Aalto University
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An exploratory framework for implementing IFRS standard changes: Case Financial Statement Presentation

Accounting

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ABSTRACT: An exploratory framework for implementing IFRS standard changes. Case Financial Statement Presentation

Purpose of the Study

The purpose of the study is to research how a company should implement changes in International Financial Reporting Standards after the initial or “first-time” adoption of the accounting standards as a basis for financial reporting has already been completed. The focus of the paper is on developing an exploratory process framework for implementing IFRS standard changes in large companies already reporting under IFRS. In addition, contextual and organizational variables that have an effect on the success of the implementation process are identified through the contingent setting of a case standard change example.

IFRS standards are increasingly widespread as a basis for the accounting system of companies across the world. Their adoption has been mandatory for EU-based listed companies since 2005. At the same time, the standards themselves are evolving rapidly through a convergence project with US GAAP, the US local accounting standards, and other macro-environmental changes. As producers of external reporting information firms reporting under IFRS must follow the standard changes closely, and implement them to existing processes to ensure compliance in their financial statements.

Method and Data Collection

As the topic of implementing changes to IFRS standards as a process has not been researched specifically, the study is conducted in an exploratory case study format with the purpose to find areas worthy of further study. The research synthesizes a theoretical implementation process framework and variables affecting the success of the process from existing literature and develops them through semi-structured theme interviews with one case company and several IFRS experts.

Results

The results of the study are primarily an exploratory process framework for the implementation of IFRS standard changes and secondarily a set of variables seen as affecting the IFRS standard change implementation process. Key variables include the following nine variables: top management commitment, peer group contact, documentation level, training, amount of resources, the amount of time a company has reported under IFRS, the time reserved for the implementation process and the clarity of both communications and objectives of the change. The exploratory results provide a first step for further research into IFRS standard changes and their implementation.

Keywords

IFRS, changes in accounting standards, IAS 1, IAS 7, implementation framework, contextual, organizational, exploratory, case study, Financial Statement Presentation, external reporting

TIIVISTELMÄ: **Eksploratiivinen prosessimalli IFRS-standardimuutosten implementointiin. Case Financial Statement Presentation**

Tutkielman tavoitteet

Tutkielman tavoitteena on tutkia kuinka yrityksen tulisi implementoida muutoksia kansainvälisissä tilinpäätösstandardeissa (IFRS) sen jälkeen kun standardisto on otettu jo ensimmäistä kertaa käyttöön ja yritys soveltaa IFRS-standardeja laskennan perustana. Tutkimuksen fokus on kehittää eksploratiivisen tutkimuksen avulla prosessimalli IFRS-standardimuutosten läpivientiin suurissa yrityksissä. Lisäksi tutkimuksessa identifioidaan kontekstuaalisia ja organisatorisia muuttujia, joilla on vaikutusta standardimuutoksen läpivientiprosessin suhteelliseen onnistumiseen käyttäen case-standardimuutosta kontingenssiteorian mukaisena esimerkkinä.

IFRS-standardit ovat laajasti käytössä kansainvälisesti. EU:n sisällä listattujen yritysten on ollut pakollista soveltaa IFRS standardeja vuodesta 2005. Samanaikaisesti standardit itsessään muuttuvat nopeasti US GAAP:n kanssa tehtävän konvergenssiprojektin sekä muiden toimintaympäristöstä johtuvien syiden seurauksena. Informaation tuottajina yritysten on seurattava IFRS-standardimuutoksia tarkasti varmistaakseen sen, että raportointi vastaa standardiston vaatimuksia.

Metodi ja tiedonkeruu

IFRS-standardien muutosprosessia ei ole tutkittu spesifinä kokonaisuutena, joten tutkimus on toteutettu eksploratiivisesti tarkoituksena löytää jatkotutkimusalueita sekä tutkia IFRS-standardimuutosten tärkeyttä tutkimusaiheena. Tutkimuksessa luodaan aluksi synteesi prosessimallille sekä onnistumiseen vaikuttaville muuttujille olemassaolevasta johdon laskentatoimen tutkimuksesta, joita kehitetään esimerkkiyrityksen työntekijöiden sekä IFRS-eksperttien puolistrukturoitujen teemahaastatteluiden avulla.

Tulokset

Ensisijaiset tulokset tutkimuksesta ovat eksploratiivinen prosessimalli IFRS-standardimuutosten läpiviennille. Toissijaisesti tutkimuksessa kehitetään yhteenveto muuttujista, joilla on vaikutusta standardimuutoksen suhteelliseen onnistumiseen. Päämuuttujia on yhdeksän, ja niihin kuuluvat: ylimmän johdon sitoutuminen, kontakti muihin yrityksiin, dokumentaatioaste, koulutuksen ja henkilöresurssien määrä, aika jonka yritys on raportoinut IFRS-standardien mukaisesti, implementaatioprosessille varattu aika sekä viestinnän ja muutoksen tavoitteiden selkokielisyys. Nämä eksploratiiviset tulokset ovat ensimmäinen askel lisätutkimukseen IFRS-standardimuutosten ja niiden implementoinnin saralla.

Avainsanat

IFRS, standardimuutokset, IAS 1, IAS 7, prosessimalli, kontekstuaalinen, contextual, organisatorinen, kokeellinen, case tutkimus, Financial Statement Presentation, ulkoinen raportointi

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1. Introduction

1.1 Background

"To improve is to change. To be perfect is to change often." - Winston Churchill, 1952

Winston Churchill's famous words (Churchill, 2000, p. 399) are appropriate for discussion on the topic of International Financial Reporting Standards (IFRS) and their evolvement into one of the most common accounting standards used in the world. The reflection on change is topical also for considering the present situation of the standards, which are facing accelerated change while more than one hundred countries look to adopt the IFRS as a mandatory function of their external reporting regulation. According to an IFRS expert[1] interviewed for this thesis, "The amount of changes facing companies reporting under IFRS in the next five years is larger than the changes they faced when implementing IFRS for the first time."

In the 21st century, IFRS have been adopted as mandatory standards for an increasing amount of countries worldwide. IFRS outline the basis for accounting and reporting in companies and when applicable, replace the local accounting standards. In the world, 93 out of 153 jurisdictions with a stock exchange require the adoption of IFRS by all listed companies, an equivalent of 61%. Out of 173 jurisdictions researched, only 30 did not permit IFRS at all (an equivalent of 17%). (Deloitte, 2011b) These figures show that IFRS is widespread, while general consensus states that their adoption is accelerating (eg. Zeff, 2007).

All EU-based publicly listed companies must report financial results according to IFRS since the beginning of the year 2005 (eg. Christensen et al., 2007). Canada and India are requiring companies to adopt IFRS during the year 2011 (Van der Meulen et al., 2007). More countries are following the practice of adopting IFRS or have already adopted it, and voluntary disclosure according to the standards is even more widespread due to positive effects such as increased access to foreign capital and expected higher economic growth. Other advantages of adopting IFRS include improved quality, transparency and comparability of financial reporting that further lower the preparation costs of financial statements and aid in making more efficient investment decisions. (Choi & Meek, 2005; Jermakowicz & Gornik-Tomaszewski, 2006; Wong, 2004)

To summarize, at the same time as the international adoption of the standards accelerates the amount of changes to the standards are accelerating. This poses challenges for academic research, companies and other members of society to keep up with the pace. From a company perspective,

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[1] See subchapter 4.2

the effect of standard changes on companies that have adopted IFRS varies according to industry and company attributes but each change must still be closely monitored.

The acceleration in changes is due to accounting scandals and the political incentives to find a common international external reporting framework for increasingly global companies, but also due to pressure to find common ground with new jurisdictions adopting the standards (Jermakowicz & Gornik-Tomaszewski, 2006; Hellmann et al., 2010). A strong example of this is a joint Memorandum of Understanding signed by the Financial Accounting Standards Board (FASB)[2] and the International Accounting Standards Board (IASB)[2] aiming at converging IFRS standards and local accounting standards in the United States through carefully selected projects to facilitate US adoption of IFRS. "FASB and IASB have undertaken the largest revamp of financial statements ever conducted in a single step", states the article *Countdown to convergence* in its review of the agreement (Lamoreaux, 2010, p. 1).

1.2 Purpose and research questions

The purpose of the research paper at hand is to understand how the hundreds of companies that are reporting under IFRS can handle standard changes after the largest project for the firm has already been undertaken: the initial adoption of IFRS standards. Existing research has concentrated largely on the implementation of IFRS standards as a whole, including cost-benefit analysis and research on how companies can convert from local GAAP[3] to IFRS reporting (Deloitte, 2011a). As the evolvement of the international standards has accelerated, however, little if any research has evolved to cover what happens after companies have implemented the standards for the first time. In the wake of the large changes facing IFRS, research on IFRS standard change implementation and its effectiveness is in high demand (Jermakowicz & Gornik-Tomaszewski, 2006).

Another purpose of this study is to increase the body of research related to IFRS standard changes. IFRS standard changes have been left to less attention in academic research, which partly stems from the relatively recent emergence of IFRS as a mandatory requirement that all listed firms in the EU and many other countries must fulfill, and a recent change in the "global mindset" where IFRS adoptability is now seen as possible in many countries (Jermakowicz & Gornik-Tomaszewski, 2006; Lamoreaux, 2010). IFRS is a new form of mandatory compliance in the accounting system of a global company, and its research has been noted as necessary to increase knowledge (Bolt-Lee &

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[2] The Financial Accounting Standards Board (FASB) and International Accounting Standards Board (IASB) are the accounting standard setting bodies for US GAAP and IFRS respectively

[3] Local GAAP refers to local generally accepted accounting principles within countries.

Smith, 2009). A part of the change in the global mindset may be due to the recommendation of the American Sarbanes-Oxley Act of 2002 where “accounting convergence is [seen as] a means of raising the quality of financial reporting and restoring investor confidence in publicly traded companies” (Jermakowicz & Gornik-Tomaszewski, 2006, p. 170). Simultaneously, a lack of uniformity governs the application of IFRS in all countries, and the feasibility of adoption should be increased as well as a consistent interpretation of IFRS across jurisdictions agreed on (Rezaee et al., 2010).

Accounting always responds and changes to the environment in which it functions (Chow et al., 1995; Zeff, 2007). Most companies have implemented changes to local GAAP systems before, yet IFRS standards pose a different level of changes. First of all, they are changing more compared to many local GAAP systems due to their international nature. Second, local GAAP systems are more in tune with the code-law, economic and social background of their countries (Fontes et al., 2005) whereas IFRS standards need to please everyone. Third, local standards are “more oriented towards the satisfaction of regulatory needs rather than investors’ needs” (Macías & Muiño, 2009, p. 1). IFRS has a strong focus on the needs of information users including the capital markets (eg. Benzacar, 2009).

The objective of the research is to fill in a gap relating to research on process-oriented implementation of IFRS standard changes. IFRS is a principle-based framework of international accounting standards, meaning that the standards themselves do not detail a work plan for firms on how to account for any given issue (eg. Lundqvist et al., 2008). The standards contain a conceptual framework for their adoption and interpretation[4], which is not a process-oriented structure for implementation (Lundqvist et al., 2008; IFRS standards, 2010; Macve, 2010). The idea of a conceptual framework is to “provide a set of consistent principles and guidelines” to achieve a pre-set objective (Christensen, 2010, p. 287), which in the case of IFRS standards sets out principles and guidelines for preparing financial statements. The process steps for the implementation of an IFRS standard change are not addressed explicitly in the standards or the conceptual framework and research has not addressed the question of how these process steps should be organized and formed.

The key idea in the research is to develop an exploratory IFRS standard change implementation process framework for companies reporting under IFRS using the example of one large anticipated

[4] *The Framework for the Preparation and Presentation of Financial Statements* (IFRS standards, 2010)

standard change. A second objective is to identify factors that affect the success of the implementation process. The factors refer to variables that affect the implementation of an IFRS standard change, comprising of general issues that an organization faces during the implementation.

The key research question incorporating both of these objectives is: **How can a company implement an IFRS standard change successfully?**

The starting point is a theoretical framework and variables synthesized from the results of appropriate change management, management accounting and IT system change studies. An extensive body of research exists relating to management accounting and Information Technology (IT) system practices and their implementation processes within a firm, which highlights the lack of research on IFRS standard change implementation processes.

To answer the research question, the theoretical framework and variables are then empirically modified based on interviews in one case company from the point of view of one large standard change. The current standard change implementation practices are compared against the theoretical framework to see how the firm's current practices validate the theoretical model. After the case company interviews, IFRS experts are interviewed to validate the modified theoretical model and variables. The end results are an exploratory IFRS standard change implementation process framework validated by IFRS experts and a list of variables affecting the implementation process.

