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International Accounting Convergence and Divergence: Towards a Framework for Understanding De Jure Adoption of IFRS

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ABSTRACT By bridging the two main approaches examining de jure adoption of IFRS, namely, convergence and divergence studies, we provide a framework that more fully captures the totality, dynamics, and complexity of voluntary adoption of IFRS by country. The framework offers an understanding of accounting regulators' efforts to balance between pressure to adopt IFRS and national specific conditions that may conflict with IFRS requirements. The suggested framework depicts four propositions which are built on four institutional dimensions: the degree of IFRS diffusion, national accounting system compatibility with IFRS, country dependence on external financing, and accounting regulator's international networking. These four propositions jointly predict national adoption level of IFRS, ranging from non-adoption to partial adoption, and to full adoption. The framework assumes that the current IFRS adoption status by country is not static and may change over time. The voluntary adoption of IFRS standards by country is understood as the result of tradeoffs among multiple factors. In doing so, the developed framework solves a theoretical dichotomy in IFRS studies: the tendency of using institutional isomorphism to examine convergence versus accounting classification to understand divergence.

Keywords: international accounting; IFRS; convergence; divergence; national adoption

1. Introduction

In the past decades, the international accounting arena has been dominated by the trend of national adoption of International Financial Reporting Standards (IFRS). Following the decisions made by national accounting regulators, IFRS have been implemented by more than 140 countries (IASB, 2022). Such effort would in theory remove barriers when investors compare accounting information among companies from different countries, reduce dual reporting costs for firms when raising foreign direct investment and when listing in multiple international markets (Alon & Dwyer, 2014; Guerreiro et al., 2012; Riahi & Khoufi, 2019). Empirical studies have confirmed that adoption of IFRS has indeed increased financial statements compatibility across national borders and achieved much of its intended goals (Aisbitt, 2006; Byard

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et al., 2011; Ye et al., 2018). However, along the apparent movement of international accounting convergence around the world, divergence among national accounting systems, even including those that have adopted IFRS, continue to exist. Nobes and Zeff (2016) find that some countries adopt IFRS as issued by the International Accounting Standards Board (IASB), while others claim that their own national GAAP are 'based on' or 'similar to' IFRS.

In addition, among the countries that have adopted or allowed IFRS, the degree of implementation varies (Ball, 2006; Nobes & Zeff, 2016). In some countries, national accounting standards have been completely replaced by IFRS, while in others only listed companies are required to follow IFRS. Some countries adopt IFRS only for preparing consolidated financial statements of listed companies, while others adopt those standards even for preparing financial statements of the subsidiaries included in the group (IASB, 2018). Therefore, national adoption of IFRS can be classified into full-adoption, partial-adoption, and non-adoption.

Notwithstanding the sheer number of countries that have converged towards IFRS, the largest three economies in the world, the US, China, and Japan, have not yet, till today, fully accepted IFRS into their national accounting standards (IASB, 2022). Such divergence from major economies casts doubts on how successful the international accounting harmonization around IFRS has been (Becker et al., 2018). Users of financial information as well as firms should be aware that IFRS do not necessarily carry the same connotations throughout the world (Cieslewicz, 2014) despite the intention of the IASB. Some researchers warn that, if IFRS were not adopted equally by countries, it could reduce, instead of increase, the usefulness of accounting numbers (Kvaal & Nobes, 2012) for investors who believe that the accounting standards have been converged worldwide when, in fact, it might just be a 'veneer' over the continued diverse accounting practices across national borders (Ball, 2006, p. 5). Therefore, it is increasingly important to understand why IFRS are adopted unevenly by countries and the challenges faced by accounting regulators in their decisions as to whether and how to adopt IFRS (Camfferman & Zeff, 2018).

Adoption of IFRS is a complex and multi-tier (see Figure 1) governance process (Judge et al., 2010; Richardson, 2009) because IFRS adoption occurs at both de jure (country) level (i.e.

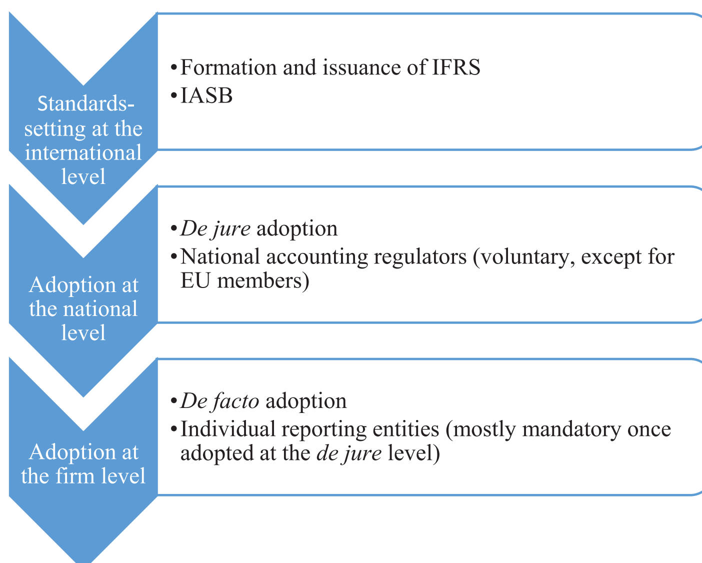

Figure 1. Multi-tier IFRS adoption process.

recognizing IFRS as part of the national law) and at the de facto (firm) level (i.e. actual annual and quarterly reporting by firms). That is, on the one hand, a country may choose to adopt IFRS by including it as part of the national accounting regulations (Qu & Zhang, 2010) and require certain or all entities within its jurisdiction to comply with IFRS. On the other hand, firms within the jurisdiction of a country may also choose, when allowed by national regulation, to adopt IFRS even before the country's official adoption (Guerreiro et al., 2012). The two levels of adoption are inter-related although important differences exist. IFRS adoption and implementation should be examined not only at the firm level but also at the legislature level (Hassan, 2008; Judge et al., 2010; Ramanna & Sletten, 2014) because understanding IFRS adoption at the de jure level can complement research examining its effects at the de facto level. The national accounting regulators are likely to take into consideration the firms' needs when deciding whether or not to adopt IFRS, i.e. to make them mandatory. By the same token, firms need to comply with their national requirements to either mandatorily or voluntarily adopt IFRS when allowed. Currently, most IFRS studies focus on the firm level. By comparison, less is known about why countries themselves adopt (or not adopt) IFRS and how such decisions are made. This paper thus focuses on national accounting regulators' choice on the degree of IFRS adoption.

Accounting scholars have examined some factors influencing de jure IFRS adoption. However, previous literature tends to be one-sided by focusing on either accounting convergence or accounting divergence in the research approach and theoretical assumptions, instead of the joint impact of their coexistence. On the one hand, many IFRS scholars have proposed the views that national accounting regulators adopt IFRS because they have become an institutional norm (e.g. Hassan, 2008; Judge et al., 2010; Mir & Rahaman, 2005; Riahi & Khoufi, 2019). To this account, theory on institutional isomorphism, as established by DiMaggio and Powell (1983) has been an important lens to explain why national accounting regulators are moving towards convergence. This genre of research suggests that economic globalization and the integration of world financial markets have generated the new institutional norm of international accounting harmonization around IFRS. This change has resulted in a common trend for accounting regulators to conform towards the external institutional pressure, that is, adopting IFRS (Hope et al., 2006). According to this view, insofar as the national accounting regulators need the legitimacy brought out by IFRS, they become dependent on such institutional norms. These institutional pressures effectively reduce variations (DiMaggio & Powell, 1983), thus, push towards accounting convergence among national accounting standards as the outcome.

