, S.A.
 278 WAYFIELD - TRADING INTERNACIONAL, S.A.
 279 PETROIBÉRICA - SOCIEDADE DE PETRÓLEOS IBERO LATINOS, S.A.
 280 ESTEVÃO NEVES - HIPERMERCADO DA MADEIRA, S.A.
 281 PROVIMI IBÉRIA - CONCENTRADOS PARA ALIMENTAÇÃO DE ANIMAIS, S.A.
 282 SONACERGY SERVIÇOS E CONSTRUÇÕES PETROLÍFERAS, LDA (ZONA FRANCA DA MADEIRA)
 283 MODALFA - COMERCIO E SERVIÇOS, S.A.
 284 S.T.E.T. - SOCIEDADE TÉCNICA DE EQUIPAMENTOS E TRACTORES, S.A.
 285 PRIMEDRINKS - COMERCIALIZAÇÃO DE BEBIDAS ALCOÓLICAS E PRODUTOS ALIMENTARES,
 S.A.
 286 ROCA, S.A.
 287 PORTLINE - TRANSPORTES MARITIMOS INTERNACIONAIS, S.A.
 288 SELECT - RECURSOS HUMANOS, EMPRESA DE TRABALHO TEMPORÁRIO, S.A.
 289 EMEF - EMPRESA DE MANUTENÇÃO DE EQUIPAMENTO FERROVIARIO, S.A.
 290 BETECNA - BETÃO PRONTO, S.A.
 291 MAHLE - COMPONENTES DE MOTORES, S.A.
 292 NASAMOTOR - VEICULOS E PEÇAS, S.A.
 293 GONVARRI - PRODUTOS SIDERURGICOS, S.A.
 294 SYMINGTON - FAMILY ESTATES, VINHOS, LDA
 295 AGIP PORTUGAL - COMBUSTIVEIS, S.A.
 296 COMPANHIA CARRIS DE FERRO DE LISBOA, S.A.
 297 PT - SISTEMAS DE INFORMAÇÃO, S.A.
 298 GEFCO (PORTUGAL) - TRANSITÁRIOS, LDA
 299 COINDU - COMPONENTES PARA A INDÚSTRIA AUTOMÓVEL, S.A.
 300 SAINT GOBAIN GLASS PORTUGAL, VIDRO PLANO, S.A.
 301 PT CENTRO CORPORATIVO, S.A.
 302 MEDITERRANEAN SHIPPING COMPANY (PORTUGAL) - AGENTES DE NAVEGAÇÃO, S.A.
 303 LUSITANIAGAS - COMPANHIA DE GAS DO CENTRO, S.A.
 304 UNIFAC - INDÚSTRIA, COMÉRCIO E PARTICIPAÇÕES, S.A.
 305 ABEL DA COSTA TAVARES, LDA
 306 TRANSPORTES LUÍS SIMÕES, S.A.
 307 OTIS ELEVADORES, LDA
 308 MORGADIMO PROPERTIES, LIMITED (SUCURSAL EM PORTUGAL)
 309 AP - AMONÍACO DE PORTUGAL, S.A.
 310 PORTO EDITORA, LDA
 311 PT CONTACT - TELEMARKEETING E SISTEMAS DE INFORMAÇÃO, S.A.
 312 EDIVISA - EMPRESA DE CONSTRUÇÕES, S.A.
 313 WYETH LEDERLE PORTUGAL (FARMA), LDA
 314 BOSCH SECURITY SYSTEMS - SISTEMAS DE SEGURANÇA, S.A.
 315 EFACEC - ENGENHARIA, S.A.
 316 PRIO ADVANCED FUELS, S.A.
 317 CENTROCAR - CENTRO DE EQUIPAMENTOS MECÂNICOS, S.A.
 318 QUIMIBRO - METAIS E MINERAIS, LDA
 319 P.P.TV - PUBLICIDADE DE PORTUGAL E TELEVISÃO, S.A.
 320 HOSPITAL CUF DESCOBERTAS, S.A.
 321 SOCIEDADE PORTUGUESA DO AR LIQUIDO ARLIQUIDO, LDA
 322 AMORIM - REVESTIMENTOS, S.A.
 323 GEOTUR - VIAGENS E TURISMO, S.A.
 324 SCANIA PORTUGAL, S.A.
 325 IRMÃOS VILA NOVA, S.A.