The differences between the applicability of management accounting theories to financial accounting processes are considered throughout the discussion of results and provide both an opportunity and a limitation for the research. Similarities lie in the ultimate aim to improve the quality of work output either through internal profitability or increased clarity of financial statements as well as the fact that IFRS standard changes often change operational decision-making and involve IT system changes. Differences include the fact that IFRS standard changes are mandatory, whereas management accounting practices are voluntarily adopted by firms. IFRS standard changes affect the external reporting of a firm, meaning that in theory their influence is limited to the financial statements of companies. In practice, however, IFRS requires decisions on application and interpretation of standards that affect non-accounting functions.

The case company interviews are conducted in a large global industrial company that produces paper, packaging and wood products and is headquartered in Finland. The company is an excellent example of a large information producer affected by IFRS standard changes. The firm has reported under IFRS for a long time and adopted several new standards early.

The idea of using experts to acquire an *ex ante* or pre-publishing date viewpoint on the validity of the framework for implementing standard change has been adopted from studies such as Barniv and Fetyko (1997). The researchers study the attitudes of financial experts on the harmonization of international accounting standards before the harmonization has fully taken place. Similarly, Coppens et al. (2007) research the attitudes of Small and Medium-sized Enterprises to the adoption of IFRS before it happens. They also focus on a pre-emptive viewpoint and incorporate experts into the study.

The implementation process is explored from a contingency theory point of view that takes the case example of one large upcoming standard change, yet aims at reaching a generalization of the process steps involved in the implementation of any large IFRS standard change. Largely popular in management accounting research, contingency theory advocates the idea that no universal theoretical model can be built but rather each implementation process is unique according to the contingent factors relevant to the situation of the firm and change at hand (Melan, 1998; Chenhall, 2003). Lack of research on IFRS standard change implementation exists also from a contingency theory point of view.

One specific standard change from the Memorandum of Understanding, under the name of *Financial Statement Presentation,* is chosen as a case example. The change includes the convergence of IAS 1 *Financial Statement Presentation* and IAS 7 *Statement of Cash Flows* into one new IFRS standard ("X"). The standard change is chosen because it proposes a large change to the presentation of financial statements and has an effect on every company reporting under IFRS (Benzacar, 2009). Its implementation is thus relevant for the general public. It also proposes changes that have large-scale effects on several functions of any company, including accounting and non-accounting functions. The *ex ante* or pre-disclosure phase of the standard change leads to the examination of the standard change from an anticipatory viewpoint, meaning that the interviewees have not yet implemented this specific change. Many have implemented other changes to IFRS standards, however, and so the results are both a contingent case study of the chosen standard change but also able to be generalized to other large-scale standard changes that have an effect on several functions within any company.

1.3 Research method

The research method is exploratory, signifying in this context that a framework is synthesized from existing literature and then developed through interviews with case company stakeholders to find possible further relevant areas of study. A case study method is chosen to ensure a deep understanding of the IFRS standard change implementation process.

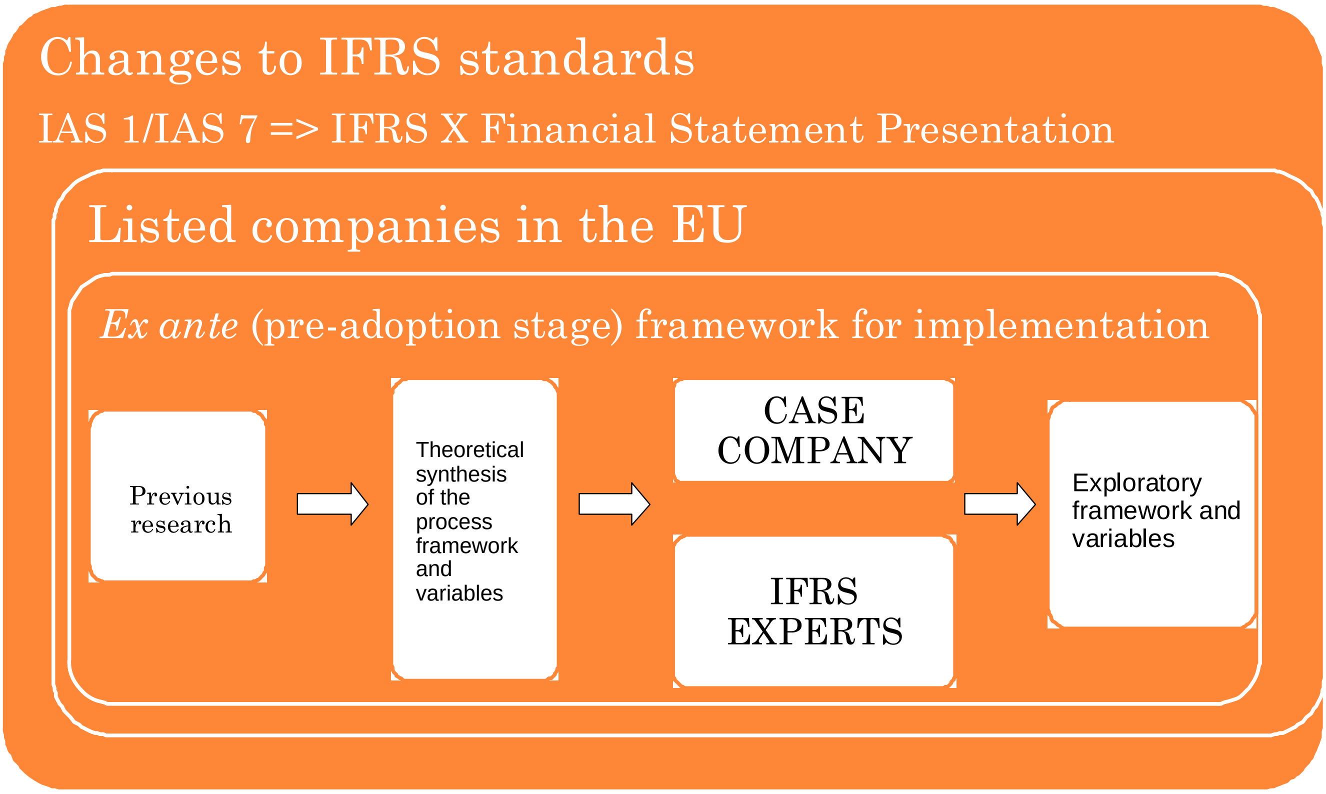
The method is rooted in institutional theory, meaning that the different functions of companies are seen as consisting of rules and routines that are institutionalized into the everyday work of the company. IFRS accounting standard changes are seen as forces that bring change to the process of institutionalization in companies.

Methodologically, existing literature is first reviewed to build a theoretical framework and synthesis of contextual and organizational variables. Then, the IFRS standard change is introduced and an analysis of the changes imposed by the new standard is presented to formulate the case example. The empirical part consists of interviews with case company employees and IFRS experts, through which the theoretical syntheses are modified and validated. The final results provide an implementation process framework and a list of variables that can be used for example in further, more extensive survey or interview-based studies to assess both the implementation process of new IFRS standards and factors contributing to the success of the implementation process. Management accounting and financial accounting are two different disciplines, yet management accounting provides the start for this exploration into the IFRS standard change implementation process.

1.4 Scope and structure of the study

Several limitations to the scope of the research question are presented in Table 1. Primarily, the exploratory research is conducted in the contingent setting of the case IFRS standard change *Financial Statement Presentation.* Second, the study is conducted geographically within the European Union whose listed companies must mandatorily report under IFRS starting from the beginning of January 2005. A case company is used for conducting in-depth interviews, and it represents a large listed company within this jurisdiction. Third, the contingent case standard change is in the pre-adoption stage of implementation, leaving it to function as an example of a large standard change rather than an example of a large standard change that has already been implemented.

Table 1 Scope of the research paper



The structure of the research begins with a synthesis of existing literature in management accounting research on the implementation processes of management accounting practices, after which the chapter concludes with a theoretical framework for implementing IFRS standard changes. The third chapter goes on to formulate a theoretical synthesis regarding the contextual and organizational factors that affect the success of the implementation process framework. The fourth chapter introduces the method of research, after which the standard change of *Financial Statement Presentation*, which is chosen as the case study standard change example, and the case study firm are introduced in the fifth chapter. Chapters six and seven comprise the empirical research of the paper, including the description of the information gathered from the data sources and the analytical results derived from the information. The eighth chapter features a conclusion of the research followed by the bibliography and the appendices of the thesis.

2. Development of a theoretical IFRS standard change implementation process framework

In this chapter, previous literature is reviewed from management accounting, change management and IT disciplines and synthesized to form a theoretical process framework for implementing a change in IFRS standards. Frameworks from IT system implementation research are included as IFRS standard changes often deal with IT system changes. IFRS standard changes are seen as forcing a change to the institutions of a company, which is why the role of institutional theory as a high-level theoretical paradigm of the research is explained in the first subchapter. The second subchapter reviews and synthesizes previous literature in the fields mentioned. The third subchapter gives an overview into existing research on the first-time overall implementation of IFRS standards for a company. Finally, the last subchapter reviews the similarities and differences between changes to management accounting techniques and IFRS standards and subsequently pulls together the previous research to form a theoretical process implementation framework for IFRS standard changes.

The theoretical implementation process framework incorporates institutional theory to explain how IFRS standard changes affect a company through changing its institutions. To understand how the process of institutionalization happens in practice, an implementation process framework is built from similar bodies of literature for IFRS standard changes. To build the synthesis, the similarities and differences between management accounting practices and IFRS standard changes must be analyzed.

2.1 Institutional theory for a high-level theoretical framework

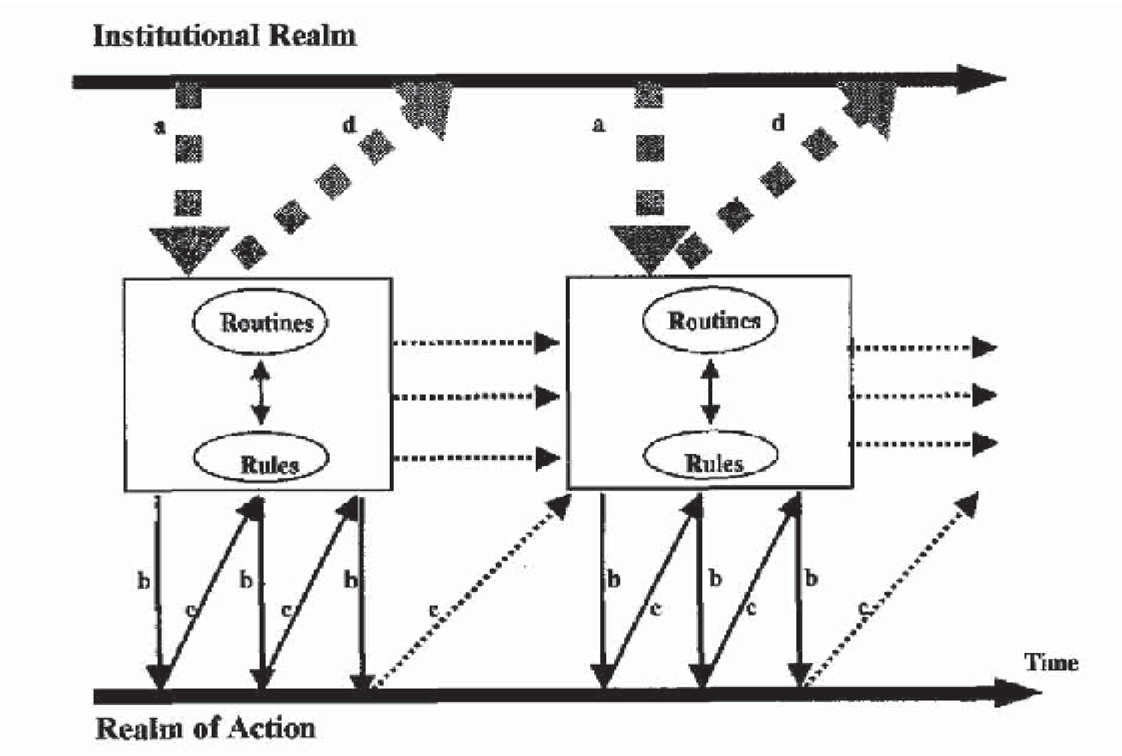
The following subchapter sets a context for the whole research paper in the view of the background ideology used to develop the exploratory process framework and variables affecting IFRS standard change implementation. Set in institutional economic and especially Old Institutional Economics (OIE) which allows for the characterization of accounting as rules and routines (Burns & Scapens, 2000), the background ideology is a necessary starting point for understanding the concepts dealt with in the change process and the forces which are at play in the change process.