On the other hand, other scholars focus on the divergence and continued variations of national accounting standards despite the trend of international accounting harmonization. They argue that accounting is heavily influenced by diverse national traditions (e.g. Ball et al., 2003; Irvine, 2008; Mueller, 1967; Nobes, 2011). Thus, it is unlikely that national accounting standards will become the same as long as the national structures surrounding accounting continue to differ (Ball, 2006). The theoretical assumption of divergence studies often relies on international accounting classification (Nobes, 2008) which aims to examine the differences among national accounting systems by classifying influential factors. Typically, one or a set of factors are proposed which serve as an explanation of internationally observed differences in prevailing accounting principles (Böckem & d'Arcy, 1999). Scholars on international accounting divergence research argue that domestic factors surrounding accounting are unique to each country and remain diverse among countries or a cluster of countries (Khlif et al., 2020). This diversity has motivated different acceptance level of a single set of exogenously developed accounting standards by country, i.e. IFRS (Ding et al., 2007). In combination with the fact that adopting IFRS is largely a voluntary choice by country, the divergence of IFRS acceptance by country

is emulated through different degrees of national adoption ranging from non-adoption to partial adoption and to full adoption.

Both convergence and divergence studies have provided important theoretical insights and empirical evidence on international accounting development in recent time. It can be argued that the two groups of literature are bound by the relevance attributed to environmental factors (DiMaggio & Powell, 1983; Nobes, 2008). Environmental (both international and national) factors can influence national accounting change in general and IFRS adoption in particular. However, studies following accounting convergence or divergence approaches often produce contradictory results on the effects of the same or similar factors (Bengtsson, 2021). For example, while Hope et al. (2006) provide evidence on the importance of a country's legal system on its IFRS adoption, Mita and Husnah (2015) find opposite results showing that a country's legal system is irrelevant to its IFRS adoption. Similarly, while Ding et al. (2005) show that cultural differences are a significant contributor to the different approaches of IFRS adoption, Ramanna and Sletten (2009) conclude that there is no relationship between national cultural differences and their IFRS adoption.

Although there can be several reasons to explain the mixed findings in the extant literature, we argue that one main cause is the lack of a comprehensive theoretical framework to connect the convergence and divergence studies in IFRS research. Although both the convergence and divergence studies have contributed towards our understanding of national IFRS adoption, they each focus on only part of the phenomena, either international accounting harmonization or the continued accounting variations across national borders. Such one-sided focus can preclude some other relevant important aspects (Böckem & d'Arcy, 1999; Oliver, 1991) thus potentially generate conflicting empirical findings. Isidro et al. (2020) addressed similar concerns within international accounting literature focusing on the de facto (firm level) reporting quality that tends to examine isolated one-off factors. The authors collapsed 72 individual country attributes into four latent factors: a mix of economic, legal, and social variables; development of capital markets; political and regulatory systems; and closedness to foreign investment; which largely explain firms' reporting quality levels across countries. In this paper, we attempt to advance such effort and make incremental contribution for the de jure (country level) IFRS adoption accounting literature by combining the underlying institutional dimensions that could capture the joint effects of multiple factors on regulators' choice of national level IFRS adoption.

To better understand the current phenomenon of coexistence of convergence and divergence trends of IFRS by countries (where some countries adopt and others resist) and solve the theoretical dichotomy, we argue that a more comprehensive theoretical framework – bridging both the pros and cons of convergence and divergence studies – is needed. In this paper, we attempt to elaborate an interactive framework for understanding and predicting national adoption of IFRS through linking national accounting tradition embeddedness and external environmental pressure to change. More specially, by presenting propositions based on four institutional dimensions, we identify the driving forces that jointly delineate how national accounting regulators balance between conflicting pressures and tensions, and how the tradeoffs among the various inconsistent factors are transformed into an optimal adoption level for the country at a given time. The ultimate adoption status by country is the result from a dynamic interaction among influential factors that are intertwined within the accounting environment. It is also worth noting that it is not our intention to delineate every possible factor across each nation. Rather, our purpose is to summarize and extend research effort that has been conducted.

This paper contributes to the accounting literature in several ways. First, while extant studies about national IFRS adoption mainly focus on either convergence or divergence, this paper bridges these two research traditions in order to capture their complementary and comprehensive explanatory power for national adoption of IFRS. The foundation of the developed framework

lies on in-depth analysis of the existing IFRS literature and considers the choices of national accounting regulators while most studies concentrate on the firm level. The framework helps illustrate a more complete picture of the different degrees of IFRS adoption/convergence by different economies with varied institutional, economic and political backgrounds. Second, unlike most previous studies which examine isolated factors, the proposed framework of this paper allows us to examine the joint impact of multiple factors, as suggested by (Isidro et al., 2020), thus generating more direct and meaningful implications for accounting regulators in the efforts to balance between their national specific accounting environment and the pressure to adopt IFRS. Lastly, while the majority of IFRS studies have examined financial results of post IFRS adoption (Hope et al., 2006; Judge et al., 2010), this study sheds light on the pre-conditions of firms' financial reporting, thus, complements accounting research at the de facto level.

The remainder of this paper is structured as follows. The second section presents the arguments raised in the convergence studies which builds upon institutional isomorphism and related conformity to external pressures towards national adoption of IFRS. The third section, instead, focuses on divergence studies which emphasize the national differences that influence the various degrees of IFRS adoption by country. The fourth section critically compares these two research approaches in national-level IFRS studies and paves the way for the development of a comprehensive framework of de jure IFRS adoption by country. The fifth section presents the framework consisting of four propositions and discusses their relevance to empirical studies. Section six suggests approaches that can potentially be utilized in future research wishing to investigate IFRS adoption. The last section concludes the paper by discussing the implications of our study.

2. IFRS Convergence Studies

In the literature explaining national convergence towards IFRS, the most commonly used theoretical underpinning has been institutional theory with its embedded emphasis on the external environmental pressure through isomorphic forces and social legitimacy towards conformity (e.g. Dufour et al., 2014; Guerreiro et al., 2020; Hassan, 2008; Riahi & Khoufi, 2019). Institutional theory offers important insights into national adoption of IFRS. At the powerful institutional norm (i.e. international accounting harmonization) forms, organizations (i.e. national accounting standards setting organizations) are forced via isomorphic pressure to adopt similar practice and structure to gain legitimacy (DiMaggio & Powell, 1983; Greenwood & Hinings, 1996).

DiMaggio and Powell (1983) use the concept of institutional isomorphism to explain that organizational fields tend to become homogenous under isomorphic pressures. Following this logic, within international accounting, each country (and respective accounting regulators) and its accounting environment are collective and interconnected. Accounting regulators must be responsive to the external demand and expectations of their environment. The rate of institutional isomorphism is increased when accounting regulators are highly dependent on their institutional environment, exist under high uncertainty or ambiguous goals, and rely extensively on accounting professionals. This implies that countries may have different underlying reasons for conforming towards the pressure of adopting IFRS (e.g. Ball, 2016; Becker et al., 2018; Khlif et al., 2020).