326 FILINTO MOTA, SUCESSORES, S.A.
 327 PULL & BEAR (PORTUGAL) - CONFECÇÕES, S.A.
 328 RENAULT TRUCKS PORTUGAL, LDA
 329 ACEROL - COMERCIO E INDUSTRIA DE AÇOS INOXIDAVEIS, LDA
 330 MARMEDSA AGÊNCIA MARÍTIMA (PORTUGAL), SOCIEDADE UNIPessoal, LDA
 331 SERVIÇO DE UTILIZAÇÃO COMUM DOS HOSPITAIS
 332 TECNASOL-FGE - FUNDAÇÕES E GEOTECNIA, S.A.
 333 BERSHKA (PORTUGAL) CONFECÇÕES, SOCIEDADE UNIPessoal, LDA
 334 TECNEIRA - TECNOLOGIAS ENERGÉTICAS, S.A.
 335 UNIDADE LOCAL DE SAUDE MATOSINHOS, E.P.E.
 336 CARCLASSE - COMÉRCIO DE AUTOMÓVEIS, S.A.
 337 SAPROGAL PORTUGAL - AGRO-PECUÁRIA, S.A.
 338 MAZDA MOTOR DE PORTUGAL, LDA
 339 BETÃO LIZ, S.A.
 340 CEREALIS - PRODUTOS ALIMENTARES, S.A.
 341 EURO ATLANTIC AIRWAYS - TRANSPORTES AEREOS, S.A.
 342 CONSTRUÇÕES GABRIEL A.S.COUTO, S.A.
 343 CAETANOBUS - FABRICAÇÃO DE CARROÇARIAS, S.A.
 344 SAINT-GOBAIN MONDEGO, S.A.
 345 FERNANDO OLIVEIRA - CORTIÇAS, LDA
 346 GESTAMP AVEIRO - INDÚSTRIA DE ACESSÓRIOS DE AUTOMÓVEIS, S.A.
 347 WURTH (PORTUGAL) - TECNICA DE MONTAGEM, LDA
 348 GRUPO PINERO - AGENCIA DE VIAGENS, S.A.
 349 HEMPEL (PORTUGAL), LDA
 350 REFER EP - REDE FERROVIARIA NACIONAL
 351 SCHENKER TRANSITARIOS, LDA
 352 XEROX PORTUGAL - EQUIPAMENTOS DE ESCRITÓRIO, LDA
 353 LILLY PORTUGAL - PRODUTOS FARMACÊUTICOS, LDA
 354 D.C.B. - DISTRIBUIÇÃO DE BENS, UNIPessoal, LDA
 355 ITALCO - MODA ITALIANA, LDA
 356 SOMAGUE - EDIÇOR, ENGENHARIA, S.A.
 357 VEDIOR PSICOEMPREGO - EMPRESA DE TRABALHO TEMPORÁRIO, LDA
 358 PROFARIN - DISTRIBUIDORA DE PRODUTOS FARMACEUTICOS INDUSTRIAIS, LDA
 359 SOCIEDADE COMERCIAL C.SANTOS, LDA
 360 MODELO - DISTRIBUIÇÃO DE MATERIAIS DE CONSTRUÇÃO, S.A.
 361 PAGINAS AMARELAS, S.A.
 362 PARMALAT PORTUGAL - PRODUTOS ALIMENTARES, LDA
 363 FEPI - DISTRIBUIÇÃO, S.A.
 364 CIMERTEX - SOCIEDADE DE MAQUINAS E EQUIPAMENTOS, S.A.
 365 PORTUCEL EMBALAGEM - EMPRESA PRODUTORA DE EMBALAGENS DE CARTÃO, S.A.
 366 DALPHI-METAL PORTUGAL, S.A.
 367 PANRICO - PRODUTOS ALIMENTARES, LDA
 368 CIMPOR BETÃO - INDÚSTRIA DE BETÃO PRONTO, S.A.
 369 SUNVIAUTO - INDÚSTRIA DE COMPONENTES AUTOMÓVEIS, S.A.
 370 AVIBOM - AVÍCOLA, S.A.
 371 PORTUGAL TELECOM, INOVAÇÃO, S.A.
 372 EDIMPRESA - EDITORA, LDA
 373 INDESIT COMPANY PORTUGAL - ELECTRODOMÉSTICOS, S.A.
 374 MANUEL RODRIGUES GOUVEIA, S.A.
 375 TEKA PORTUGAL, S.A.
 376 CARBOPEGO - ABASTECIMENTO DE COMBUSTÍVEIS, S.A.
 377 BEIERSDORF PORTUGUESA, LDA
 378 COOPERATIVA AGRICOLA DE BARCELOS, C.R.L.
 379 C.SANTOS - VEÍCULOS E PEÇAS, S.A.
 380 SYMINGTON - VINHOS, S.A.
 381 ARTENIUS PORTUGAL - INDÚSTRIA DE POLÍMEROS, S.A.
 382 CABELAUTO - CABOS PARA AUTOMÓVEIS, S.A.
 383 EVICAR - COMERCIO DE CAMIÕES, S.A.
 384 CENTRO HOSPITALAR DO ALTO MINHO, E.P.E.
 385 BRISTOL - MYERS SQUIBB FARMACEUTICA PORTUGUESA, S.A.
 386 PRESSELIVRE - IMPRENSA LIVRE, S.A.
 387 EUROFRUTAS - SOCIEDADE DE FRUTAS, S.A.
 388 GARDONE - CONSULTADORIA E SERVIÇOS SOCIEDADE UNIPessoal, LDA
 389 AVILUDO - INDUSTRIA E COMERCIO DE PRODUTOS ALIMENTARES, S.A.
 390 LABESFAL - LABORATÓRIOS ALMIRO, S.A.
 391 IBERIA - LINEAS AEREAS DE ESPANÑA, S.A.
 392 LAMEIRINHO - INDÚSTRIA TÊXTIL, S.A.
 393 INFOFIELD - INFORMATICA, S.A.