The context of institutional theory, as developed by the researcher Robert W. Scapens in 1994, is the understanding of *institutions* as “a way or thought or action of some prevalence or permanence, which is embedded in the habits of a group or the customs of a people" (Burns & Scapens, 2000, p. 5). Using this definition, the researchers draw an understanding of accounting processes as being rule-based, or based on how things should be done, and routine-based, highlighting how things are actually done. Routinization involves the concept of the formulation of rules to mutually acceptable ways of compliance, ending with routines. These rules and routines are at the heart of the institutional process framework developed by the researchers for management accounting change.

Although IFRS standard changes are based on the principle-based set of accounting standards, their implementation into the working processes of a company can also be argued to be subject to a process of institutionalization as defined by Burns and Scapens (2000). To comply with the new standards, "observable, recurrent activities and patterns or interaction characteristics of a particular setting" must be defined and carried out. These form the "scripts or modalities" of the institutional framework, which mean the rules and routines. (Burns & Scapens, 2000)

As most management accounting change research has concentrated on what is management accounting change as an outcome rather than how it becomes that outcome (ie. the process), the main advantage of the institutional process framework is laying out a backdrop for "describing and explaining analytical concepts used for interpretive case studies of management accounting change" (Burns & Scapens, 2000). This means that the framework elaborates on the fundamental characteristics and terminology of the process rather than operational constructs, and is not a detailed process framework. For purposes of the research, the framework is used as a means for understanding and describing the processes that must take place behind the scenes of tangible observation. It builds on the statement by Burns and Scapens (2000) that the framework can be used for studying different organizational process changes.

Table 2 The process of institutionalization (Burns & Scapens, 2000)



Key:
a= encoding
b= enacting
c= reproduction
d= institutionalization

The above process for institutionalization includes the synchronic or "at one point in time" institutions of rules and routines as well as the diachronic or "cumulative influence over time" change processes. The first process, or arrow a, includes the encoding of institutional principles into rules and routines. It means that the existing routines embody the institutional principles which shape the new rules and in turn lead to the formation of the ongoing routines. The second process, arrow b, means that the actors enact the routines and rules that encode the institutional principles. This process often involves conscious choice. The third process, arrow c, happens when repeated behavior leads to a reproduction in the routines. This change is conscious if the actors have the rationales necessary to collectively question the rules and routines. The fourth process, arrow d, is the institutionalization of rules and routines which have been reproduced through the behavior of the actors. It is important to remember the difference between institutions (a way of thought or action) and scripts, understood as rules and routines (observable, recurrent activities). (Burns & Scapens, 2000)

IFRS standard changes can be interpreted as conscious, rational changes in the context of dichotomy: it is a formal, consciously intended change (Burns & Scapens, 2000). They provide the change principles for process a, and the formation of rules and routines comprise a large part of the work and process steps involved with IFRS standard changes. Processes b and c include conscious actions to enact the changes, while process d includes the stage in which the rules and routines of the new IFRS standard change become a routine part of reporting and the institutions are the "taken for granted" assumptions that the actors undertake.

The existing routines and institutions shape the selection and implementation process of the new IFRS standard change, meaning that the changes are *path-dependent*. Understanding the current process in the organization is thus necessary for understanding the changes that need to be made. When the new rules and routines become the unquestionable form of management control, they can said to be institutionalized (Burns & Scapens, 2000). In this regard, management accounting and financial accounting are similar fields of research.

The reasons for choosing institutional theory as a basis for development of the exploratory process framework include its applicability to changes where an external force drives the change. In addition, institutional theory is fitting for change management situations where individuals think in terms of institutional commitments, meaning that individuals see answers as being "right" only if they sustain their ideas of institutional thinking. (Burns & Scapens, 2000; Lundqvist et al., 2008) For IFRS standard changes, the IFRS standards themselves, the role of the IASB and the accounting policies and other choices within the organization all represent examples of institutional thinking. In addition, companies usually have an Accounting Manual that describes the rules and routines of the organization for reporting and which embodies an institution.

The framework is intended to give a holistic understanding of management accounting change in Burns and Scapens' (2000) paper, and involves a deep and holistic understanding of the organization in question and its current processes. As such it is applicable to this exploratory research paper, which develops a framework for the implementation process for IFRS standard changes through a deep case study of one company and allows for a thorough understanding of the current processes of the firm. Although many researchers have developed the framework after Burns and Scapens laid it out as a basis for research in 2000 (Johansson & Siverbo, 2009), the original process framework is most fitting to be used as a foundation for this exploratory research paper. This is due to the fact that the research paper at hand takes the framework to a new direction:

it fundamental principles in management accounting research to synthesize a framework to be used within the financial accounting academic field of study on IFRS standard changes.

It is also important to distinguish between evolutionary and revolutionary change. Whereas the initial adoption of IFRS standards is a revolutionary change for most companies, IFRS standard changes can be interpreted as evolutionary changes. Revolutionary changes are radical changes to existing routines that challenge current institutions. Evolutionary changes, on the other hand, change over time and include random elements, systematic forces and inertial forces providing continuity. Evolutionary change can be understood as referring to slow, gradual changes or seen as the underlying outcome and change process for all changes in management (and financial) accounting. (Burns & Scapens, 2000; Johansson & Siverbo, 2009)

A conventional approach to management accounting practices has included the contingency-based view which states that the appropriate design of how to implement a management control system is influenced by the context within which the firm operates. In other words, contingency theory assumes that the external and internal environments of a system or the firm have a strong impact on the performance of the company. Systems have to adapt to the context of the firm, and organizations where the internal features are best matched with the demands of the change will achieve the best level of implementation.

Contingency theory believes that general rules and models cannot be applied to an implementation situation, but rather each firm and control system is its separate situation (Chenhall, 2003; Pock, 2007). The behavior of any organization is thus based on contingency variables or situational factors. This view has emerged from research in organizational behavior and structure merged with task, environment and technology variables, individual attributes of employees, job complexity and organizational strategy. (Melan, 1998)

Combined with the institutional process framework, contingency theory sets a generally applicable basis for the development of the exploratory process framework for the implementation of IFRS standard changes. The underlying analytical concepts have been defined, and contingency theory is merged to justify the use of one case standard change and one case company as a basis for developing the framework. As one of the best outcomes of exploratory research lies in theoretical generalizations (Yin, 1994), however, the framework can be generalized on an institutional theory level.

2.2 Implementation process theory from IT and management accounting changes

Previous literature has concentrated extensively on research regarding the topic of changes in management accounting practices and their effects on the performance of companies. Different management accounting techniques have evolved throughout the years, and their implementation, reasons behind the changes, effects, costs and benefits have been analyzed in depth. A case-in-point illustration of this is the amount of research into the Activity-based Costing (ABC) method, which aims to improve the reporting of costs, has consistently increased over a period of 14 years (Bjornenak & Mitchell, 2002). Due to the lack of similar research for IFRS standard changes, management accounting literature is utilized as a starting point.

IFRS standard change implementation processes often require the company to implement changes to their IT systems. This subchapter explains the framework of IT implementation models to provide a basis for synthesis. In addition, the subchapter explains the management accounting frameworks and theories used for synthesizing a theory-based implementation process framework for IFRS standard changes to be used in the empirical review of the study.

Implementation process framework (Gupta et al., 2002)

Gupta et al. (2002) lay out a framework for integrating Activity-based Management (ABM) and Theory of Constraints (TOC) management philosophies into a company’s working style. The basis for their framework lies in the idea that the management philosophies from management accounting theories, including ABM, TOC, total quality management (TQM), Just-in time methods (JIT) and others all have one thing in common: aiming at accomplishing a continuous improvement in the company.

Continuous improvement is a similarity in integrating IFRS standard changes and management accounting philosophies to a company’s infrastructure. The similarity lies in the aim of accounting standards such as IFRS to accomplish a continuous improvement in external reporting for companies adopting them. The idea behind changing accounting standards usually lies in keeping the standards up to date with the business environment surrounding them, as well as macroeconomic and environmental changes that affect the needs of the users of financial statement information. Thus, it is valid to state that an accounting standard change strives to achieve performance improvement in the firm as much as new management accounting practices do, even if from a slightly different angle.

The framework proposed by Gupta et al. (2002) is formulated for a manufacturing company, and it is derived from previous literature exploring the evolution of ABM and TOC management philosophies. As such, it is applicable to be used as a starting point for developing a framework to assess IFRS accounting standard changes. The underlying idea of the researchers has been to propose a framework that enables manufacturing managers to see customer expectations more clearly through measurement and analysis and use resources optimally to maximize strategic goals and optimize processes. The steps in the researchers' original framework are shown in Table 3:

Table 3 Implementation process framework for ABM and TOC (Gupta et al., 2002)

Step 1: Observation
Form the ABC/TOC team
Identify key customers or product groups or markets
Identify core business processes
Develop a list of Undesirable Effects (UDEs)
Step 2: Initiation and data collection
Select a pilot project
Identify key primary and secondary processes (or activities)
Determine the demand limits for the products
Develop a Process Map
Initiate an effect-cause-effect diagramming process
Step 3: Model Construction
Develop an ABM/TOC spreadsheet model
Develop a mathematical programming model
Develop a current reality tree
Step 4: Model verification and validation
Verify ABM/TOC model
Validate ABM/TOC model
Compare ABM/TOC model with CRT
Step 5: Process improvement strategies using ABM/TOC model
Identify system constraints
Make decisions to exploit system constraints
Subordinate everything else to the decisions made in Step b
Elevate the system constraints
Do not allow inertia, identify new system constraints and repeat steps a-d
Step 6: Implementation/Recommendations
Implement process improvement strategies
Explore strategic options for future throughput

The observation phase helps to identify a team, whereas initiation and data collection are the phases where data is collected about the project at hand. Steps 3 and 4 highlight phases typical for a system change implementation, where models (typically spreadsheet or other similar models) are constructed to help integrate the new system to existing practices. Step 5 is about identifying the constraints present in the company to see what could go wrong. Step 6 is the actual implementation phase, ending with strategic recommendations for the future. This is important, as looking back on the process will help to identify and improve future improvements.

Implementation process framework (Cooper & Zmud, 1990; Krumwiede, 1998)

Cooper and Zmud (1990, p. 124) develop an implementation framework model for IT processes by defining IT system implementation as “an organizational effort directed toward diffusing appropriate information technology within a user community”. The basis of their model is the six-stage model of adopting material requirements planning (MRP) systems to an organization developed by Kwon and Zmud in 1987. Krumwiede (1998) builds on the framework proposed by Cooper and Zmud by adapting it to Activity-based Costing implementation and adding appropriate implementation steps that apply to the management accounting practice.

The initial stages of the model by Kwon and Zmud in 1987 include *Initiation, Adoption, Adaptation, Acceptance, Routinization* and *Infusion.* Cooper and Zmud (1990) refine these stages to implement them better to IT inventions by proposing the following framework:

Table 4 Implementation process framework for IT system applications (Cooper & Zmud, 1990)

	Process	**Product**
Initiation	Scanning of organizational problems and IT solutions is undertaken. Either push or pull triggers for change	An IT solution to answer to the change.
Adoption	Rational and political negotiations for achieving organizational backing for the implementation of the IT solution.	Decision to invest in the IT solution.
Adaptation	Developing, installing and maintaining the IT application. Organizational procedures are revised and developed and organizational members trained.	The IT application is available for use in the organization.
Acceptance	Organizational members commit to the usage of the application.	The IT application is employed in organizational work.
Routinization	The IT application is a part of normal activity.	Governance systems are adjusted to account for the IT application, and it is not out of the ordinary.
Infusion	Increased organizational effectiveness is attained by using the It application.	The IT application is used at its fullest potential.

In the above framework, a process description is given followed by an intended product of the process. *Initiation* begins the process, *adoption* details the negotiation stage, *adaptation* refers to the stage where installment and training takes place, *acceptance* includes commitment of the organization to what they are already doing, *routinization* refers to what an institutional theorist would call "institutionalization", where the process becomes a routine and finally an institution, and *infusion* denotes the stage in which the change is function at full potential.

Krumwiede (1998) develops the framework by Cooper and Zmud (1990) to explain ABC (Activity-based Costing) implementation and expands it to ten stages. In the research, previous studies on ABC implementation are looked over and this implementation framework of IT investments is found to be the most useful. Theoretical evidence is found to support the model for example in a research study by Anderson in 1995 on ABC implementation at General Motors. Krumwiede also references Anderson (1995) to call out for more empirical studies on the implementation of ABC. Only one other study besides the Anderson study has attempted to separate ABC implementation stages. A researcher named Gosselin separated the implementation stages into *adoption* and *implementation* in 1997, finding evidence that implementation is associated with centralized decision making and formalized job procedures.