International accounting literature thus has been able to rely on institutional isomorphism to explain the fast IFRS acceptance by countries. Empirical investigations drawing upon DiMaggio and Powell (1983) have shown that national accounting regulators are pressured towards adopting IFRS (Judge et al., 2010; Mir & Rahaman, 2005) for various reasons, such as political power and institutional legitimacy, and for social as well as economic fitness. The constituents that exert

accounting homogenizing demands or pressures are described as the international capital market, professions, supranational agencies, and public opinions. During the economic globalization, national accounting regulators are increasingly connected with each other (Campbell, 2004) which has generated a more complex and uncertain environment where they operate in (Hassan, 2008). The joint economic and social forces brought out by globalization impose isomorphic pressures towards converging national accounting system to meet external expectations (Argento et al., 2018; Tahat et al., 2018).

Studies relying on institutional isomorphism have focused on different countries including developed economies, developing countries, and transitional economies (e.g. Argento et al., 2018; Hassan, 2008; Judge et al., 2010; Mir & Rahaman, 2005). For example, Hassan (2008) has confirmed that the isomorphism framework is useful in explaining the Egyptian government's decisions to adopt IFRS. The same conclusion has been reached by Mir and Rahaman (2005) claiming that the presence of isomorphic pressures has influenced the Bangladeshi government's decision to adopt IFRS. Judge et al. (2010) found that institutional isomorphism is relevant to explain the IFRS adoption among both developed and developing countries, and argue that IFRS adoption process is driven more by social legitimization pressures, than by economic logic. Hassan et al. (2014) show how coercive, mimetic, and normative isomorphic pressures have affected the IFRS convergence in Iraq. In the same vein, Irvine (2008) agrees that institutional isomorphism perspective can help understand the IFRS adoption efforts in the United Arab Emirates. Examining one of the EU member countries, Romania, Albu et al. (2014) find that coercive isomorphism prevents normative isomorphism in the incorporation of global standards in the country.

Thus, institutional isomorphism has been useful in explaining accounting harmonization around the word (Hassan, 2008; Judge et al., 2010; Mir & Rahaman, 2005). Following this framework, accounting regulators are predicted to conform to harmonizing accounting standards towards IFRS as IFRS are externally validated and diffused globally. Adoption of IFRS can help countries signal that they are participating in an already legitimatized worldwide accounting model (Boolaky et al., 2018; Judge et al., 2010). Such enhancement takes various forms including the provision of financial support, cooperation between professional bodies and the rapid legislature support by countries (Aisbitt, 2006; Ames, 2013; Bhimani, 2008).

DiMaggio and Powell (2000) state that in the initial stages of their life cycle, organizational fields display considerable diversity in approach and form. However, once a field becomes well established, there is an inexorable push towards homogenization. These observations appear to be consistent with the diffusion process of IFRS. Although faced with initial diverse accounting traditions, the field of international accounting has become more homogeneous with most of nations in the world adopting the international financial reporting standards (Hassan, 2008; Larson & Street, 2004).

The fundamental emphasis of institutional theory is on institutional homogenization rather than institutional divergence (Oliver, 1991). Dillard et al. (2004) note that institutionalization is a process where practices such as accounting, are developed and learned together by multiple actors. The more a country's economy is open to the outside world, the more the country will be dependent on international norms and expectations brought out by the economic globalization. Such pressures could lead some developing countries, such as China, to adopt IFRS (Cooke & Wallace, 1990). As the goal of convergence of national accounting standards is to eliminate international differences in financial reporting and increase the comparability of financial performance across national borders (Ball, 2006), the studies on national accounting harmonization are therefore interested in why and how national accounting standards (at least for most listed firms) are converging (Hope et al., 2006; Judge et al., 2010; Mir & Rahaman, 2005; Zeghal & Mhedhbi, 2006). As such, institutional theory has been very useful (Hassan, 2008) and

become the dominant theory in this group of studies. Accounting research following this perspective explains the organizational similarities in accounting practices, instead of organizational diversities, based on expectations from institutional environment (Lawrence & Suddaby, 2006; Tempel & Walgenbach, 2007). This type of research assumes that accounting changes are largely dependent on external factors (Dillard et al., 2004; DiMaggio & Powell, 1983). It emphasizes institutional homogeneity by showing how and why international financial reporting standards diffuse across national accounting organizations and reduce accounting diversity (Lounsbury, 2008).

However, institutional theory alone has not been able to provide satisfying answers for the continued differences among national accounting practices, especially the different degrees of IFRS adoption at the national level (Beckert, 2010). Indeed, research approach utilizing institutional isomorphism has been criticized for employing relatively dated and unvarious version of the neo-institutional theory toward homogeneity and having limited the range of theoretical potentials of institutional dynamics (Beckert, 2010; Lounsbury, 2008). Oliver (1991) argues that institutional theory tends to focus more on conformity rather than variation, and that the one-sided focus on conformity leaves out some insights of other institutional approaches and overlooks the divergence roles. Thus, the over emphasis on isomorphic conformity has also led to the relative neglect of other potential aspects (Lounsbury, 2008; Mizruchi & Fein, 1999) in explaining the various responses to the same institutional pressures (Greenwood & Hinings, 1996).

As Strang and Macy (2001) point out, what looks like a rational isomorphic mimicry on the surface often masks organizational active decision to actively adapt. Alon and Dwyer (2014) agree that, while isomorphic pressures are widely recognized, the impact of local conditions on national accounting choices has not been sufficiently explored. Similarly, Lounsbury (2008) states that, in accounting research, the old emphasis on a rational mimicry and stability has been 'limiting the range of its explanatory potentials' and need to be replaced with new emphases on institutional rationality and ongoing struggle and change (p. 350). Therefore, we argue that IFRS convergence research using institutional isomorphism of its earlier forms in DiMaggio and Powell (1983), by focusing on passiveness and assuming taken-for-granted effects of external pressure on national accounting regulators, can be complemented with alternative perspectives to gain more comprehensive understanding of various national responses towards international accounting harmonization.

3. IFRS Divergence Studies

Studies examining divergent level of IFRS adoption among countries have relied mostly on various categories of factors that differentiate national, or a network of countries', accounting systems from one another. The theoretical assumption of these studies is based on a long tradition of international accounting classification research (Nobes, 2008). Mueller (1967) pioneered the idea that country-specific attributes such as culture, economic and legal systems should be considered in formulation and examination of national accounting standards differences. Since then, much attention has been given to international comparative accounting literature to classify various national accounting systems based on clusters of national characteristics. These accounting classification studies assume that certain unique characteristics existing in a country or a network of countries' accounting system are incompatible among one another (Roberts, 1995). These country specific environmental factors contribute to the various classes and types of national accounting systems and can hinder the decision to adopt a single set of exogenously developed accounting standards, IFRS (Ball, 2006; Nobes, 2011).