394 AUTO SUECO II AUTOMOVEIS, S.A.
 395 INDUSTRIAS JOMAR - MADEIRAS E DERIVADOS, S.A.
 396 VILA GALÉ - SOCIEDADE DE EMPREENDIMENTOS TURÍSTICOS, S.A.
 397 INTRAPLÁS - INDÚSTRIA TRANSFORMADORA DE PLÁSTICOS, S.A.
 398 MERCEDES-BENZ COMERCIAL, LDA
 399 GRES PANARIA PORTUGAL, S.A.
 400 PERNOD RICARD PORTUGAL - DISTRIBUIÇÃO, S.A.
 401 J.JUSTINO DAS NEVES, S.A.
 402 ENSUL MECI - GESTÃO DE PROJECTOS DE ENGENHARIA, S.A.
 403 ITAU - INSTITUTO TECNICO DE ALIMENTAÇÃO HUMANA, S.A.
 404 SOCIEDADE PONTO VERDE - SOCIEDADE GESTORA DE RESÍDUOS DE EMBALAGENS, S.A.
 405 EURORESINAS - INDÚSTRIAS QUÍMICAS, S.A.
 406 TDO - INVESTIMENTO E GESTÃO, LDA
 407 IMPRENSA NACIONAL - CASA DA MOEDA, S.A.
 408 HOSPITAL DE SÃO SEBASTIÃO, E.P.E.
 409 GABOR-PORTUGAL - INDÚSTRIA DE CALÇADO, LDA
 410 SACOR MARÍTIMA, S.A.
 411 HYDRO ALUMINIO PORTALEX, S.A.
 412 INAPA PORTUGAL - DISTRIBUIÇÃO DE PAPEL, S.A.
 413 VESAUTO - AUTOMÓVEIS E REPARAÇÕES, S.A.
 414 HOSPITAL CUF INFANTE SANTO, S.A.
 415 CAETANO & MONT'ALVERNE - DISTRIBUIÇÃO ALIMENTAR, S.A.
 416 J.GOMES - SOCIEDADE DE CONSTRUÇÕES DO CAVADO, S.A.
 417 AUTO-ESTRADAS DO ATLÂNTICO - CONCESSÕES RODOVIÁRIAS DE PORTUGAL, S.A.
 418 VISTA ALEGRE ATLANTIS, S.A.
 419 NAVARRA - EXTRUSÃO DE ALUMÍNIO, S.A.
 420 AMTROL-ALFA, METALOMECÂNICA, S.A.
 421 SDT - SOCIEDADE DE DISTRIBUIÇÃO DE TABACOS, LDA
 422 NOSSA CIDADE - INVESTIMENTOS IMOBILIÁRIOS, S.A.
 423 IBERFLORESTAL - COMERCIO E SERVIÇOS FLORESTAIS, S.A.
 424 MESTRE MACO - MATERIAIS DE CONSTRUÇÃO, S.A.
 425 FLEX 2000 - PRODUTOS FLEXIVEIS, S.A.
 426 SANITANA - FABRICA DE SANITARIOS DE ANADIA, S.A.
 427 ADECCO RECURSOS HUMANOS - EMPRESA DE TRABALHO TEMPORARIO, LDA
 428 COLGATE - PALMOLIVE, UNIPessoal, LDA
 429 LUSOPONTE - CONCESSIONARIA PARA A TRAVESSIA DO TEJO, S.A.
 430 VICAIMA - INDUSTRIA DE MADEIRAS E DERIVADOS, S.A.
 431 UNILFARMA - UNIÃO INTERNACIONAL DE LABORATORIOS FARMACEUTICOS, LDA
 432 T.S. - THOMAZ DOS SANTOS, S.A.
 433 HOSPITAL DE SANTO ANDRE, E.P.E.
 434 SCHERING - PLOUGH FARMA, LDA
 435 CINCA - COMPANHIA INDUSTRIAL DE CERÂMICA, S.A.
 436 HELIPORTUGAL - TRABALHOS E TRANSPORTE AEREO, REPRESENTAÇÕES, IMPORTAÇÃO E EXPORTAÇÃO, LDA
 437 VIAJES IBEROJET, S.A. (SUCURSAL EM PORTUGAL)
 438 POLOPIQUE - COMERCIO E INDUSTRIA DE CONFECÇÕES, S.A.
 439 JAPAUTOMOTIVE - COMÉRCIO DE AUTOMÓVEIS, UNIPessoal, LDA
 440 SCHINDLER - ASCENSORES E ESCADAS ROLANTES, S.A.
 441 UNISELF - SOCIEDADE DE RESTAURANTES PÚBLICOS E PRIVADOS, S.A.
 442 PT PRO, SERVIÇOS ADMINISTRATIVOS E DE GESTÃO PARTILHADOS, S.A.
 443 MARTIFER ENERGIA - EQUIPAMENTOS PARA ENERGIA, S.A.
 444 PROLEITE - COOPERATIVA AGRICOLA DE PRODUTORES DE LEITE, C.R.L.
 445 AUGUSTO DUARTE REIS, S.A.
 446 LUSOMUNDO - AUDIOVISUAIS, S.A.
 447 GRUDISUL - SOCIEDADE DISTRIBUIDORA DO SUL, S.A.
 448 DILOFAR - DISTRIBUIÇÃO, TRANSPORTES E LOGÍSTICA, LDA
 449 BARRAQUEIRO TRANSPORTES, S.A.
 450 ESEGUR - EMPRESA DE SEGURANÇA, S.A.
 451 GAMOBAR - SOCIEDADE DE REPRESENTAÇÕES, S.A.
 452 UNICOL - UNIÃO DE COOPERATIVAS DE LACTICINIOS TERCEIRENSE, U.C.R.L.
 453 ENTREPOSTO V.H. - IMPORTAÇÃO DE AUTOMÓVEIS, S.A.
 454 TRECAR - TECIDOS E REVESTIMENTOS, S.A.
 455 VARZIM SOL - TURISMO, JOGO E ANIMAÇÃO, S.A.
 456 MIBEPA - IMPORTAÇÃO, COMÉRCIO E EXPORTAÇÃO, LDA
 457 COTESI - COMPANHIA DE TEXTEIS SINTETICOS, S.A.
 458 SAKTHI PORTUGAL S.A.
 459 FERRO - INDÚSTRIAS QUÍMICAS (PORTUGAL), LDA
 460 C.A.M. - CAMIÕES, AUTOMÓVEIS E MOTORES, S.A.