Krumwiede takes the implementation framework of Cooper and Zmud (1990) and formulates it into a ten stage model for ABC implementation:

Table 5 Implementation process framework for ABC (Krumwiede, 1998)

	IT Implementation: Process	IT Implementation: Product	ABC Implementation Framework
Initiation	Scanning of organizational problems and IT solutions is undertaken. Either push or pull triggers for change	An IT solution to answer to the change.	1. ABC has not been considered. 2. ABC is being considered and implementation is possible. 3. ABC has been considered but not implemented, and has been rejected.
Adoption	Rational and political negotiations for achieving organizational backing for the implementation of the IT solution.	Decision to invest in the IT solution.	4. ABC has been approved for implementation, but analysis has not yet begun.
Adaptation	Developing, installing and maintaining the IT application. Organizational procedures are revised and developed and organizational members trained.	The IT application is available for use in the organization.	5. The ABC implementation team is in the process of determining project scope and objectives, collecting data and analyzing cost drivers. 6. The ABC model has project/implementation team support, but ABC information is not yet used outside of the accounting department for decision making. 7. ABC was implemented and analysis performed, then abandoned.
Acceptance	Organizational members commit to the usage of the application.	The IT application is employed in organizational work.	8. ABC is occasionally used by no accounting upper management or departments for decision making. General consensus among nonaccounting is that the model provides more realistic costs. It is still infrequently updated.
Routinization	The IT application is a part of normal activity.	Governance systems are adjusted to account for the IT application, and it is not out of the ordinary.	9. The ABC has become a routine system that is commonly used by nonaccounting upper management for decision making and is a normal part of the information system.
Infusion	Increased organizational effectiveness is attained by using the It application.	The IT application is used at its fullest potential.	10. ABC is an integrated system used extensively and has been integrated with the primary financial system. Clear benefits are identified.

The ten-stage model by Krumwiede (1998) in the table above is a step in the direction of detailing a financial accounting change, as it details a similar type of process in similar functions of the organization as IFRS standard changes. In effect, Krumwiede (1998) transposes the IT implementation process framework to the context of management accounting literature, including the concepts of accounting and non-accounting functions, the role of upper management and the whole process of accounting system change.

Although the functioning of the accounting and reporting of a company is under the responsibility and control of the Board and its possible Audit committee and thus any changes to processes are owned by top management, IFRS standard changes represent a process that is primarily focused on the accounting function of a company as they primarily deal with reporting. This is why the analogy to Krumwiede's (1998) framework is evident: ABC implementation processes and IFRS standard change implementation processes involve the same accounting and reporting functions of a company, have the same process owner and affect non-accounting organizations.

2.3 Previous research regarding the first-time adoption of IFRS standards

In addition to the framework by Gupta et al. (2002) and Krumwiede (1998), the existing body of research on IFRS standard changes needs to be considered to synthesize a theoretical implementation framework for IFRS standard changes.

When companies are facing the initial adoption of IFRS standards and considering the shift from local GAAP, many of the issues that arise with IFRS standards are new and the change needs to be treated as a large conversion or adoption project (Dulitz, 2009). Due to the nature of the initial adoption as bringing a new mindset and way of thinking as well as a large amount of new policies and decisions to the company, the initial adoption of IFRS standards is drastically different as a process from the adoption of individual IFRS standard changes. The main differences lie in the fact that the company has already fixed many of the problems that of the initial conversion and adopted an IFRS mindset. In this subchapter, the process frameworks of implementing IFRS standards for the first time are reviewed to gain an understanding of what similarities may be in the process.

Dulitz (2009) introduces the first two steps of an IFRS initial implementation process from presentations and proposals for implementation methodologies by audit professionals and consultants as well as academic theory. The first step is Internal Education, which means understanding the company auditor's interpretation of IFRS, identifying areas of significant policy changes and developing a training session for senior management. The second step is Assessment and Strategy, where the company chooses whether to adopt or convert to IFRS. In adoption, IFRS is a new starting point for all accounting policies. In conversion, the focus is on changing the differences between the local GAAP and IFRS.

The IFRS standards themselves contain four steps required for initial adoption in IFRS 1 – *Initial adoption of IFRS,* which include 1) selecting the accounting policies that comply with IFRS, 2) preparation of an opening balance sheet[5], 3) the determination of estimates for the first IFRS statements and 4) presentation and disclosure in an entity's first IFRS statements. These steps do not form a process framework, but highlight the amount of preparatory work necessary for implementing IFRS for the first time. (Jermakowicz & Gornik-Tomaszewski, 2006)

The main lessons from the look into process frameworks regarding the initial implementation process of IFRS standards are that the initial project is mainly concerned with setting up the means for the company to follow and apply the conceptual framework of IFRS standards. Subsequent IFRS standard changes are thus dependent and contingent on the policy choices made in the initial adoption, as each firm must choose the applicable accounting policies to fit their business context and methodology (Jermakowicz & Gornik-Tomaszewski, 2006). The field of research has yet to find generalized implementation process frameworks for the first-time adoption of IFRS standards, as the project happens only once for each company and the decisions made during the process are numerous. IFRS standard changes, however, take place consistently in companies and a consistent implementation process framework is more relevant in that sense.

2.4 Theoretical framework for the implementation process

Based on the previous literature, a framework is synthesized for implementing an IFRS standard change into an organization. First, differences and similarities between management accounting systems and financial accounting are identified. Then, the framework is synthesized.

<u>Differences and similarities between management accounting systems and IFRS standard changes</u>

Management accounting systems such as ABC and TQM are seen as representing a field of study known as "management accounting", whereas IFRS and other accounting standards are part of the "financial accounting" system of companies. The differences between management accounting and financial accounting lie in the basic idea that financial accounting involves the recording of events, whereas management accounting means the planning of events (eg. Cronin, 2010). Thus, financial accounting often deals mainly with external reporting and IFRS requirements whereas management accounting provides reports for internal purposes.

[5] Under IFRS, a "balance sheet" has been renamed as a "Statement of Financial Position", an "income statement" a "Statement of Comprehensive Income" and a "cash flow statement" as a "Statement of Cash Flows" (Deloitte, 2011c)

In practice, these functions are often combined in large firms, with the same people producing reports for both management and financial accounting purposes. Due to this similarity in the common functions of management accounting and financial accounting, as well as the fact that in an IFRS world these functions handle the same set of numbers and data in their work, management accounting theories are considered a logical starting point for the development of an exploratory framework strictly thought of as being within the financial accounting field of study.

An IFRS standard change differs from a management accounting practice or the implementation of an IT application primarily due to the fact that IFRS standard change adoption is mandatory whereas management accounting systems are always voluntary adoption decisions for the company. This difference is a major item through which the implementation process framework is also expected to be different between the two types of adoption processes. Due to the mandatory nature of the IFRS standard changes, the timeframe for the implementation is also given by the IASB and the change is not directly linked to strategic objectives.

In ABC research, it has been identified that despite its benefits, ABC systems have experienced a low adoption rate in companies and this has led to an increase in the interest of studying why (Anderson, 1995; Shields, 1995; McGowan & Klammer, 1997; Krumwiede, 1998). IFRS standard changes cannot have a low adoption rate as they are mandatory. This may also be an explanation as to why the implementation process of IFRS standard changes has not yet generated much academic research interest: IFRS has not yet been voluntarily adopted by many countries and for those who have mandatorily adopted the standards the change implementation process is something that must be done, leading to the fact that there have been few externally identifiable problems in the process. Of course, IFRS standard changes have also just very recently become a set of standards that can even be seen as having the potential to be adopted by a multitude of companies worldwide (Bolt-Lee & Smith, 2009).

Stemming from the mandatory/voluntary difference between the disciplines, two other main differences can be identified. The first is the timeframe of the implementation process, which is also not voluntary for companies. The second is a link to strategic objectives, as management accounting implementation processes are not undertaken voluntarily unless they are seen as being profitable whereas IFRS standard changes must be implemented whatever the case. These differences are summarized in the following table:

Table 6 Differences between IFRS standard changes and management accounting practices

	IFRS standard changes	Management accounting practices
Implementation necessity	Implementation mandatory according to IASB's schedule	Implementation voluntary according to views on best practices
Timeframe of implementation process	IASB gives a timeframe of implementation of 6-18 months from the publishing date of a new standard	The timeframe for implementation is decided on at the inception of the investment by the organization
Link to strategic objectives	Do not primarily link to an organization's own strategic objectives	Have a direct link with strategic objectives

On the other hand, IFRS standard changes have many features in common with management accounting practices. External reporting, which is the function that mainly makes sure that IFRS is complied with, is governed by similar organizational aspects as management accounting practices. Here, the governing similarity is the aim of both management accounting practices such as ABC systems and IFRS standard changes to improve the quality of work from an information user perspective. ABC systems, for example, initially aimed to cover inconsistency between product management systems and advanced manufacturing methods (Anderson, 1995), resulting in an improvement in the quality of decision making due to better systems (McGowan & Klammer, 1997). IFRS standard changes, whether small or large, aim to improve the quality of financial statements often from the information user point of view (McConnell, 2010).

Most of the management accounting system changes researched have been large changes that affect the whole organization. These changes have been led by top management, with the accounting team an executing body and the inclusion of other stakeholders integral to the process (Shields, 1995; McGowan & Klammer, 1997). Large IFRS standard changes are similar in the sense that they require top management or even Board of Director (eg. Auditing Committee) direction and ownership due to their nature of changing significant processes in the organization. In this sense, both management accounting and IFRS standard changes can affect the whole organization including operational functions. The effect on operational decisions is often through the introduction of new rules, processes or tools due to either a mandatory accounting standard (IFRS) change or the voluntary adoption of a new management accounting system.

The final similarity identified is the fact that both large IFRS standard changes and management accounting system changes often involve IT system changes. This means that the IT organization as well as other non-accounting functions need to be heavily involved in the implementation process. Some research suggests that non-accountant participation in the development of an information system is also likely to increase the quality of the non-accounting organization's decision making (McGowan & Klammer, 1997).

The similarities mentioned above are summarized in the following table:

Table 7 Similarities between IFRS standard changes and management accounting practices

	IFRS standard changes	Management accounting practices
Improve the quality of work	Aim to improve the quality of financial statements	Aim to improve the quality of decision making
Involve the whole organization	Involve the accounting team primarily, after which other stakeholders are included in the process	Involve the accounting team primarily, after which other stakeholders are included in the process
Link with operational decisions	Affect the way in which operational decisions are made through new rules of how financial information is presented externally and accounted for	Affect operational decisions through the introduction of new ways of thinking and/or processes and tools aimed at making better decisions and providing timely information
Involve IT and other system changes	Involves IT systems and possible changes to existing systems	Involves IT systems and possible changes to existing systems

Building the theoretical process framework

Taking the similarities and differences mentioned into account, a framework for implementing IFRS standard changes can be formulated. In the following, the framework is first presented after which its synthesis is explained in text:

Table 8 Theoretical implementation process framework for IFRS standard changes

	ABC Implementation Framework	IFRS standard change implementation framework
Inititation	1. ABC has not been considered. 2. ABC is being considered and implementation is possible. 3. ABC has been considered but not implemented, and has been rejected.	1. The standard change has been communicated through an IASB discussion paper and outreach activities, and the company has heard of the change. 2. The standard change has been further communicated through an Exposure Draft and outreach activities, and the company has begun discussing the change. 3. An IFRS standard change is published and an effective date for its implementation is communicated to companies. The firm takes the standard change into active consideration.
Adoption	4. ABC has been approved for implementation, but analysis has not yet begun.	4. The implementation process has been organised by the Group Accounting department, and a Standard Change team is formed if the standard change is considered as affecting the company.
Adaptation	5. The ABC implementation team is in the process of determining project scope and objectives, collecting data and analysing cost drivers. 6. The ABC model has project/implementation team support, but ABC information is not yet used outside of the accounting department for decision making. 7. ABC was implemented and analysis performed, then abandoned.	5. Core business processes that the standard change affects are identified along with Undesirable Effects of the standard change. 6. The cross-functional implementation team is in the process of identifying changes needed to the systems and processes, and is supported by other functions but the change has not yet been implemented. Top management is informed and they approve a policy. 7. A pilot closing has been identified to test the implementation of the standard change using the new processes and/or systems and a process map is drawn for preparation to deploy the policy of the top management to departments.
Acceptance	8. ABC is occasionally used by nonaccounting upper management or depratments for decision making. General consensus among nonaccounting is that the model provides more realistic costs. It is still infrequently updated.	8. The standard change has been implemented and top management as well as other stakeholders understand the implications of the standard change on the financial statements. Business areas are reporting according to the new instructions. The quality of reporting is reviewed by the Group level accounting.
Routinization	9. The ABC has become a routine system that is commonly used by nonaccounting upper management for decision making and is a normal part of the information system.	9. The standard change has been accepted by the organization, and it has become a routine way of reporting.
Infusion	10. ABC is an integrated system used extensively and has been integrated with the primary financial system. Clear benefits are identified.	10. Clear improvements in the quality of financial statements are defined after the implementation of the standard change. Process improvement strategies are an integrated part of the system for external reporting and the standard change has been fully understood by all stakeholders. Monitoring of the quality of reporting.