IFRS divergence studies have drawn upon some most prominent international accounting classification models, such as Mueller (1967)'s political economics classification, Gray (1988)'s cultural classification, Nobes (1998)'s equity financing classification, and Freedman and Power (1991)'s legal classification. Mueller (1967) uses four basic parameters of separation, namely, states of economic development; stages of business complexity; shades of political persuasion; and reliance of some particular system of law, to identify distinct sets of accounting environments worldwide and provide understanding on why accounting systems lack compatibility. Gray (1988) formally introduces the construct of culture into theoretical accounting models by linking Hofstede (1980)'s original cultural dimensions of power-distance, individualism, masculinity, and uncertainty avoidance with accounting values to explain accounting differences across national borders. Nobes (1998) classifies accounting systems by using two variables, namely, the strengths of equity markets and the degree of cultural dominance to categorizes the variations of national accounting system. Freedman and Power (1991) identify relationships along four general themes between divergent national accounting systems and law: the interests and associated bodies of knowledge; the regulation of financial reporting; the role and liability of auditors; and the nature of substance and the future of professionalism.

Research on national difference of accounting system seeks to identify and describe the accounting system within the country that have an important influence on the outcomes of the accounting standards. In other words, it examines how various environmental factors combined to create existing unique country-specific accounting practice and, by the same token, explains the non-compatibility among accounting practices across national borders (Nobes, 2008). The core assumption of the accounting classification approach is that the accounting environment normally varies from one network to the next (Freedman & Power, 1991; Gray, 1983). Some of the characteristics may well be country-specific, but a network of countries can bear very similar or essentially the same environmental conditions (Mueller, 1967).

Admittedly, research examining divergent national accounting practices around the world well preceded research on international accounting convergence (AlHashim, 1994; Hoarau, 1995; Mueller, 1967; Zysman, 1983). This genre of studies has laid out the reasons why there were differences among national accounting standards as well as identified the most important factors that caused such differences. Although over 140 countries have so far adopted IFRS into their accounting legislature for most listed and publicly traded companies (IASB, 2022), factors causing national accounting differences have not vanished, as evidence by the continued divergence in IFRS practice as well as various degree of adoption across national borders (IASB, 2022; Leuz, 2010; Nobes, 2011). Even after a country has adopted IFRS and established new accounting regulations for its domestic entities, the new set of standards will be subject to the same institutional and market pressures that shaped the old set of standards in the first place (Ball, 2006, 2016). Thus, some of the original factors that cause international accounting differences and non-compatibility remain influential.

The extant literature on divergent national adoption of IFRS has provided empirical evidence that accounting classifications linked with accounting development continue to explain why some countries choose to adopt IFRS while others have not. For example, Shima and Yang (2012) apply accounting classification on 73 developed and developing countries across all major geographic regions in the world. They argue that sets of factors based on differences in a country's economic, historical, institutional, and cultural background can be used to explain these differences. Similarly, in their study on differences of national IFRS adoption among countries in the South Pacific region (Australia, New Zealand, Papua New Guinea, and Fiji), Chand and Patel (2008) conclude that factors within the regional economic network which existed before the worldwide IFRS diffusion are likely to continue to exist and hinder the full international accounting harmonization. Furthermore, Ding et al. (2005) apply Hofstede

(1980, 1991, 2001)'s culture classification as the underlying theory to understand the various IFRS adoption status by 52 countries including European countries (e.g. Belgium and Spain), North American Countries (e.g. the US) and Asian countries (e.g. China and Japan). The study suggests that a 'diverging' status with regard to IFRS can be explained by variations in national culture (p. 343).

Thus, international accounting classification still offers helpful insights in the IFRS era (Nobes, 2008). Despite the intention of promoting one single set of international accounting standards by the IASB and other international agencies such as the World Bank, the complete comparability in financial reporting is difficult to achieve across countries so long as the national specific institutional characteristics continue to persist (Chand & Patel, 2008; Hellman et al., 2015; Nobes & Zeff, 2016; Tarca et al., 2013). As Hail et al. (2010) note, unless other institutional factors across countries are converging, countries adopting a common set of accounting standards are likely to drift apart over time due to local adaptation and interpretation. The implications for users of IFRS financial statements are that international comparability may have increased but large differences will still remain (Nobes, 2006).

However, criticisms have been raised to international accounting classification as an approach to understanding divergence related to the adoption of IFRS. According to the international accounting classification approach, national accounting systems are explained as the results of their national environment in an evolutionary, macro-like perspective. Hence, theorists explain differences in national accounting systems by differing their combinations of environmental factors. Roberts (1995) raises the question on whether international accounting systems can be so clear-cut by classifying different factors. The author argues that if the process of classification involves the selection of attributes of objects in a particular set which lead to some objects being classified into one group and others into other groups, then it would appear that the process of comparison has already taken place in the very act of classification.

Similarly, other researchers argue that international accounting research seems to be driven by a strong impetus to provide classifications and categorizations without considering whether these categorizations provide relevant insights. For instance, Heidhues and Patel (2011) point out that cross-cultural accounting research appears to be in danger of relying on over generalizations and obsession with categorizations and cultural dimensions that often fail to capture the complexity and dynamics of cultures. Böckem and d'Arcy (1999) state that such shortcoming may be rooted in the approach with its aim on explaining only the differing characteristics of accounting systems at the national level. These critiques have brought out an important issue that needs to be considered when conducting IFRS-related research. We argue that, in order to gain comprehensive understanding of the various IFRS adoption by national accounting regulators, multiple dimensions need to be taken into consideration simultaneously.

4. Critical Comparison of Convergence and Divergence IFRS Studies

As mentioned earlier, the extant literature on national IFRS adoption has mainly relied on either institutional isomorphism to explain IFRS convergence or international accounting classification to understand the divergence. The two groups of research are characterized by a variety of positions, which are sometimes complementary and sometimes conflicting.

The similarities between the convergence and divergence studies are built on the assumptions that environmental factors are important for accounting and that accounting changes, such as IFRS adoption, are the result of a group of specific environmental factors (DiMaggio & Powell, 1983; Meyer, 1983; Mueller, 1967; Nobes, 2006). Both groups of studies have produced empirical evidence on how certain environmental factors have influenced national accounting

regulators' acceptance towards IFRS (e.g. Hassan et al., 2014; Leuz, 2010; Madawaki, 2012). Both conclude that influential environmental factors are unlikely to disappear in the near future.

Thus, the commonality of the two groups of research lies in that IFRS adoption by country is the result of its accounting environment. The convergence research has elaborated the diffusion of shared environmental norm of accounting harmonization and the influence of such pressure on the choices of national accounting regulators (e.g. Judge et al., 2010). The divergence research has elaborated the nature and variety of the characteristics embedded in national accounting structures which may or may not be compatible with IFRS despite its diffusion (e.g. d'Arcy, 2001; Leuz, 2010).