461 SIMOLDES - PLÁSTICOS, S.A.
 462 SEMPRE A POSTOS - PRODUTOS ALIMENTARES E UTILIDADES, LDA
 463 CENTRO HOSPITALAR DO PORTO, E.P.E.
 464 RUI COSTA E SOUSA & IRMÃO, S.A.
 465 SAPA PORTUGAL - EXTRUSÃO E DISTRIBUIÇÃO DE ALUMÍNIO, S.A.
 466 BENCOM - ARMAZENAGEM E COMÉRCIO DE COMBUSTÍVEIS, S.A.
 467 ELECTROLUX, LDA
 468 JERÓNIMO MARTINS - DISTRIBUIÇÃO DE PRODUTOS DE CONSUMO, LDA
 469 ZON CONTEÚDOS - ACTIVIDADE DE TELEVISÃO E DE PRODUÇÃO DE CONTEÚDOS, S.A.
 470 GASIN - GASES INDUSTRIAIS, S.A.
 471 DAN CAKE (PORTUGAL), S.A.
 472 RENAULT RETAIL GROUP BOAVISTA - COMÉRCIO E REPARAÇÃO DE VEÍCULOS, LDA
 473 COOPERATIVA AGRÍCOLA DE VILA DO CONDE, C.R.L.
 474 SUMA - SERVIÇOS URBANOS E MEIO AMBIENTE, S.A.
 475 ACAIL - INDUSTRIA E COMERCIO DE FERRO E AÇOS, S.A.
 476 QUINTA AND VINEYARD BOTTLERS - VINHOS, S.A.
 477 ANTERO & CA., S.A.
 478 LUSOS CUT - AUTO ESTRADAS DO GRANDE PORTO, S.A.
 479 REXEL - DISTRIBUIÇÃO DE MATERIAL ELECTRICO, S.A.
 480 EDIFICADORA LUZ & ALVES, LDA
 481 ORGANTEX - COMÉRCIO E SERVIÇOS TÊXTEIS, S.A.
 482 CONSISTE - GESTÃO DE PROJECTOS, OBRAS, TECNOLOGIAS DE INFORMAÇÃO, EQUIPAMENTOS
 E SERVIÇOS, LDA
 483 CENTRO DE RECICLAGEM DE PALMELA, S.A.
 484 CAIMA - INDUSTRIA DE CELULOSE, S.A.
 485 OLIVEDESORTOS - PUBLICIDADE, TELEVISÃO E MEDIA, S.A.
 486 SAPEC - AGRO, S.A.
 487 SELECT I - SERVIÇOS, LDA
 488 CENTRO HOSPITALAR DO ALTO AVE, E.P.E.
 489 ACESITA - IMPORTS & EXPORTS, SOCIEDADE UNIPessoal, LDA
 490 SAP PORTUGAL - SISTEMAS, APLICAÇÕES E PRODUTOS INFORMÁTICOS, SOCIEDADE
 UNIPessoal, LDA
 491 ALEXANDRE BARBOSA BORGES, S.A.
 492 SOTÉCNICA - SOCIEDADE ELECTROTÉCNICA, S.A.
 493 HOSPITAL PULIDO VALENTE, E.P.E.
 494 SOLVAY PORTUGAL - PRODUTOS QUIMICOS, S.A.
 495 CPCIS - COMPANHIA PORTUGUESA DE COMPUTADORES, INFORMÁTICA E SISTEMAS, S.A.
 496 PINTO & CRUZ, LDA
 497 AGILITY TRANSITARIOS, LDA
 498 MARQUES, S.A.
 499 SANTOGAL H - COMERCIO E REPARAÇÃO DE VEICULOS, S.A.
 500 IRMÃOS SILVAS, S.A.