The above framework is synthesized using the theories presented in subchapters 2.1-2.3. Using the institutional framework of Burns and Scapens (2000) as a background for the analytical concepts, the purpose of the process implementation framework is to detail the steps of the institutionalization process of the new principles set by the changed standard. *Initiation* and process Step 1 mark the beginning of the process, and *infusion* is representative of the end of the institutionalization process.

The first aspect of the synthesis is the institutional framework reviewed in Table 2. In process a, the formation of rules and routines is present. This is represented by the *initiation* stage of the framework, where the changes are communicated by the IASB and the formation of the new rules can be started in the company. Processes b and c include conscious actions to enact the changes, which are represented by the *adoption* and *adaptation* stages of the process steps. Process d includes “the stage in which the rules and routines of the new IFRS standard change become a routine part of reporting and the institutions are the “taken for granted” assumptions that the actors undertake”, which is shown in the synthesized framework through the last three stages: *acceptance, routinization* and *infusion*.

Based on the six steps of *Initiation, Adoption, Adaptation, Acceptance, Routinization* and *Infusion* and their process description from Cooper and Zmud (1990), Krumwiede’s (1998) study is the basis for the synthesis of the concrete process steps as it provides a sound starting point for comparison of ABC and IFRS standard change interpretations. The ABC implementation framework developed by Krumwiede (1998) is developed to produce ten process steps to form an IFRS standard change implementation process framework as shown in Table 8. The table first details Krumwiede’s (1998) framework on the left and the synthesized theoretical framework of the research paper on the right hand column.

The process steps for the IFRS standard change implementation process are inductively analyzed from Krumwiede’s (1998) framework. The logic is that the steps stay the same unless there is a difference in ABC and IFRS standard change implementation recognised that inhibits the process step. The *initiation* stage for ABC includes certain voluntary elements of having a real option to abandon the project, which is not possible for IFRS standard changes. Thus, Steps 1-3 of the theoretical framework are formed according to IFRS standard change conventions. Step 1 (Observation) and Step 2 (Initiation and Data collection) of the original framework by Gupta et al. (2002) are comparable to the *initiation*, *adoption* and *adaptation* stages of the synthesized framework.

The *adoption* stage is directly translated except for the introduction of the process executor (“the Group accounting department”) and a standard change team. The process executor is added due to the lesson from the first-time implementation of IFRS standards in subchapter 2.3: previous accounting policy decisions must be taken into account, and the Group accounting function probably knows about them. The Standard Change team is a synthesis from Gupta et al. (2002), who identify that a team is necessary for the implementation. The *adoption* stage is synthesized in a similar way: elements from the framework of Gupta et al. (2002) are added to the process steps to ensure that core business processes and Undesirable Effects of the standard change (effects that cannot be anticipated in advance) are taken into account in process Step 5 and a pilot process is introduced in Step 7. In the *acceptamce, routinization* and *infusion* stages, the steps are translated directly except for the broadening of the process steps from ABC implementation. An example of this is Step 8, where "it is still infrequently updated" is translated to "the quality of reporting is reviewed". This is due to the fact that the IFRS standard change is a mandatory change, and acceptance is best monitored through understanding of the change in the organization. The *routinization* stage simply states that the company has understood the change, and now it is a "normal part of the information system", which is translated to "routine way of reporting".

The *infusion* stage cannot necessarily identify clear benefits for the mandatory IFRS standard changes, and so the benefits are described through the quality of reporting. This means that an anticipated preliminary drop in the quality of reporting may be seen when the new IFRS standard change is implemented at first, but it should improve by the *infusion* stage and the reporting should be "working at full potential".

The synthesized theoretical framework in Table 8 is developed further through the empirical section of the research paper. In the following chapter, a similar theoretical synthesis is developed for the organizational and contextual variables affecting the relative "success" of the IFRS standard change implementation process.

3. Development of theoretical variables affecting IFRS standard change implementation success

The purpose of this chapter is to end with a theoretical synthesis of variables that affect the success of an IFRS standard change implementation process. The first subchapter develops a theoretical definition of the concept of successful. The second subchapter highlights relevant previous research on the variables affecting the success of an implementation process in similar disciplines. The third subchapter concludes this chapter with a synthesis of the theoretical variables seen as affecting an IFRS standard change implementation process.

In management accounting research, it has been a focus of study for a long time to research the *outcome* of implementation processes and try to understand what the end result should be (Burns & Scapens, 2000). This study falls into the category of researching the *process* of reaching the outcome, meaning that concrete process steps are identified to reach the outcome, a successful implementation. To help refine the process steps and what should be considered at each stage, variables affecting the success of the implementation process are identified. The aim, however, is not to define a mutually exclusive and exhaustive interpretation of what is a successful implementation process but rather find the factors that affect the process. According to McGowan and Klammer (1997, p.128), it is important to "identify the specific factors that users perceive to be important in the implementation process and to identify characteristics of the users that are amenable to successful implementation", which states the aim of the research in this study on variables.

3.1 Theoretical definition of success

The efficiency or "success" of an implementation of an IFRS standard change is just as important as the actual process steps by which the standard change is implemented. The outstanding idea is that in effect, no implementation process for any change is complete unless the factors that affect the success of the outcome are considered. This idea has been shown, in different words, in studies by Argyris and Kaplan (1994), Shields (1995), Anderson and Young (1999), McGowan and Klammer (1997) and many others that have aimed at understanding contextual, behavioral and organizational variables that affect the implementation process of management accounting system changes.

Argyris and Kaplan (1994) studied barriers to implementing new knowledge through the impact of two administrative processes: education and sponsorship and the creation of internal commitment. Their first assumption and result was that learning the basic concepts related to the change at hand (ABC systems in their case) was enough to entice the organization to choose to implement a new process. Second, internal commitment was seen as important to the implementation. Implicitly, these were seen as affecting the "success" of the implementation process.

Similarly, Shields (1995) presented a comprehensive model of behavioral variables that suggested that "the change implementation process must match the preferences, goals, strategies, agendas, skills and resources of employees and top management" to be successful. Shields (1995) focuses on manager perception of the success of the ABC system itself. On the other hand, McGowan and Klammer (1997) focus on satisfaction levels related to the implementation process of the ABC management system in their research. Although the two research papers have a different focus, they share the same implicit definition of a successful change: meeting the various needs of top management and employees.

In external reporting, the relative "success" of the outcome of an IFRS standard change implementation process is primarily understood from the point of view that a company's financial statements should provide a complete, accurate, valid and reliable view of the firm's financial position, profit and loss (net income) and cash flows. According to Jermakowicz & Gornik-Tomaszewski (2006), if a company is able to provide a complete, fair and accurate set of financial statements, then the first-time implementation of IFRS standards is successful.

It is necessary to broaden the external reporting point of view of "successful" for the research paper at hand; however, as IFRS standards affect the work of many functions within a company. If a standard changes, its successful implementation means different things to people in different roles on the inside. For this reason, the definition of a "successful" implementation process for IFRS standard changes is defined before the variables affecting the implementation process are discussed. The definition also serves to avoid a situation where an inexplicit understanding of what success means dampens the validity of the variables. According to Anderson and Young (1999), it is "dangerous to investigate ABC implementation success without specifying the definition of success" as this easily results in a situation where the answers of the respondents are not comparable due to different implicit views on success.

To synthesize a theoretical definition, a successful IFRS standard change implementation process is defined as primarily leading to a complete, fair and accurate set of financial statements. Secondarily, an important definition of success is that the implementation process must meet the needs of the internal employees and top management. Validity of this theoretical definition is explored in the empirical research section of the paper.

3.2 Previous literature on variables affecting implementation

This subchapter reviews previous literature on variables affecting the implementation process. According to Chenhall 2003, the contingency-based research of management accounting practices has yielded several themes, where the external environment, technology, structure of firms, size of firms, strategy and national culture are overlying themes under which contextual variables can be examined. For purposes of this study, contingency theory is noted as the starting point for developing contextual variables that affect the implementation process of IFRS standard changes, as the example of one large standard change sets a context for the interviews.

Contextual variables that affect a change implementation process are defined as the factors that have an effect on the context and change in question (Askarany, 2007). For purposes of the research paper, the division of contextual variables into five overarching themes by Cooper and Zmud (1990) amongst others is relevant as they provide a theoretical model researched and validated by previous researchers. The five groups of contextual variables identified by the researchers are:

Table 9 Contextual variables (Cooper & Zmud, 1990; Anderson, 1995)

User	Characteristics of the user community (job tenure, education, resistance to change)
Organization	Characteristics of the organization (specialization, centralization, formalization)
Technology	Characteristics of the technology being adopted (complexity)
Task	Characteristics of the task to which the technology is being applied (task uncertainty, task variety)
Environment	Characteristics of the organizational environment (uncertainty, interorganizational dependence)

Krumwiede (1998) finds evidence from existing literature for the presence of organizational factors that affect the implementation of ABC to an organization. Organizational factors by definition include organization-specific factors characteristic to the company or organization in question. These factors include support by upper management and investments in training, which affect many stages of the implementation. Contextual factors also affect implementation and include competition, relevance to manager's decisions and compatibility with existing systems. In Melan's study (1998), factors that are found to affect Total Quality Management (TQM) implementation include goal alignment, motivation, role uncertainty, power of the change agents, communication, leadership, advocacy and organization culture.

In addition to Krumwiede (1998) and Melan (1998), Cheng (2008) has found several factors to affect the implementation of Six Sigma as a part of TQM. These factors are the *system factor*, which refers to the context of tools for quality methodology, the *product factor*, which means an index for the capability of a product to reach six sigma level, the *control factor*, referring to the abilities of quality technology to maintain a steady, continuous process, the *training factor*, which is critical to the success of implementing TQM as all individuals should be trained to understand the system, the *technical factor*, representing the technical skills of the organization and the *assessment factor* referring to the performance measurement of quality improvement.

In order to synthesize variables that affect the implementation process of IFRS standard changes, a large amount of research must be reviewed to identify variables that have been found as affecting management accounting practice implementation processes. Other factors identified in previous literature as affecting the efficiency of implementation frameworks are summarized well by Issac et al. (2004) in their list of critical factors of managing quality in the software industry:

1. Top-management commitment and leadership
2. Client focus
3. Organizational culture
4. Process quality management
5. Quality measures
6. Human resource management, including employee competence, training and quality of work life
7. Employee empowerment
8. Employee commitment and attitude

9. Continuous improvement
10. Benchmarking
11. Infrastructure and facilities
12. Risk management
13. Communication

Understanding the factors affecting the IFRS standard change implementation process in a larger context is also important to gain a holistic viewpoint of how the organization fits into society. Developed by Gernon and Wallace (1995), the accounting ecology framework provides this aspect into the synthesis and comprises five slices or parts:

1. The *societal slice*, which refers to the structural, cultural and demographic elements that affect the demand for financial accounting services
2. The *organizational slice*, which refers to events and trends on rationalizations in the choice and design of accounting systems
3. The *professional slice*, which refers to events and trends that affect the determination of roles and relationships in the accounting profession
4. The *individual slice*, which refers to accounting policy choices made by individuals and covers the whole area of individuals lobbying standard setters and using accounting numbers to a specific advantage
5. The *accounting slice* that refers to accounting practices, rules and trends that affect or are affected by other slices of the environment. It includes the disclosure and measurement requirements and practices as well as types and frequency of accounting reports

The accounting ecology framework is usually used to analyze the accounting environments of countries, and the influence of these contextual factors is implicit in understanding the behavior of a whole accounting system at large. For purposes of forming a theoretical synthesis relating to the contextual and organizational factors of implementing an IFRS standard change, however, these ecological framework factors contribute to understanding the environmental demands on the organization and hence the environmental contextual factors that affect the implementation process.

Lundqvist et al. (2008) explore factors leading to the inconsistent application of accounting policies in firms implementing IFRS. “The reason for doing an exploratory study is that there is currently limited knowledge about the specific factors" (Lundqvist et al., 2008, p.3). The study finds three factors that influence the application of IFRS in practice:

1. National culture, which is difficult to measure empirically
2. National, economic, legal and political settings
3. Existing practices and views on financial reporting that are taken for granted nationally or by organization

Lundqvist et al. (2008) also find that companies are unwilling to change their current practices. They also often underestimate the changes required when adopting IFRS. In addition, the results of the study show that companies have a shortage of resources and knowledge to implement IFRS. In suggestions for further research, Lundqvist et al. (2008) state that in order to understand the diversity in implementing IFRS research should focus more on the individual company level. The research paper at hand aims at answering this call for more research by finding variables that affect IFRS standard changes on an individual company level.