The conflicting aspects between the convergence and divergence research lie in that they differ in the source of these environmental factors and their effects on the choice of national accounting regulators (DiMaggio & Powell, 1983; Roberts, 1995). First, IFRS convergence studies emphasize that accounting regulators are constrained by and thus are dependent on international (external) environmental pressures (DiMaggio & Powell, 1983), including international agencies (e.g. Hassan et al., 2014; Tahat et al., 2018), economic globalization (e.g. Khlif et al., 2020; Madawaki, 2012), as well as world-wide accounting professionalization and global networking (e.g. Khlif et al., 2020; Shima & Yang, 2012). The divergence studies, by comparison, focus on factors within the country's (internal) environment and argue that a country's accounting system is defined by its domestic characteristics, such as financing tradition (e.g. Mita & Husnah, 2015; Shima & Yang, 2012), regional trading and networking (e.g. Ramanna & Sletten, 2014), cultural heritage (e.g. Ding et al., 2005; El-Helaly, Ntim, & Soliman, 2020), and legal system (e.g. Mita & Husnah, 2015; Nobes, 2011).

Second, the two groups of research differ from what they believe is the effect of the environmental constraints. IFRS convergence research often argues that environmental expectations and diffusion of IFRS tend to push national accounting systems to become similar to each other (Judge et al., 2010). Some studies have confirmed that countries with greater dependence on the international environment are more susceptible to transnational influences which increases the likelihood of IFRS adoption (e.g. Alon & Dwyer, 2014; Hope et al., 2006). Such dependence has greater impact on developing countries (Zeghal & Mhedhbi, 2006) because adopting IFRS can send a 'signal to global markets' that their financial information is of good quality (Shima & Yang, 2012, p. 292). Furthermore, previous studies also show that international agencies, such as the International Monetary Fund (IMF) and the World Bank, routinely provide loans to many developing countries and are active in assisting their economic development. Countries dependent on financial aid from these agencies are often required to adopt IFRS (Hassan et al., 2014). The contractual requirements may even lead to some countries adopting IFRS when their economies may not be ready (Mir & Rahaman, 2005). In contrast, IFRS divergence research argues that environment factors constrain the movement towards similarity among incompatible national accounting systems (Ding et al., 2005). International accounting classification defines accounting stability and categorical differences including how such differences continue to prevail despite the trend of accounting harmonization.

The above comparisons show that the two groups of IFRS research, focusing respectively on convergence and divergence with respect to IFRS adoption, have emphasized the importance of either international (external) or domestic (internal) factors on national IFRS adoption. The central issue of this dilemma seems to be that both approaches employ unilateral approach assuming that the effects of examined contextual factors are one-directional. That is, they either push national accounting systems to converge (e.g. Hassan et al., 2014) according to institutional isomorphism, or keep them diverged based on international accounting classification (e.g. Nobes, 2008).

This paper synthesizes the large but diverse literature on the factors affecting national adoption of IFRS, categorizing and highlighting the similarities and disparities that are demonstrated by or can be derived from existing literature to form a comprehensive framework. The methodology applied to derive the framework is based upon a systematic reading of the identified literature. More specifically, for each article, the important factors for IFRS convergence and divergence were recorded in an Excel file. The factors were subsequently coded and grouped into four dimensions. Table 1 shows the synthesis and the four institutional dimensions derived from the existing literature.

By labeling the previous research as 'dichotomous', we do not necessarily mean that the two groups of studies are mutually exclusive as they often examine similar factors. Rather, we extrapolate their motivation and underlying research approach and group them based on the theoretical assumption. This paper proposes the view that external and internal factors are interconnected, not isolated. As Leuz (2010) similarly noted, in international accounting research, the combinations of institutional characteristics should be 'jointly' observed (p. 242). There is no one definitive way to determine as to why countries make particular accounting choices as many institutional factors play a role (Leuz, 2010). Different treatments towards the same accounting

Table 1. Institutional dimensions examined in IFRS studies.

Institutional dimensions observed		Supporting literature
Institutional dimension	General conclusions	
Diffusion	It refers to the external pressure on adopting country, the nature, and the rigor of the environmental norm penetrating through the organizational field. Degree of national adoption of IFRS is dependent upon the degree of IFRS diffusion around the globe and its perceived legitimacy.	Alon and Dwyer (2014); Cooke and Wallace (1990); Hassan et al. (2014); Hope et al. (2006); Judge et al. (2010); Khlif et al. (2020); Madawaki (2012); Mita and Husnah (2015); Ramanna and Sletten (2009); Ramanna and Sletten (2014); Shima and Yang (2012); Tahat et al., (2018); Zeghal and Mhedhbi (2006); Shima and Yang (2012)
Compatibility	It refers to the compatibility between national accounting system and requirements of IFRS as well as demands from multiple constituents. Degree of national adoption of IFRS is dependent upon the compatibility of the multi-faceted pressures.	Cieslewicz (2014); Ding et al. (2005); El-Helaly, Ntim, and Soliman (2020); Guerreiro et al. (2020); Hellman et al. (2015); Hope et al. (2006); Mita & Husnah (2015); Mir & Rahaman (2005); Nobes (2008); Ramanna and Sletten (2009); Shima and Yang (2012); Zeghal and Mhedhbi (2006); Zehri and Chouaibi (2013)
Dependence	It refers to country's economic dependence on external financing. Degree of national adoption of IFRS is affected by the level of economic dependence on IFRS-supporting constituents.	Alon and Dwyer (2014); Boolaky et al. (2018); Hassan (2008); Hassan et al. (2014); Hope et al. (2006); Irvine (2008); Judge et al. (2010); Mir and Rahaman (2005); Ramanna & Sletten (2014); Tahat et al. (2018)
Networking	It refers to the accounting regulators' participation in IFRS networks with shared norm and economic trading. Degree of national adoption of IFRS is affected by the degree of international networking.	Cooper & Robson (2006); Elad (2015); Khlif et al. (2020); Ramanna and Sletten (2009, 2014); Shima and Yang (2012); Saudagaran and Diga (2000); Zeghal and Mhedhbi (2006); Osinubi (2020)

standards may occur through conscious avoidance or misapplication of elements of certain standards, or it may inadvertently occur through the process of interpreting principle-based accounting standards through the accounting regulators' own frame of reference (Cieslewicz, 2014).

Research on national IFRS adoption should break away from the one-sided views on what influence accounting regulators' reaction towards international accounting harmonization. Instead, the external (international) expectations and institutional norms brought out by IFRS diffusion should be jointly examined with the underlying internal (domestic) conditions that cause accounting system to differ. All four dimensions involve a generalized perception or assumption that national accounting regulators operate within dual environments, that is, its internal (domestic) environment and external (international) environment, and are responsive to their environmental changes. However, each dimension also rests on a somewhat different dynamic. In the following section, we further explore the interactions and dynamics of the institutional dimensions of the proposed framework.

5. Towards a Comprehensive Framework of De Jure IFRS Adoption

Bearing the similar and conflicting assumptions of institutional isomorphic conformity and international accounting classification, we argue that the rationale behind IFRS adoption by country reflects both environmental pressures and accounting regulators' adaptation depending on how accounting regulators sense the benefits gained or lost by adopting IFRS. The technical and legitimacy-seeking objectives of communicating accounting numbers internationally cross path with the domestic self-interest, control, and long-term growth goals (Miller & Banaszak-Holl, 2005).

By interconnecting the two seemingly incompatible groups of studies within IFRS, we propose that the choices of whether, and how much to, adopt IFRS by country are influenced by the following four dimensions: diffusion of IFRS; compatibility between national accounting system and IFRS; dependence upon external constituents; and networking among accounting regulators. These four dimensions are a categorization of implicit or explicit assumptions underlying the individual factors that have been examined either separately or as clusters in previous studies. This dialectical framework allows us to predict the outcomes of accounting regulators' choices when balancing multiple pressures.