2009

ADOPTION OF THE *SISTEMA DE NORMALIZAÇÃO CONTABILÍSTICA*

Questionnaire

The Change Process in Portuguese
Companies

To the
SNC

From
POC



Universidade do Minho
Escola de Economia e Gestão

Your comments on the topics covered in this questionnaire will be very useful for our study, in particular on some specific aspect of the new rules that place greater difficulties to your business. Please enter it here:

Thank you very much for your collaboration!

E-mail: _____

Please return the questionnaire in the stamped envelope to the following address:

Lúcia Lima Rodrigues – Departamento de Gestão

Universidade do Minho

Campus de Gualtar

4710-057 Braga

ADOPTION OF THE SISTEMA DE NORMALIZAÇÃO CONTABILÍSTICA (SNC)(ACCOUNTING STANDARDIZATION SYSTEM)

The results are intended for use solely and exclusively for research purposes and will remain **confidential**. This questionnaire should take about 20 minutes to complete.
We thank you for your cooperation.

SECTION 1. THE COMPANY AND ITS CONVERSION TO SNC/IFRS

Tick one option

1.1 Which of the following categories fits your business?

- Subsidiary of a national company or group
 - Subsidiary of an international company or group
 - Parent company of a national group
 - None of the above
- } *If you responded to either of these options, answer question 1.2 and then go to question 1.6*

1.2 Does the company already prepare its financial statements using IASB standards and in accord also with the current national accounting system?

- Yes. Since the year _____
 - No
- *If you responded "No" please go to question 1.6*

1.3 Does the company belong to a group of companies that apply International Financial Reporting Standards (IFRS)?

- Yes. Which one? _____
 - No
- *If you responded "No" please go to question 1.6*

1.4 How do you classify the influence of your parent company's accounting policies on the accounting practices of your company?

Much influence	Quiet a deal of influence	Reasonable influence	Little influence	No influence
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

1.5 Who adapts individual financial statements of the company from the national accounting system to IASB standards?

- The company itself
- The parent company

1.6 Which accounting system will your company adopt in 2010?

	Accounting Standardization System	IFRS
1.6.1 Individual financial statements	<input type="checkbox"/>	<input type="checkbox"/>
1.6.2 Consolidated financial statements	<input type="checkbox"/>	<input type="checkbox"/>

NOTE: The following questions relate to individual accounts (as opposed to consolidated accounts) and aim to understand how your company prepared to adopt the SNC or IFRS in your individual accounts, consistent with your answer to question 1.6.1.