3.3 Theoretical synthesis of contextual and organizational variables

In this subchapter, the contextual and organizational variables that are expected to affect the implementation process of an IFRS standard change are derived from the previous studies reviewed in the previous subchapters. The variables are first presented in the following table, after which the text explains how the synthesis was reached:

Table 10 Theoretical synthesis of variables affecting implementation of IFRS standard changes

Organizational factors (Krumwiede 1998):	**Variables of implementing ABC (Krumwiede 1998):**	**The organizational factors affecting the efficient implementation of IFRS standard changes (synthesis):**
Level of top management support	Linkage to competitive strategies and top management support	1. The level to which top management is involved
Level of non-accounting ownership	The extent to people outside of accounting are interested in ABC	2. The level to which non-accounting functions are involved
Level of clarity and consensus for ABC objectives	Clarity of purpose and consensus	3. Level of clarity and consensus for the objectives of the IFRS standard change
Level of ABC training provided	Level of training related to usage, design and implementation	4. The amount of IFRS standard change training provided
Number of purposes identified for ABC	Number of primary applications that ABC uses	5. The purposes of the IFRS standard change and the system applications it affects
Contextual factors (Anderson 1995):	**Explanation of contextual factors (Anderson 1995):**	**Contextual factors affecting the efficient implementation of IFRS standard changes (synthesis):**
User	Characteristics of the user community (job tenure, education, resistance to change)	6. The acceptance of change of the accounting organization
Organization	Characteristics of the organization (specialization, centralization, formalization)	7. The amount of time an organization has implemented IFRS
Technology	Characteristics of the technology being adopted (complexity)	8. The level of trust and quality in accounting systems
Task	Characteristics of the task to which the technology is being applied (task uncertainty, task variety)	9. Monthly, quarterly and annual reporting success in the past
Environment	Characteristics of the organizational environment (uncertainty, interorganizational dependence)	10. The amount of business functions involved in the standard change

The synthesis in Table 10 is reached by combining all of the existing research outlined in this chapter into an analytical idea of how they might affect IFRS standard changes taking into account the differences between management and financial accounting outlined in subchapter 2.4.

Organizational factors

Organizational factors are first developed as a synthesis of the theories reviewed and with a starting point from Krumwiede's (1998) study. The organizational factors used by Krumwiede (1998) are applicable as they refer to an ABC implementation process, stated before as comparable with identifiable similarities and differences to IFRS standard change implementation. The organizational factors are "found significant in past studies" and are thus synthesized and used by Krumwiede (1998) as a basis for research. In the research paper at hand, the same synthesis is adopted as a starting point for the empirical research into the variables that might affect an IFRS standard change implementation process. Each factor is developed in the synthesis to include other research studies as well.

Variable 1: The level to which top management is involved

In addition to Krumwiede's (1998) findings, the level of top management support is found as a factor affecting implementation processes by Issac et al. (2004), who mentions top management commitment and leadership as affecting the success of the implementation project. Additionally, top management involvement is seen as setting a role model for the implementation process (McGowan & Klammer, 1997), impacting the allocation of process resources such as time, money and talent over time (Shields, 1995; McGowan & Klammer, 1997), providing political help when some implementation steps might face resistance (Shields, 1995) and creating an external motivation among the employees by including implementation success into personal performance evaluations (Anderson & Young, 1999). Additionally, Gosselin (1997, p. 117) finds that "organizational structure appears to influence the implementation process" of ABC-systems, and signifies that the role of top management in the organizational structure is a key aspect of the variable. Variable 1 is thus synthesized to reflect this view.

Variable 2: The level to which non-accounting functions are involved

Krumwiede (1998) finds that it is important how involved people outside of accounting are. Additionally, the level of non-accounting ownership is an interesting factor as "ownership" and "interested in" do not mean the same thing. Ownership implies a more significant level of involvement than merely being interest in the change. Variable 2 incorporates the idea of involvement by adding the level of non-accounting function involvement to the list. Non-accounting functions here are seen as all of the non-accounting functions of the company including both business and corporate functions.

Variable 3: Level of clarity and consensus for the objectives of the IFRS standard change

Krumwiede (1998) finds clarity for the objectives of the change important. The level of clarity and consensus for the objectives of the implementation process in question is the core of organizational variable 3, which is incorporated in Melan's (1998) study as common goal alignment, motivation and communication. It can be argued that the three latter factors cannot exist without a common understanding for the objectives of the implementation process.

Variable 4: The amount of IFRS standard change training provided

The level of training provided regarding the IFRS standard change is the key idea in variable 4, which is synthesized from Krumwiede's (1998) emphasis on the importance of training, the mention of Issac et al. (2004) on the importance of employee competence and training as well as Cheng's (2008, p. 188) training factor, which is "critical to the success of implementing TQM […] all individuals should be trained to understand the system."

Variable 5: The purposes of the IFRS standard change and the system applications it affects

For Krumwiede's (1998) study, the focus is on the amount of purposes or applications that ABC affects. This view is broadened for purposes of exploring IFRS standard changes. This last variable incorporates Chenhall's (2003) mention of strategy as a factor affecting the implementation process, as purpose is defined through the strategy of the company. Although IFRS standard changes are mandatory, they can be given a purpose within a strategy as increasing the attainment of pre-defined goals.

Contextual factors

To identify contextual factors that affect IFRS standard change implementation processes, a synthesis of contextual factors into five groups is used as a starting point. The synthesis has been used by Cooper and Zmud (1990) and utilized subsequently in research by Anderson and Young (1999) and others. The explanation for each contextual factor sheds light on the factors that fall under each category. Taking the five categories, factors that have been defined as affecting the implementation processes from management accounting and IT changes are placed into each category and refined to apply to IFRS standard changes.

Variable 6: The acceptance of change in the accounting organization

In the User category, characteristics of the user community are at the core with job tenure and resistance to change representing the key attributes affecting the outcome of the implementation process. Issac et al. (2004) find variables of "employee commitment and attitude" and "human resource management" that relate to this area. For purposes of IFRS standard change implementation, the level of acceptance to change the accounting and non-accounting functions exhibit is synthesized as a variable affecting the outcome and represented by variable 6.

Variable 7: The amount of time an organization has implemented IFRS

For the Organization category, characteristics of the organization itself are seen as relevant. Continuing with the ecological framework of Gernon and Wallace (1995), the contextual and organizational variables affecting the implementation process of an IFRS standard change within a company are related to the *accounting* and *organizational* slice of the framework that aims to depict the whole process of accounting changes in the world. The *societal* slice refers to the demand for accounting services on the whole whereas the *professional* slice is a means to explain the development of roles in the accounting profession on a system-level, and so they cannot be directly attributed as affecting the process of implementing IFRS standard changes in a particular company. The accounting policy choices made by the individual firms in the *individual* slice affect the changes to accounting standards, but are in effect more the side product of the IFRS standard change implementation process in individual companies than factors affecting it. The *organizational* and *accounting* slices affect the process, however, as they refer to trends in the choice and design of accounting systems and thus mean that the choices of any one company are affected by the choices of other companies. From this point of view, a contextual variable that refers to the time under which the company has implemented IFRS standard changes is deemed as relevant, as it measures the time that the company has been able to acknowledge other companies' behavior and adapt themselves. This is referred to in variable number 7 of the list.

Variable 8: The level of trust and quality in accounting systems

In the Technology category, the complexity of the level of technology adopted is the key for management accounting and IT system implementation. For IFRS standard changes, the change is rarely led by technological advances but may lead to the adoption of new systems. In addition, the accounting systems in place in the company must be trusted initially to enable any changes that require their further development. This is referred to by Cheng (2008) with the control factor, which describes the abilities of technology to maintain a steady, continuous process. Chenhall (2003) also mentions the quality of technology as an important contextual factor affecting the outcome of the implementation process. Lundqvist et al. (2008) identify a key point regarding the accounting system in place before the adoption of an IFRS standard change: existing practices and views on financial reporting in the organization affect the outcome of the initial, first-time adoption of the IFRS standards. Due to these ideas, variable 8, the level of trust and quality of the accounting systems is synthesized as a variable affecting the success of the process. It also links to all factors that relate to the quality of the existing system as having an effect on the outcome of the change management process.

Variable 9: Monthly, quarterly and annual reporting success in the past

The Task category refers to the nature and characteristic of the task to which the technology or change metrics are being applied. This category is easily comparable to Krumwiede's contextual factor that identifies a need to ensure compatibility with existing systems. The Task category is integral to the variables from the point of view of the institutional theory backdrop as well due to the relevance of existing rules and routines on the development of the new institution. Characteristics of the task also include the idea of understanding the rules and routines of the accounting tasks from the point of view of how well previous IFRS standard change implementation processes and Group consolidation and closing processes have been carried out in the past. Variable 9 is thus formed, reflecting the company monthly, quarterly and annual reporting success in the past. Here the use of the word success allows for each individual to use their own definition of "successful reporting" as a basis for their thinking.

Variable 10: The amount of business functions involved in the standard change

The Environment category is directly linked to intra-organizational dependence within the company and different corporate and operating functions. Chenhall (2003) mentions the structure and culture of companies and Melan (1998) and Issac et al. (2004) both the communication and organizational culture of companies as variables affecting the outcome of the implementation process. To conceptualize this variable, variable 10 is developed to state the amount of business functions involved in the implementation process. This builds from the division by Krumwiede (1998) of corporate functions into accounting and non-accounting, with business functions representing the whole operational management and business dimensions of the company.

The synthesis of ten variables is based on the most commonly mentioned variables in past research on variables affecting management accounting and IT system change implementation processes. Several variables are also mentioned that have not been included, including the size of firms and the effect of the external environment and competitors by Chenhall (2003), the power of change agents, role uncertainty and the level of leadership by Melan (1998) and the client focus, employee empowerment, continuous improvement, benchmarking, risk management and quality of work life aspects mentioned by Issac et al. (2004). Cheng's (2008) technical factor, representing the technical skills of the organization and assessment factor, meaning the performance measurement of quality improvement are not seen as factors that could theoretically be linked to IFRS standard change implementation processes due to their technical nature and the differences in the processes as mentioned before. These factors will be revisited in the analysis of empirical findings.

4. Research method

This chapter explains the method-related choices made in the research paper. In the first subchapter, justification for the choice of using a case study method is given followed by an explanation for why the exploratory research method within the case study field is the optimal approach in this type of a study. The second subchapter explains the method of data collection in the research and justification for using semi-structured theme interviews. It also details the interview process and structure used for data collection and gives a description of the interviewees. An overview of the analysis technique used to interpret results is also given. The third subchapter identifies limitations imposed on the research by the research design choices. Research ethics are also discussed in this part of the chapter.

4.1 Exploratory case study method

When researching a complex social phenomenon such as a process implementation framework in the context of a new type of change in companies, the justifications by Yin (1994) for using a case study research method become directly applicable. Yin (1994) states that the focus of case studies is often on phenomena whose boundaries with real-life contexts are not directly evident. In addition, case studies often include several variables of interest and delve deeper into one phenomenon rather than comparing different phenomena to each other. “Case studies offer the possibility of understanding the nature of management accounting in practice; both in terms of the techniques, procedures, systems etc. which are used and the way in which they are used.” (Scapens, 1990, p. 264)

Saunders et al. (2007) state that when considering research strategies it is not the label attached to a particular strategy that matters, but whether it is appropriate for any particular research. While research methods such as surveys give a superficial view of management accounting practice, case studies allow for more intensive fieldwork (Scapens, 1990). The research design of this case study is multifocal in the sense that although the primary case example is the use of Financial Statement Presentation as an example of a large IFRS standard change, data collection is also centered on one case company and a selection of IFRS experts. Thus the intensive fieldwork is focused on both the changes posed by the specific IFRS standard change and the context posed by the case company.

Scapens (1990) makes an important distinction between case study methods and the empirical *testing* of theoretical models. In the research paper, the case study is a method of research that is used to explore the area of research, whereas the empirical *testing* of a theoretical model would be the phase that comes after the research paper: testing the exploratory process implementation framework on companies to validate it even further using an explanatory case study research pattern and a pattern-matching analysis technique for example.

Exploratory case studies are one type of a case study method. They are used to explore reasons behind particular rules and routines (accounting practices) and “represent preliminary investigations which are intended to generate ideas and hypotheses for rigorous empirical testing at a later stage.” (Scapens, 1990, p. 265) Their objective is to produce generalizations and it is the first step in a project that aims at producing a generalized framework. The generalization is especially important for the building of new theories. (Eisenhardt, 1989; Scapens, 1990) This idea frames one of the key reasons why an exploratory case study method works for the research design of this paper. The objective is to develop an implementation process framework model and variables that have an effect on its success for IFRS standard changes, an area not researched at length previously. New theories are needed, and the research at hand is a first step in building them.