5.1. Diffusion

De jure adoption of IFRS is dependent upon the degree of IFRS diffusion around the globe (i.e. degree of spread and impact of IFRS upon nations) and thus how legitimate they are perceived by national accounting regulators. When the degree of IFRS diffusion is perceived to be high, accounting regulators' acceptance towards IFRS adoption pressure tends to be high as well (Tahat et al., 2018) because rules or norms that are broadly diffused often meet little resistance (DiMaggio & Powell, 1983) and their social validity is largely unquestioned (Covaleski & Dirsmith, 1988). Ramanna and Sletten (2014) have shown how, being a developing country, the accounting regulators in Ghana 'had no choice but to wake up and join the bandwagon of IFRS' (p. 1521). Another reason why the higher the degree of IFRS diffusion is, the more likely they are adopted is that it is easy to take on the best practices that have been tried and true by peers. It is easier to borrow the idea rather than reinventing the wheel (Argento et al., 2018).

By contrast, when the degree of diffusion of IFRS is limited or the level of legitimacy is perceived to be low by accounting regulators, the acceptance is likely to be low. The propensity of adoption will be limited in this scenario because a country's accounting system is largely

developed over a long history to fit national needs (Mueller, 1967; Nobes & Parker, 2012), thus, can potentially outweigh the internationally imposed institutional pressure. Therefore, it is expected that when the diffusion of IFRS is low, the national accounting regulators' resistance is supposed to be high. The compromise and settlements are likely to consist of partial adoptions and changes of the rules exerted by institutional norms to fit domestic interests and accounting traditions. There might also be cherry-picking issues where countries would choose to pick those parts of the rules that fit the local conditions but ignore the rest. These arguments lead to the following proposition:

> Proposition 1: The higher the IFRS diffusion is around the world, the greater the degree of adoption by single countries.

5.2. Compatibility

Another dimension is the compatibility between the existing national accounting system and IFRS as issued by the IASB. By compatibility, we do not necessarily mean the comparability of the accounting numbers on the financial reports although one may lead to the other. Rather we focus on compatibility between the national accounting systems which constitute various national characteristics, such as culture, structure, and development of capital markets, legal requirements, governance, and tax laws, etc., that jointly enable and/or constrain accounting functions (Doupnik & Salter, 1995; El-Helaly, Ntim, & Al-Gazzar, 2020; Gray, 1983). Countries are not likely to adopt IFRS fully if the external pressures are completely inflexible for change and cannot be adapted to the national accounting environment, especially when such pressure conflicts with internal (domestic) demands and traditions (Nobes, 2008; Zehri & Chouaibi, 2013). By the same token, when an institutional norm is flexible and allows room for interpretations due to local adopting country's unique conditions, or a country's existing accounting system was already compatible to IFRS, then it is more likely that national accounting regulators are willing to accept the external conditions (Suchman, 1995).

Embedded in the framework is also the emphasis that accounting regulators are often confronted with multiple and frequently incompatible demands from both international and domestic constituents (Hope et al., 2006; Mir & Rahaman, 2005; Mita & Husnah, 2015). When making accounting changes, accounting regulators are faced with challenges of choosing the optimal external practice (Guerreiro et al., 2020) that are also complementary to their internal traditions (Hellman et al., 2015). The full adoption of IFRS can be difficult to achieve if the conflicts among demands from multiple powerful sources are high. Partial adoption may occur when the incompatibility precludes the national accounting regulators to adopt IFRS to its entirety. Therefore, we argue that differences in the choices of IFRS adoption reflect the level of compatibility between the existing national accounting system brought forward by accounting classification studies and pressure to adopt IFRS demonstrated by institutional conformity research. These reflections support the following proposition:

> Proposition 2: The lower the degree of compatibility between national accounting system and IFRS, the less the degree of IFRS adoption by the country.

5.3. Dependence

Dependence refers to how much a country's economy depends on international financing (e.g. donors, lenders, trade partners). The adoption of IFRS is predictable from the degree of dependence of accounting regulators on the constituents that set contractual terms and exert pressure of adopting IFRS. In other words, the conformity would be a function of the external dependency. IFRS adoption by country has largely been a voluntary choice except for the EU countries where

the decision to adopt IFRS has been made by a supranational authority. If a country or a cluster of countries have accounting systems that are not compatible with that of IFRS (Boolaky et al., 2018), then the full adoption by these countries may reflect their strong dependence on the external constituents that exert pressure (Hassan et al., 2014). For instance, Mir and Rahaman (2005) have shown that Bangladesh was forced to adopt IFRS because of its dependence on foreign aid from the World Bank which demands the IFRS adoption as part of the contract although the country was not yet ready for IFRS.

In the field of international accounting, dependence can be understood towards the level of power to resist international accounting harmonization. When national accounting regulator sees itself holds power to resist the complete dominance of the international constituents, such as IASB, then, these countries may choose to either resist (in the case of US and Japan) or partially conform (in the case of China) to behold their domestic accounting systems (Hellman et al., 2015). Thus, more powerful countries are less likely to embrace IFRS due to the desire to maintain authority over their domestic standard-setting process (Ramanna & Sletten, 2014). Emerging and developing countries that are dependent on foreign aid or financing are more likely to conform to the reporting system demanded by the resource holders (Hope et al., 2006; Irvine, 2008). Such reflections lead to the next proposition:

> Proposition 3: The stronger the economic dependence on IFRS-supporting constituents, the higher the degree of IFRS adoption by the country.

5.4. Networking

Networking refers to collaboration, interaction, and negotiation among national accounting regulators in the international arena. Member countries in these networks create incentives to minimize differences among themselves to facilitate cross-border comparisons of financial reporting and foster compliance with international standards such as IFRS (Ramanna & Sletten, 2014). Both institutional conformity and international accounting classification in IFRS studies are built upon an important assumption that national accounting regulators operate within their international organizational network (Ramanna & Sletten, 2014; Saudagaran & Diga, 2000).

The development of national accounting standards involves collaboration, interactions, and even negotiations among various institutional actors including not only accounting regulators themselves but also international parties such as the IASB, regional accounting associations, trade partners, capital market, accounting professional organizations, financial statement users, etc. (Cooper & Robson, 2006).

Thus, national accounting regulators are likely to take the network effects into consideration when deciding on whether and how to adopt IFRS (Osinubi, 2020; Ramanna & Sletten, 2014). Zeghal and Mhedhbi (2006) have shown how accounting regulators' networks can push developing countries to adopt IFRS due to the pressure to collaborate within the network. Cooper and Robson (2006) found that various groups in the same economic network, although bearing different desires, often negotiate with each other to attain their common objectives so that the legitimacy and/or funding can continue to flow. When the accounting regulators perceive IFRS adoption as means to grow existing foreign trade and their national economy through their international network, they are more likely to adopt IFRS. In contrast, when accounting regulators, such as large economies, do not anticipate positive benefits of IFRS adoption by the value of their IFRS networks, they will be less swayed toward full adoption. This means that the following proposition can be proposed:

Proposition 4: The more national accounting regulators participate in IFRS networking, the greater the degree of IFRS adoption by the country.