ADOPTION OF THE SISTEMA DE NORMALIZAÇÃO CONTABILÍSTICA (SNC)(ACCOUNTING STANDARDIZATION SYSTEM)

1.7 Are the financial statements of your company audited by a multinational accounting firm (*Big-Four*)?

- Yes
- No

1.8 The company used/is using consulting services to convert to SNC/IFRS?

- Yes
- No

1.9 Who is responsible for the accounting services of your company?

- Accounting department of the company
- Internal accountant (employee of the company)
- External accounting office
- External accountant
- Other (please indicate) _____

1.10 How many SNC standards/IFRS has the chief accountant of your company knowledge about?

- None
- Fewer standards than those that relate to the company
- The standards that relate to the company
- More standards than those that relate to the company
- All standards
- No opinion

1.11 An assessment of the impact of the adoption of the SNC/IFRS has already been made or will be made?

- Yes, the assessment has already been made
- Yes, the assessment is being made
- Yes, the assessment will start at (please indicate when) _____
- There will be no assessment
- I do not know

} → *If you responded to either of these options please go to question 1.13*

Tick one or more option

1.12 What has been (or will be) included in assessing the impact of the SNC/IFRS on the company?

- Identifying the most problematic issues for the company
- Changes in accounting policies and their impact on financial statement amounts
- Impact on ratio values and performance indicators
- Changes in the Information Technology (IT) system
- Changes in the management accounting system (if the company does not have a management accounting system please put a X here ___)
- Changes in the internal control system and the documentation produced
- Staff training needs
- Costs involved
- Reactions of main business partners
- Other (specify please) _____

ADOPTION OF THE SISTEMA DE NORMALIZAÇÃO CONTABILÍSTICA (SNC)(ACCOUNTING STANDARDIZATION SYSTEM)

Tick one option

1.13 Has the company already begun to convert to SNC/IFRS?

- Yes, it started in _____
- No, there are plans to initiate in _____

➤ *If you responded "No" please go to question 1.15*

Tick the operations that the company has already made, is making, or will make until December 2009

1.14 To what extent has the company started the conversion process?

1.14.1 Adoption of the SNC/IFRS for the first time

- Identified the assets and liabilities that are not recognized in the national accounting system but are recognized in the SNC/IAS
- Identified the assets and liabilities that are recognized in the national accounting system but are not recognized in the SNC/IAS
- Identified changes in the classification of assets and liabilities
- Identified differences in the measurement of assets and liabilities
- Other (specify please) _____

1.14.2 Conversion of the information management system

- Changed the accounts code in the IT system
- Changed the financial statements templates generated by the IT system
- Prepared the information system to provide detailed information to the notes to the financial statements
- Prepared the IT system to include the possibility of a change in the life, methods of depreciation and residual value of the assets
- Prepared the IT system to adopt a components approach to tangible fixed assets
- Prepared the information system to provide projections of the cash flows necessary for the calculation of impairment losses
- Change the management accounting system (if the company does not have a management accounting system please put a X here ___)
- Other (specify please) _____

1.14.3 Other conversion procedures

- Trained members of the financial and/or accounting department
- Identified changes in the internal control system and in internal documentation
- Identified the Cash-flow Generation Units
- Identified the assets and liabilities that will be measured at fair value (if there are any please put a X here ___)
- Identified the methods for assessing fair value
- Other (specify please) _____

ADOPTION OF THE SISTEMA DE NORMALIZAÇÃO CONTABILÍSTICA (SNC)(ACCOUNTING STANDARDIZATION SYSTEM)

Tick one or more options

1. 15 Who makes the decision about which assessment and evaluation procedures your company has to make to change to the SNC/IFRS?

- Chief executive officer/manager
- Chief financial officer
- Chief accountant
- Manager of the IT system
- Parent company (if appropriate)
- Other (specify please) _____

1. 16 To what extent has the adoption of SNC/IFRS changed the following elements of the financial statements of the company?

	Significant increase	Slight increase	No change	Slight decrease	Significant decrease	No opinion
Assets	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Liabilities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Equity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Net Profit	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Tick one option

1. 17 Has the link between financial accounting and management accounting improved with the adoption of the SNC/IFRS?

- Yes
- No
- No opinion
- The company has no management accounting system

1. 18 To what extent are the accounting options chosen by your company influenced by the accounting practices of other companies, especially in the same industry?

	Very positive influence*	Some positive influence	Some negative influence**	Very negative influence	Are observed but have no influence	Are not observed
Measurement practices	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Recognition practices	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Disclosure practices	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Preparedness and conversion practices to the SNC/IFRS	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

** Influences the company to chose the same accounting practice*

*** Influences the company to chose a different accounting practice*

1. 19 Compared to the national accounting system, to what extent has SNC/IFRS enabled your company a greater or lesser degree of autonomy in organizational decisions?