Exploratory case studies are also useful as a precursor to areas where theory is not well developed (Scapens, 1990). The theoretical background for this paper lies in management accounting research, as a sound theoretical basis for the implementation and research of IFRS standard changes has not yet developed. Due to the seminal nature of all research regarding IFRS standard changes, an exploratory take on the process framework is well justified.

According to Yin (1994), exploratory research looks for patterns in the data collected and tries to come up with a model within which to view this data. In addition, exploratory research is defined as developing those models for the basis of further study. This is also a highly relevant viewpoint for justifying the use of an exploratory context for the case study. In addition to developing an implementation process framework for further discussion based on the patterns perceived in interviews with case company personnel and IFRS experts, variables that affect the process are distilled from interviews to find the most frequently mentioned ones as a basis for further research.

In management accounting research, neoclassical economic theory is often used to justify quantitative and qualitative case studies where actions are set within the context of competitive markets. Positive accounting theories, in general, are concerned with the explanation and prediction of events and they do not explain or account for processes as such. (Scapens, 1990) Due to this limitation, they are not considered possible theoretical discourses for the research paper. As explained in subchapter 2.1, institutional economic theory provides a sound theoretical basis for developing the framework of this study.

Biggam (2008) defines qualitative research as being optimally used in research situations where opportunities for quality responses exist. In the research paper at hand, quality responses are important to the collection of evidence as understanding the issues in depth requires the opportunity for the interviewees involved in data collection to voice opinions outside of a strictly structured context. As explained by Cohen et al. (2000, p. 182), “In a case study the researcher typically observes the characteristics of an individual unit – a child, a class, a school or a community. The purpose of such observation is to probe deeply and to analyze intensely the multifarious phenomena that constitute the life cycle of the unit.” This defines well the aim of the exploration into building the process framework and the variables that affect it. The implementation process requires observation of the case company on a deeper level, after which the analysis is validated through expert opinions.

4.2 Data collection and research design

Research design and validity

Biggam (2008) states that a research strategy refers to “the description of how a person intends to implement a research study”. For example, research strategy is the strategy that a person intends to adopt in order to be able to complete the empirical study. Building with the notion of research strategy, Tellis (1997) states that “construct validity[6], external validity[7], internal validity[8] and reliability” are important. Yin (1994) adds to the discussion by outlining six main steps for the structure of a case study: preparation, collecting evidence, assessing evidence, identifying and explaining patterns, theory development and report writing.

Combining the three ideas mentioned in the last paragraph, the research strategy of the research paper is best explained in detail to ensure that no confusion is present as to the reasons behind structural choices. To begin with, due to the lack of a sound theoretical basis, management accounting and IT system implementation theories are used to develop the initial theoretical

[6] Construct validity means the agreement of theories to specifically measured or researched items.
[7] Securing validity through external acceptance.
[8] Identifying causal relationships in the research.

framework and variables in Chapters 2 and 3. To ensure construct validity, the development of the framework is split into two empirical phases: first, the theoretical framework is shown to a set of case company interviewees after their current process of IFRS standard change implementation has been reviewed (see subchapter 6.1 for more details). This serves to match the theoretical framework with the practical process that is ongoing in the company based on the case company interviewees. The framework is also modified at that stage to ensure that it reflects a synthesis of management accounting theory as well as the construct validated practical processes of the case company keeping the exploratory framework in mind. Second, the modified framework is shown to IFRS experts in the course of semi-structured theme interviews to ensure external validation of the framework and its use as a basis for empirical results. Internal validation is enhanced through the causal development of both the framework and the variables: Theoretical synthesis of framework and variables => Case company interviews => second version of the framework and variables => IFRS expert interviews => Final exploratory framework and variables.

Reliability is enhanced primarily through a strict established case study protocol (Tellis, 1997). The research paper establishes a protocol through a specific case study research format and case study questions explained in the first chapter and followed throughout. In addition, evidence and documentation such as interview notes and recordings are gathered during the process and retained. Recordings of the interviews also serve to increase the reliability of the study results, as all quotes can be traced back to their original source.

The structure outlined by Yin (1994) for the preparation of a research paper (preparation, collecting evidence, assessing evidence, identifying and explaining patterns, theory development and report writing) has been an important outline for the research paper in a chronological sense. In order to maintain the causal development of the framework through the research, the preparation needed to consist of finalizing the theoretical framework first, then collecting evidence through the case company interviews and assessing the evidence to modify the framework. After modification, evidence was collected from IFRS experts, and then assessed. Identifying and explaining patterns, theory development and report writing followed in that order after the final data from IFRS experts had been collected.

Data collection

Of the six sources of data identified by Yin (1994)[9], interviews were used as a source for this study. In addition, documentation of the case company Accounting Manual as well as process descriptions was reviewed for data triangulation purposes, but they were only present to give a holistic understanding of the existing rules and routines present in the case company. The positive aspects of interviews as a source of data as identified by Tellis (1997) are that they enable targeted and focused collection of evidence as well as an insightful look into the case study question at hand. Limitations are reviewed in the next subchapter alongside other limitations of the research method.

Semi-structured theme interviews are the most used method of gathering qualitative data in economic research disciplines (Koskinen et al., 2005), and is the interview method also in this research. The method signifies that a research template is prepared beforehand by the researcher around a few themes and then communicated to the interviewees. It is important that the order of the themes is not binding, and the interview session may raise free discussion on topics related to the themes leading to additional topics being discussed. The aim of the template is to ensure that all questions are asked, and the responsibility of the researcher lies in directing the conversation to the focus of the research (Koskinen et al., 2005). In the research paper, focusing the conversation was especially important with the IFRS experts who all possessed a large amount of knowledge on the themes presented and subsequently had a lot of ideas. All interviews were transcribed to ensure reliability of the study, although the formal application of case study methodology was also a reliability-ensuring trait of the research.

The choice of interviewees is also very important to ensure reliable results. In qualitative research, the researcher usually considers who might be appropriate people to be interviewed in light of the objectives of the research. In theory, this method of sampling is called purposive sampling (Koskinen et al., 2005). This sampling method was suitable for the study due to the clear themes in the research. The method allowed for the inclusion of the most appropriate people for each research objective. For the case company interviewees, accounting, non-accounting and top management interviewees were needed to represent the different levels and roles of the functions involved in IFRS standard change implementation. IFRS experts formed a group on their own, and purposive

[9] Documentation, archival records, interviews, direct observation, participant observation and physical artefacts.

sampling was used to choose interviewees with a long background in working with IFRS issues and preferably their implementation within companies.

The interviews were carried out during fall 2010 and spring 2011 for both case company representatives and IFRS experts. In total, 12 interviews were conducted with 11 case company employees to include a cross-functional representation of the different stakeholders within the company. In addition, 4 interviews were conducted with 5 IFRS experts to ask for their validating opinion on the process framework and the variables affecting the success of IFRS standard change implementation processes. In sum, 16 interviews with 16 people were conducted for the empirical section of the research in the semi-structured theme format.

The interviews were conducted in a chronological order that signified the completion of all case company interviews first followed by the IFRS expert interviews. The reason for this strict chronological separation of the interviews stems from the validating role of the IFRS experts in this study. First, the theory was reviewed and written to synthesize a theoretical IFRS standard change implementation process framework and theoretical organizational and contextual variables affecting the success of the implementation process. Next, these theoretical syntheses were presented to interviewees in each case company interview as elaborated in the next few paragraphs of this subchapter. Following the case company interviews, each interview was transcribed and analyzed to provide results on how the interviewees felt the theoretical process framework and variables should be modified both in regard to the current case company process and their personal experience.

The process framework and variables were modified before the IFRS expert interviews to better validate the theoretical frame. The IFRS experts thus had a chance to validate the modified IFRS standard change implementation framework and variables and state how they viewed the usability of the framework, how they defined success and what could be improved or added to the list of variables according to their expertise.

Case company interviewees

"If accounting researchers want to exploit the full potential of case study methods to understand management accounting, they must be prepared to study accounting practices at various levels within the organisation […] case studies should explore the day-to-day accounting practices of real people in the context in which they work." (Scapens, 1990, p. 278) In light of the view by Scapens, case company interviewees were chosen on several different company levels and from different functions to ensure a holistic look into the company.

In the case company, the interviewees were selected in a way that ensured that both accounting and non-accounting personnel as well as top management were equally represented. Based on the theoretical grouping of Accounting, Non-accounting and Top management personnel (McGowan & Klammer, 1997; Krumwiede, 1998) the interviewees fit into the following groups:

Accounting group: 6 interviewees

Interviewees 1-4, 11: Members of Group level Accounting and Reporting teams. One analyst, two managers and two Vice Presidents were interviewed from the Accounting group to ensure that all points of view of the different hierarchical levels were represented in the results.

Interviewee 10: Member of Top Management in Accounting-related functions, sitting on the higher level Accounting and Reporting decision-making body and in close contact with the CFO and CEO of the company.

Non-accounting group: 5 interviewees

Interviewees 5-6: Members of the IT teams representing Accounting and Reporting Information Systems on a Manager/Team Leader and Vice President level.

Interviewees 7-9: Members of the Group Tax team, the Group Business Controlling team and the Financial Communications and Investor Relations teams.

All interviewees in the accounting and non-accounting groups were familiar with IFRS standards from the point of view of their work. They were asked to respond to the interview questions from the point of view of their own position and experience in the case company. This allowed for a cross-functional look into the different stakeholders of the company. The member of the Group Business Controlling team was able to represent an operational management perspective both from his/her own working experience and knowledge of the business areas, whereas the Investor Relations (IR) responsible was able to respond also from a financial communications point of view. The Group Tax role could be likened to Group Treasury and Group Legal roles as well as other specialized corporate functions regarding IFRS standard changes in the sense that it is clearly definable that some large changes affect them and some do not. From this point of view, they have similar roles in the implementation process when the IFRS standard changes do affect them.

Top management representation is best interpreted through the interview with a top management level accounting executive, but in total three of the ten interviewees represented the point of view of high level management. In total, six out of ten interviewees had supervisor responsibilities as team leaders, managers or representing high level management.

IFRS expert interviewees

The IFRS experts were all selected based on their academic and/or experienced background in working with IFRS. Four interviewees were selected from leading "Big 4" auditing firms[10]: Ernst & Young, Pricewaterhousecoopers, Deloitte and Touche and KPMG. One interviewee was selected based on an extensive international background in IFRS research and academia.

The first IFRS expert interviewed was an acting auditor at one of the Big 4 firms, with several years of auditing experience from different companies and integral knowledge of the case company at hand. The second IFRS expert was also an auditor in a Big 4 auditing company with a more senior role in auditing processes and a large body of knowledge on the case standard change.

The third IFRS expert represented academia, with more than twenty years of research into IFRS on his belt and a professorship in International Accounting at a leading University of Economics and Business Administration. The fourth IFRS expert was currently holding the job title of "IFRS expert" in a Big 4 auditing firm with the coincidence that the person was also responsible for an international internal steering group regarding this case standard change. The fifth IFRS expert held a similar title in another Big 4 firm, and also had an extensive background working for companies and practically implementing IFRS standard changes in the accounting organization of different companies.

[10] Coined "Big 4" due to their market size.

The structure and questions of the interviews

The interviews lasted 30-90 minutes. The semi-structured theme format for the interviews stayed the same for all 16 interviewees with only slight variance in the first question for IFRS experts. All interviews held a structure of five questions which can be found in Appendices 1 and 2 of the thesis.

All interviews began with a presentation of the case standard change in question, its main changes and a presentation of the model financial statements of the case company. This helped to clarify the changes proposed by the standard change and affirm the position of the standard change as an example of the types of changes that may happen with IFRS in the future.

The first question was aimed at understanding the role of the interviewee regarding IFRS standard change implementation. For the case company interviews, the focus was on the interviewee’s current job in the case company. The purpose of the first question was to understand two aspects of the research: 1) The current process of IFRS standard change implementation in the company and 2) the people and roles currently involved in the IFRS standard change implementation process. For the IFRS expert interviews, understanding the experience of the interviewee in working with IFRS standard change implementation processes was the aim. The purpose of the first question was to validate the level of IFRS expertise of the interviewees and the amount of time spent working with IFRS issues.

The second and third question focused on the IFRS standard change implementation process framework and its validation as a framework for the implementation process through exploratory, qualitative research. For the case company interviewees, the theoretical framework synthesized from existing research results was shown, and the interviewee was allowed to take a moment to look over the framework (see Appendix 1). Next, the second question was posed to ask how the interviewee felt that the theoretical process steps portrayed the current process in the company. The purpose of the question was to enable analysis of how the theoretical framework differed from current practices in the case company.