6. Implication for future research

Future research may wish to empirically test the four propositions in order to understand and predict the degree of de jure IFRS adoption, ranging from non-adoption to partial adoption, and to full adoption. Figure 2 summarizes the predictive impact of the four propositions.

Diffusion as a proposition raises some general questions about the relation between external pressure and the internal condition of adopting country, and the rigor of the external pressure penetrating through the organizational field. Although no clear consensus concerning the measurement of IFRS diffusion exist, research could proxy the scope of IFRS use by jurisdiction profiled by the IFRS Foundation (IASB, 2022).

One potential limitation for this approach is that the jurisdiction analysis available on IFRS foundation's website tends to treat all countries' economic infrastructure as if they were identical, which, although facilitates quantitative coding, limits the insights on country-specific factors such as market size, legal system, and financing traditions, etc. Such limitation can potentially impact dimensions of compatibility and dependence if measured in conjunction with diffusion.

In addition, the diffusion could also be measured by the support of IFRS from international agencies and summits. For example, until 2013, the communiqués produced by G20 always included a call for international convergence of accounting standards (G20, 2013). However, newer communiqués published since 2014 no longer contain the call, indicating potential diminishing support and momentum of diffusion of IFRS. By examining these measurements, scholars may find it useful to explore the effects of diffusion level on countries that are disadvantaged in certain contexts such as developing countries and countries in economic crisis.

Compatibility as a predictor for IFRS adoption can be measured by a country's socio-legal tradition such as governance, legal system and education, etc. (Bengtsson, 2021). For example, Alon and Dwyer (2014) used World Governance Indicator (WGI) as proxy for governance quality. Shima and Yang (2012) investigated the connection between IFRS adoption and a country's legal tradition, namely, common law vs. code law countries. Locus of control (organization's perception of its control over the outcome of an event) might be an important individual difference in this regard (Spector, 1982). Countries with internal locus of control orientations might believe that accounting practices are determined by their own needs and

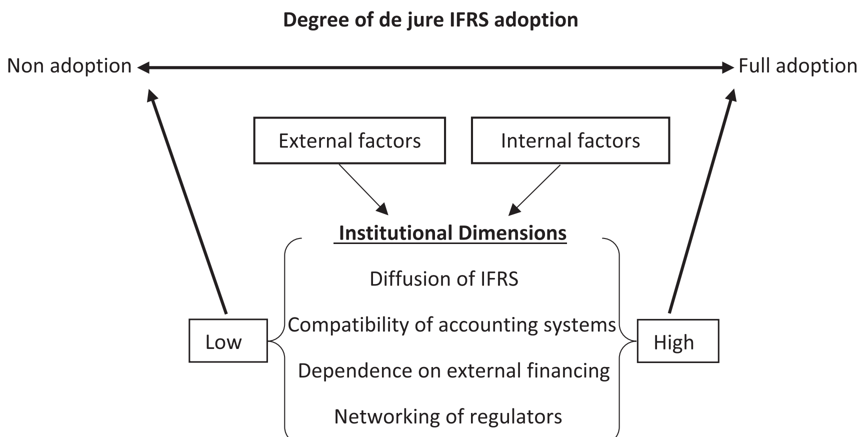

Figure 2. Institutional dimensions and their predictive impact on de jure IFRS adoption.

abilities, which, in turn, might lead to more motivation to resist an externally developed set of standards such as IFRS.

Although the issue of compatibility has been researched by a few articles, it remains largely unexamined. Future research might want to take the challenge to explore this dimension. Accounting regulators and accounting practitioners can be surveyed or interviewed about what they believe as compatible or incompatible between their domestic accounting practice and those required by IFRS as issued by the IASB. Specific standards can also be measured separately or grouped by approximation to score the compatibility range. For example, IAS36 requires subsequent reversal of previously impaired assets when certain criteria are met, but it has not been widely accepted as some other IFRS standards partly due to the incompatibility with certain domestic socio-legal traditions (Deloitte, 2021; ROSC, 2009). Such hinders on particular standards may have adversely affected full IFRS adoption by some countries. In doing so, research could also potentially separate compatibility's impact by industry sectors such as financial industry, agriculture, manufacturer, etc. This endeavor could potentially shed light on what area is the bottleneck for IFRS to be adopted to its entirety.

Dependence can be measured by the size of foreign aid (e.g. Judge et al., 2010) or the country's dependent relationship with supranational agencies (Mir & Rahaman, 2005). A prospective avenue for future research would be to explore both conceptually and empirically the advantages and disadvantages of dependence on external financial reporting as required by funding agencies. Such indicator can be extracted and measured from the international agreements or official websites of countries' discussion on adoption. The international agencies could include, but not limited to, the World Bank and International Monetary Fund (IMF) that routinely provide financial aids to countries on condition that IFRS are to be used.

Dependence could be tested either qualitatively in country-specific case studies or quantitatively in a cross-country setting where dependence can also be supplemented by variables such as size, economic condition, and terms of the international financing received. Alternatively, measure of dependence can also go beyond international loan agreements to include conditions of entry to certain stock markets, acceptance by major investors, or contractual terms in a wider collaboration and requirement by financier and other loan makers, etc. Surveys and interviews can be used to collect opinions by regulators if they expect resistance to IFRS would negatively impact their fundings and financing from supranational organizations or other sources. A word of caution here is that researchers may encounter certain challenges such as obtaining interview access or survey responses to collect qualitative data in this regard from accounting regulators due to the sensitive nature of decision-making process and potential tradeoffs made while balancing multiple incompatible pressures.

Networking might be best measured by likeness among trading partners or the interconnectedness between countries that are in the process of making decision and those that have already made certain choices regarding IFRS adoption. For example, Elad (2015) proxied the connections among countries by their former colonial ties. Ramanna and Sletten (2009) grouped countries by their trade partners or countries within in its geographical region.

When measuring networking, future research might also wish to examine whether the adoption of IFRS is driven by pressure exerted on accounting regulators in their network or due to the self-motivation to actively adapt to their networking environment. Although knowledge gaps in the literature may hinder extending such research to developing environments in order to obtain different representative samples of what the common influential factors are, nevertheless, such endeavors are potentially rewarding particularly due to the limited information available. In addition, the frequency and rankings of appointees in international accounting organizations such as the IASB can also be good proxies for networking activities. The activities of national networking are often publicly available. However, such an undertaking is inherently

challenging since, due to the explorative nature in these contexts, data often need to be collected by hand.

In combination, we also suggest that, depending on the specific research scope, the four interactive propositions can be tested in aggregate in a common context to examine which dimension potentially outweighs others in their influence on IFRS adoption. Countries are seldom faced with one single dimension, rather, the four dimensions are often weighed together in accounting regulators' decision-making. Depending on country-specific conditions, one or more dimensions may dominate others, or they are balanced against one another. The ultimate decision depends on the perceived optimal tradeoff or compromise among them at any specific time (Bengtsson, 2021).