Much more autonomy	Slightly more autonomy	The same	Slightly less autonomy	Much less autonomy	No opinion
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

ADOPTION OF THE SISTEMA DE NORMALIZAÇÃO CONTABILÍSTICA (SNC)(ACCOUNTING STANDARDIZATION SYSTEM)

SECTION 2. THE COMPANY, SNC/IFRS AND THE SURROUNDING ENVIRONMENT

Tick one option

2.1 If the decision to abandon the national accounting system was optional, would the company still adopt the SNC/IFRS?

- Yes, because (please indicate why) _____
- No
- No opinion

2.2 What is the main effect on the company's economic and financial ratios resulting from the adoption?

- Financial ratios

(solvency/financial autonomy)

- Negative
- Positive
- Neutral
- Still to analyze the effect
- Not applicable

- Profitability ratios

- Negative
- Positive
- Neutral
- Still to analyze the effect

Tick one or more options

2.3 What are the company's expectations regarding users' reaction to the preparation of its financial information in accord with SNC/IFRS?

	Very negative	Negative	Neutral	Positive	Very positive	Not applicable	No opinion
Banks	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
National investors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
International investors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
National customers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
International customers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
National suppliers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
International suppliers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Employees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Partner company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Tick one option

2.4 Has the adoption of SNC/IFRS influenced the strategic decisions of the company (e.g., new business segments, new forms of financing)?

- Yes No No opinion

2.5 Has the adoption of SNC/IFRS encouraged your company to improve the Annual Report?

- Yes No Yet to decide No opinion

ADOPTION OF THE SISTEMA DE NORMALIZAÇÃO CONTABILÍSTICA (SNC)(ACCOUNTING STANDARDIZATION SYSTEM)

2.6 Has the adoption of SNC/IFRS encouraged your company to change its internal organization?

- Yes No No opinion

2.7 To what extent has the imposition in 2010 of the requirement to adopt the SNC/IFRS been timely for your company?

Extremely untimely	Quite untimely	Indifferent	Quite timely	Extremely timely
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

2.8. Article 14^o of Decree-Law 158/2009 (13 July) provides that entities subject to the SNC and who: 1) do not apply its content, 2) present financial statements that distort its reality, or 3) do not have any of the financial statements required, are subject to a fine of between €500 and €15,000. If the noncompliance arises by way of negligence, the fines are reduced by half.

2.8.1 How do you evaluate the value of these fines?

Very high	Slightly high	Appropriate	Slightly low	Very low	No opinion
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

2.8.2 How effective do you expect the enforcement system of the SNC/IFRS to be?

Very effective	Quite effective	Reasonably effective	Little effective	Ineffective	No opinion
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Circle your chosen response

2.9 Indicate your level of agreement/disagreement with the following sentences:

In an internationalization context, adoption of IFRS can provide more business opportunities to a company	Totally agree	Agree	Indifferent	Disagree	Totally disagree	No opinion
The level of compliance with the SNC/IFRS shown in the financial statements can increase the prestige of the company	Totally agree	Agree	Indifferent	Disagree	Totally disagree	No opinion
The quality of the financial statements increases significantly with the adoption of the SNC/IFRS	Totally agree	Agree	Indifferent	Disagree	Totally disagree	No opinion
The increased international acceptance of IFRS that has occurred in recent years has made the widespread adoption of IFRS by businesses of all kinds inevitable	Totally agree	Agree	Indifferent	Disagree	Totally disagree	No opinion

ADOPTION OF THE SISTEMA DE NORMALIZAÇÃO CONTABILÍSTICA (SNC)(ACCOUNTING STANDARDIZATION SYSTEM)

Tick one option

2.10 In the course of the normal activities of the company, how do you evaluate its ability to predict the following:

	None	Small	Reasonable	High	Very high	Not applicable	No opinion
Interest rates	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Possibility of obtaining funding	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Market share	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Emergence of significant competition	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Market prices	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Regulation of the activity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Tax regulation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Political environment of foreign countries where the company operates	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Accounting standards	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Personnel accidents	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Technology used in business	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Technical failures in the company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Relevant human errors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

2.11 What influence does the company's industry have on the decision making of your company regarding the following items?

	Very important	Quite important	Reasonably important	Of minor importance	Not important	Not applicable	No opinion
Sales prices	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Development of new products	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Business practices	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Choice of markets to operate quite	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Environmental practices	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Technologies used	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Wage level	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

2.12 How would you characterize the following aspects of your business environment, in terms of homogeneity?

	Extremely homogeneous	Strongly homogeneous	Moderately homogeneous	A little homogeneous	Not homogeneous	Not applicable	No opinion
Customers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Competition	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Shareholders	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Creditors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Market	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

ADOPTION OF THE SISTEMA DE NORMALIZAÇÃO CONTABILÍSTICA (SNC)(ACCOUNTING STANDARDIZATION SYSTEM)

2.13 How would you characterize the industry in which your company operates?

Extremely well organized	Very strongly organized	Moderately well organized	A little bit organized	Not organized	No opinion
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

2.14 How would you characterize the employees of the company in dealing with change?

	Extremely receptive	Strongly receptive	Moderately receptive	A little receptive	Not receptive	Not applicable	No opinion
General management	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Major divisions management	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Departments management	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Responsibility centers management	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Financial/accounting department	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Employees in general	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Elementary tasks employees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

2.15 How do you describe the capacity of your company to:

	None	Slight	Moderate	High	Very high	No opinion
Analyze the environment and identify new trends	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Involve staff in the formulation of new projects	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Develop employees' sense of shared responsibility for the company's future	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Turn projects into reality	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Identify the forces that facilitate or hinder the implementation of projects	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Adapt organizational structure to new situations	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

ADOPTION OF THE SISTEMA DE NORMALIZAÇÃO CONTABILÍSTICA (SNC)(ACCOUNTING STANDARDIZATION SYSTEM)

3. Company profile and respondent profile

3.1 Industry: _____ CAE: _____

At 31.12.2007

3.2 Number of employees: _____

3.3 Number of subsidiaries located abroad: _____

3.4 Number of countries the company exports to: _____

3.5 Total turnover in 2007: _____

3.6 Turnover with foreign markets in 2007: _____

3.7 Total purchases in 2007: _____

3.8 Purchases in foreign markets in 2007: _____

Tick one option

3.9 Does your company belong to any industry associations?

No Yes. How many? _____

3.10 Does your company have international investors in its capital?

No Yes. Which percentage? _____

3.11 Does your company hold share capital investments from companies located abroad?

No Yes. What is the percentage of the total share capital held? _____

3.12 Is your company a limited company?

No Yes

➤ *If you responded "No" please go to question 3.15*

3.13 Does your company have shares listed on a stock market?

No No. But the parent company does. Yes

3.14 What percentage of capital is held by the five largest shareholders of the company?

0-20% 20%-40% 40%-60% 60%-80% 80%-100% → *Please go to question 3.16*

3.15 Please indicate:

Number of shareholders _____ Number of shareholders-managers _____ Number of managers _____

3.16 In respect of social and environment responsibility, does your company disclose:

A sustainability report Information in a specific section of the Annual Report
 Information throughout the Annual Report Does not disclose specific information

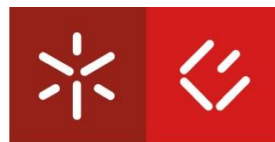
3.17 This questionnaire was completed by:

CFO Chief accountant Other (specify the function please) _____

	CFO	Chief accountant	Other
Age:			
Academic degree:			
Professional associations membership:			

Date of the completion of the questionnaire: _____

Appendix H: Cover letter



Campus de Gualtar
4710-057 Braga – P

Universidade do Minho
Escola de Economia e Gestão

Dear Sirs,

My name is Marta Guerreiro and I am completing a study on the **Adoption of the New Accounting System by Portuguese Companies**. This study is a PhD study in Accounting, at the School of Economics and Management of University of Minho. My supervisors are Professor Lúcia Rodrigues and Professor Russell Craig.

My research analyses the process of conversion of Portuguese companies to the new Accounting System. It requires information that can be obtained only through a questionnaire, with the collaboration of companies.

The questionnaire attached is composed of two sections: Section 1, which focuses on accounting issues; and Section 2, which focuses on financial aspects. The data are intended for research purposes and statistical analysis only. Your confidentiality is absolutely guaranteed. Each questionnaire contains an identification number for purposes of correspondence. Information that identifies companies surveyed will never be disclosed under any circumstances.

The questionnaire is being sent to the 500 largest Portuguese companies. Findings of the study will appear in a report that will be sent to responding companies.

The success of this study depends on your valuable assistance, both in completing the questionnaire (which will take approximately 20 minutes), and in returning it by 31 October, 2009. A stamped return addressed envelope is attached.

I will be available to provide any clarifications, by e-mail: mguerreiro@estg.ipvc.pt, or by phone: 9XXXXXXXX.

Braga, September 15, 2009

Yours sincerely,

Marta Guerreiro
(PhD Student)

Lúcia Lima Rodrigues
(PhD Supervisor)

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