It is also worth noting that accounting regulators may find themselves unable to operate in a stable and coherent environment, despite their best efforts (Campbell, 2004). Even though both internal and external environmental pressure may strive to increase the legitimacy of accounting, they may nonetheless pull in opposite directions when new constituencies prove difficult to satisfy through established practices, or when old constituents resist the adoption of emerging models.

When this problem occurs, accounting regulators may attempt to control conflicts and uncertainties by selectively reconfiguring environmental constraints, either by segregating environments and catering to one dimension at the expense of the other, or by integrating environments and demonstrating that accounting policy choice would be legitimate under any applicable standard (Suchman, 1995). For example, in developing countries, positive correlation in dependence may outweigh the negative correlation of compatibility and aggregately result into high degree of adoption of IFRS. Vice versa, in developed countries, lack of dependence may outweigh the diffusion and compatibility, thus, aggregately result into non-adoption. Countries could also cautiously weight the pro and cons of the tradeoffs and linger somewhere in between.

Furthermore, the propositions in combination also present many questions for future study in the cross-country settings. Research strategies wishing to investigate such choices made by national accounting regulators need to include perceptual measures of several constructed variables. For example, is diffusion more important as a dimension for adoption to developing nations than it is for developed economies? Similarly, is networking among accounting regulators more influential for countries with similar attributes than for countries that are dissimilar?

Given the dichotomy of the current research on national adoption of IFRS, researchers should also keep in mind that adoption status is neither static nor one-directional. Adoption status could slide back and forth between the two extremes of non-adoption and full adoption not only because of the everchanging domestic environment of countries but also the continuous updates of IFRS as standards. If a country has partially adopted IFRS, it could continue to close the gap with IFRS such as the case of Japan (Shimamoto & Takeda, 2020). Vice versa, adoption process could revert to reduce the usages of IFRS in a country such as the temporary ban on fair value accounting in China (Peng & Bewley, 2010). Therefore, research aim could also be to tie the changes of the degrees of adoption with the measurement of one or more of the proposed dimensions and to potentially conduct longitudinal studies.

It is also our hope that this model can be utilized beyond the de jure level of adoption of IFRS. Given that de jure adoption is the basis for achieving de facto adoption at the firm level (Qu & Zhang, 2010), the uneven de jure adoption could only lead to even more diverse de facto adoption. Isidro et al. (2020) extracted four latent country attributes that potentially affect firms' reporting quality. The first factor consists of a mix of economic, legal, and social variables. The second factor is variables related to capital markets. The third factor is related to political and regulatory systems, where the fourth factor is associated with a society's closedness particularly with foreign investment. Future research may wish to further test the findings of Isidro et al.

(2020) and group the factors within our proposed dimensions to examine their potential joint effects on firm (de facto) level IFRS adoption.

It is also possible to test this model beyond the discipline of accounting such as adoption of other standards imposed on organizations. Depending on the organizations' internal condition and its position in its wider organizational context (Hyvönen et al., 2009; Oliver, 1991), alternative strategies chosen can be assessed and understood. For example, full adoption combined with high diffusion degree, high networking, and low dependence would signal the internal self-motivation by the organization to willingly adopt because the organization may perceive that the adoption of such standards could benefit them although it is not being pressured to do so. Organizations that have unique culture and history (proxy for compatibility) and high control (proxy for dependence) over its organizational future may be more prone to resistance of adoption if they do not see benefits on the table. Thus, investigation in such areas may also shed light for accounting researchers regarding how accounting regulators behave compared to other types of organizations.

7. Conclusions

In this paper, we synthesized the two main schools of research approach underlying current studies on de jure IFRS adoption: the convergence studies which are mostly supported by the institutional isomorphism theory and the divergence studies that are mainly following international accounting classification. We highlighted both the similarities and disparities between the two approaches on what factors matter and how they impact the degrees of adoption. In doing so, we addressed the dichotomy between the two approaches that has not been adequately delineated in the current accounting literature. We conclude that the isomorphic conformity viewpoints of national reactions towards pressure to adopt IFRS (DiMaggio & Powell, 1983) can be supplemented by international accounting classification on accounting domestic characteristics attributing to continued variations (Nobes, 2008; Roberts, 1995).

Combining the complementary insights and bearing limitations of both approaches and their influence on empirical IFRS studies, we proposed a comprehensive framework for understanding and predicting the degrees and changes in national adoption of IFRS along four propositions built on four institutional dimensions, namely, degree of diffusion, degree of compatibility, degree of dependence, and degree of networking. We do not pre-assume the impact of the forces that may influence accounting change, instead, the framework allows explanations for the combinations of movements of influential factors either pushing for or against accounting harmonization. The relevance of the framework is founded on the assumption that a country's approach to IFRS is simultaneously motivated by a group of specific environmental factors from both within and outside the country. In other words, the emphasis of multi-faceted pressures does not simply obstruct the perspectives of institutional isomorphism or accounting classification approach. Rather, pressures from both internal and external sources are recognized as important and jointly influential on the accounting regulators' choices.

Our framework offers a suitable lens through which the coexistence of international accounting convergence and divergence trends can be jointly understood by future empirical research. Isidro et al. (2020) suggested that future research could provide a more complete picture by acknowledging and examining the broader set of correlated country attributes affecting a particular environment. We contribute to Isidro et al. (2020)'s suggestion by proposing the comprehensive framework which encompasses a wide set of country attributes that can jointly predict de jure level of IFRS adoption. Given the complexity and dynamics of international accounting harmonization, our concern is not to identify a universally applicable model. Rather, we have sought to integrate insights from two streams of international accounting analysis. This framework offers flexibility to empirically study IFRS adoption. This is because, as discussed earlier, the

model is readily amendable to accommodate factors that influence the adoption allowing for joint examination of both conformity and resistance toward adoption.

Our framework also offers important policy implications for international and national accounting changes. For many accounting regulators, their dominant thinking has been that all countries, regardless of historical background, should adopt the best practice in accounting standards, such as the IFRS (Judge et al., 2010). However, in reality, national-specific conditions not just facilitate, but they can also block adoption of international standards (Albu et al., 2014). With the ever-changing accounting environment in recent years, it is becoming more and more difficult for countries to avoid scrutiny not just about what they choose to do or not to do, but also about what they perceive to be urgent pressure, what capacity they have to act on the issue, what negotiation power they have, and what their peers choose to do. The key takeaway for the regulators from our research is that the ability and willingness of adopting IFRS are not the same thing. The identified four dimensions are not only constraints but also serve as constant motivation for change. National accounting regulators must make a collective and conscious choice. The adoption level should reflect, at a collective level, the decision makers' perception of the optimal benefits gained between adopting IFRS to its entirety and to reject the standards completely.

As any other study, this paper also has some limitations. First, there exist other theoretical perspectives other than institutional isomorphism and international accounting classification in international accounting studies. However, it has been shown that these two perspectives are the most prominent approaches. Second, this research limits its scope to de jure adoption of IFRS. IFRS adoption can occur at both de jure (country) and de facto (firm) levels and certain factors may jointly or separately affect IFRS adoption. Third, this study restricts the scope to focus on the adoption of IFRS. It is important to acknowledge that adoption of IFRS alone does not necessarily mean corresponding implementation or compliance. The aforementioned limitations can be addressed in separate studies that could examine other components of IFRS diffusion.

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