Following that answer, a third question was presented asking how the interviewee felt that the theoretical process framework should be improved. This allowed the interviewee to compare the firm’s current process with the theoretical process as well as voice any opinions related to how the process should be handled, possibly differing from both the current process and the theoretical framework. The purpose of the third question was to enable empirical research on two aspects of the research question: 1) The validity of the theoretical framework compared to current practical processes in the case company and 2) the validity of the framework from the interviewee's experience, allowing the inclusion of accounting and non-accounting personnel for validation of whether the theoretical framework is usable regarding practical challenges. For the IFRS expert interviews, the framework presented before questions two and three was modified as stated earlier in this paper (see Appendix 2).

The fourth question was aimed at revealing the definition of success of the implementation of an IFRS standard change from the point of view the interviewees to enable them to consider the variables affecting the relative success of the implementation. After that, the theoretical synthesis of the variables was handed to the case company interviewees, and in the case of IFRS experts, the modified theoretical list of variables was given. The fifth question asked the interviewee to first scan the list and then identify any irrelevant or extra variables in their opinion. Following that assessment, the interviewee was also asked to identify the variables that he/she thought had the most significance for success and if any variables came to mind outside of the list.

Analysis techniques

After the collection of interview data, the interviews were transcribed and the data processed in an iterative manner to ensure that the key findings became clear. Lists of bullet points from the interviews, graphs and notes were used to support the process of drawing connections between the findings and seeing which variables, for example, were mentioned most frequently. Due to this method of analysis, the data analysis technique can be defined as analytical induction (Koskinen et al., 2005). A method of analytical induction signifies that an initial conclusion is first reached with a small group of data points, and then analyzed again with larger amounts of data until all of the data has been covered. The conclusion is refined in the process and in the end represents all of the data gathered. This was the method of reaching the conclusions in the research paper.

Additionally, the semi-structured interviews lend a thematizing aspect to the data analysis. The "small groups of data points" mentioned in the previous paragraph are in fact the themes of the research questions of the interviews. First, the current processes of IFRS standard change implementation are reviewed for the case company. Next, the implementation process framework is modified through case company and IFRS expert interviews. The last two themes are the definition of success and the variables affecting the implementation process. Thematizing is a common form of data analysis as well (Koskinen at el., 2005).

The analysis technique used for identifying and explaining patterns is *pattern-matching* for purposes of comparing the exploratory framework with the initial theoretical framework as well as the modified framework after the case company interviews. This technique “compares an empirically based pattern with a predicted one”. (Yin, 1994; Tellis, 1997) It is often understood that if the patterns match, then the internal validity of the study is enhanced. In the case of the research, the aim is to detail the ways in which the theoretical synthesis is developed to form the exploratory implementation process framework, and internal validity is enhanced through the causal development of the model throughout the thesis.

4.3 Limitations of the research design

General limitations for case study research have been identified by several researchers. These include a possible lack of systematic reporting of all evidence, the systematic collection and generalization of evidence, difficulty in drawing boundaries around the subject matter of the case, researcher bias and ethics of the researcher’s relationship with his/her subjects. (Scapens, 1990; Yin, 1994)

Regarding problems with the possible systematic collection, reporting and generalization of evidence, the case study is designed so that it incorporates the same structure for all case company interviews and a similar structure for all IFRS expert interviews. Transcription and analysis is aided with the use of recording and documentation devices, and direct quotes are attained after the systematic writing of all interviews into text format. In the absence of a recording device, as was the case with two interviews, detailed documentation of the interview was kept throughout the interview and direct quotes were cited only when reliably written down in the notes.

Drawing boundaries around the subject matter of a case is a question of research design and scope. This is an area of consideration for this thesis when using the case study example of a pre-publishing date standard change and asking interviewees how they think it will be or should be implemented. The limitation has been addressed and mitigated using the case standard change as an example of the type of large change that is anticipated to be common in future years. Interviewees were also asked to consider the case standard change as an example when answering questions, allowing for their answers to be interpreted in a generalized context.

Researcher bias, based on the idea that case studies represent interpretations of social reality and so there is no such thing as an objective case study, is diminished by feeding back the interpretation of the interviewee to him/her during the course of the interview to validate their sayings, as explained by Yin (1994). In addition, any analysis is based on the written text from the interviews, and any assertion may be followed back to a quote from the interviewee or a documentation paper from the interview.

The ethics of the researcher's relationship with the interviewee are a limitation of the research paper due to the wish for the case company to remain anonymous and the duration of the research project leading to a closer relationship with the company. It is, however, not a compromising factor to the structure or results of the research as all relevant information is stated in the text and documentation from interviews exists.

The limitations of using interviews as a data collection methodology include possible bias from poor questions, response bias, incomplete recollection and reflexivity (meaning the interviewee expresses what the interviewer wants to hear due to sensitive information or there being no right or wrong answers). (Yin, 1994) Reflexivity is mitigated through the neutral standing of the interviewer in presenting the questions, allowing the interviewees to "think themselves" and not receive hints regarding any right or wrong answers. The topic of research is also of the nature that has little sensitive information. The implementation process framework and variables affecting its success do not entail sensitive information related to the positions of the interviewees. The questions were structured in advance and a semi-structured format followed, mitigating the effects of poor questions. Incomplete recollection is mitigated through proper documentation of the interviews, and response bias is addressed through a consideration of the general backgrounds of the interviewees before analysis and a grouping of the interviewees.

5. Case IFRS standard change

The purpose of this chapter is to explain the case standard change used to build the exploratory implementation process framework and identify the variables affecting implementation, which together are the research focus of the paper. The point of a case IFRS standard change is to allow the interviewees to understand how a large standard change could potentially affect their work. In the contingent setting of one specific large IFRS standard change, the interviewees can visualize these effects and understand what a "large change" might mean for their function. To enable this visualization, the main changes of the case IFRS standard change are reviewed and then presented to the interviewees at the beginning of each interview.

In the first subchapter, the standard change is explained on a general level. The second subchapter drills into the details and analyses and describes the main changes proposed in the standard. The third subchapter helps to visualize the effects of the IFRS standard change on the case company through model financial statements prepared according to the new standard and presented side by side with the published financial statements.

5.1 Financial Statement Presentation standard change

As mentioned by several sources, the International Accounting Standards Board (IASB), which oversees the development of IFRS standards, has undertaken a large revamp of the standards. The IASB as well as other international institutions such as the International Organization of Securities Commissions were created for the purpose of creating a single set of high-quality international accounting standards (Hellmann et al., 2010), and changes are part of the process. The largest upcoming changes in the standards are part of a common goal undertaken by the IASB and the Financial Accounting Standards Board (FASB), responsible for the development of local US GAAP, in 2005, when they outlined in a Memorandum of Understanding (MoU) to converge existing financial reporting standards (PWC, 2011a).

One of the key projects outlined was one, coherent international set of standards set to modify *Financial Statement Presentation* (FSP). "The IASB and the FASB initiated the joint project on financial statement presentation to address users' concerns that existing requirements permit too many alternative types of presentation and that information in financial statements is highly aggregated and inconsistently presented, making it difficult to understand fully the relationship between an entity's financial statements and its financial results." (Staff Draft, 2010; IASB, 2010) This standard change is used as a case example in the research.

The IASB chopped the Financial Statement Presentation project into three parts, the first of which introduced changes to standard IAS 1 *Financial Statement Presentation* in 2007. The second part includes issuing a new IFRS standard for Financial Statement Presentation to replace the standards IAS 1 and IAS 7 *Statement of Cash Flows* as well as amendments to the existing IAS 1 standard for the term Other Comprehensive Income (OCI). The third phase of the standard change is the creation of a common definition for discontinued operations and clarifications to their presentation. (Deloitte, 2010; IASB, 2010)

The focus of the case study in the research paper is on the second part of the FSP project, which includes replacing the whole content of the two existing standards IAS 1 and IAS 7 with a completely new IFRS standard. During spring 2011, the change is still in a draft phase and the new IFRS standard has not been published. Preliminary work regarding the new standard has been ongoing for a few years, and the latest advance in the standard is a Staff Draft on an Exposure Draft of the new standard published by the IASB in June 2010. (IASB, 2010)

The changes proposed for *Financial Statement Presentation* are large and are expected to propose challenges for companies (Benzacar, 2009). The two boards are proposing two different streamlined standards under US GAAP and IFRS, but the project is undertaken jointly in a way that ensures that the two standards are comparable. In spring 2011, the timetable for a new IFRS standard for Financial Statement Presentation is near the end of 2011.

Using the Staff Draft, extensive materials such as video presentations by the IASB staff and discussion materials as sources, it is possible to formulate a comprehensive picture of the changes proposed by the overhaul of IAS 1 and IAS 7. In addition, IASB members and IFRS experts have been contacted to help clarify the details of the changes proposed via email and face-to-face meetings. In the following subchapter, these changes are summarized in brief and an analysis of the scale of the change is presented. In the final subchapter, the changes are visualized with scaled figures of the case company financial statements in 2009, comparing the old and the new statements side by side. Finally, the role of the standard change in the empirical investigation is reminded.

5.2 Details of the proposed changes to IAS 1 and IAS 7

This subchapter outlines the detailed changes proposed to the existing standards IAS 1 and IAS 7. First, the timetable of the standard change is discussed. Next, the problems that the standard change aims to tackle are presented. After the problems are stated, the proposed solutions of the standard change are reviewed on the whole. Then, the changes proposed to each of the financial statements are explained. At the end of the subchapter, a summary of the main changes is provided.

In the beginning of the year 2010, the FASB and the IASB were keen on publishing an Exposure Draft for changes to IAS 1 and IAS 7 on a quick timeline. Due to the large-scale discussion and resistance to the large changes proposed, however, the boards decided to postpone publishing an Exposure Draft until at least the second half of 2011. (IASB, 2010)

The aim of the two accounting standard setting boards was to tackle four problems in the existing two standards IAS 1 and IAS 7. The first problem addressed was a lack of standardization and a low level of detail in current financial statements, with a lot of variation in the formats used for operating cash flows and too few reconciliation items provided. The second identified problem was that the starting point for the reconciliation of profit and operating cash flow was different in the existing standards. Third, the boards felt that the mix of cash and non-cash items in the cash flow statement was confusing, and only cash items should be presented. The fourth problem was the fact that information was not linked with other statements. For example, an *operating income* subtotal under IFRS would vary and be inconsistent with the term *operating cash flow* regarding the content of the terms. (IASB, 2010)

The proposed changes would result in a completely new look for financial statements as presented in Table 11. After the table, the main changes are reviewed:

Table 11 Proposed new structure for financial statements (McConnell, 2010)

Statement of Financial Position	Statement of Comprehensive Income	Statement of Cash Flows
Business section	**Business section**	**Business section**
Operating category	Operating category	Operating category
Operating finance subcategory	Operating finance subcategory	
Investing category	Investing category	Investing category
Financing section	**Financing section**	**Financing section**
Debt category	Debt category	Debt and equity
Equity category		
	Multi-category transaction section	**Multi-category transaction section**
Income tax section	**Income tax section**	**Income tax section**
Discontinued operation section	**Discontinued operation section,** net of tax	**Discontinued operation section**
	Other comprehensive income, net of tax	

Overview of the changes

The first large change proposed by the standard change is the grouping of grouping of all financial statements items presented under new headings classified by the nature of the item. In the cash flow statement items will all have new headings classified by the nature of the item, for example "cash from customers" and "cash to employees". Primarily, this will change the categorization of line items in a way that supports greater separation of cash flows and results in greater transparency for investors. The old cash flow category names (operating, financing and investing) are aimed to be maintained, but they are proposed to be redefined in a way that will change the current way financial statements are read. (McConnell, 2010)

Other changes across all of the statements include the addition of a multicategory transaction section (applying to acquisitions and disposals of businesses) and an income tax section to group all taxes at the end of the statements. (Staff Draft, 2010)

One of the proposed changes is the highly debated question of introducing a mandatory "direct" cash flow method, which signifies the direct presentation of cash flows as inflows and outflows. The proposal has raised interest globally across companies who say that the changes will most likely be costly to implement. One of the reasons of project delay has been that the two boards want to engage in further discussions with society to see what the response from the community will be regarding the best method of proposing this radical change. (IASB & FASB, 2010)

In addition to other benefits expected to be gained by the change, the boards believe that a direct method of presenting cash flows would make the statement of cash flows more intuitive and understandable to a broad range of users of financial statements. It is also stated in an IASB Staff Webcast explaining the change that it would "provide insight into the relationship between (a) revenues and expenses presented in the statement of comprehensive income and (b) cash flows presented in the statement of cash flows." (IASB & FASB, 2010)

Statement of Cash Flows

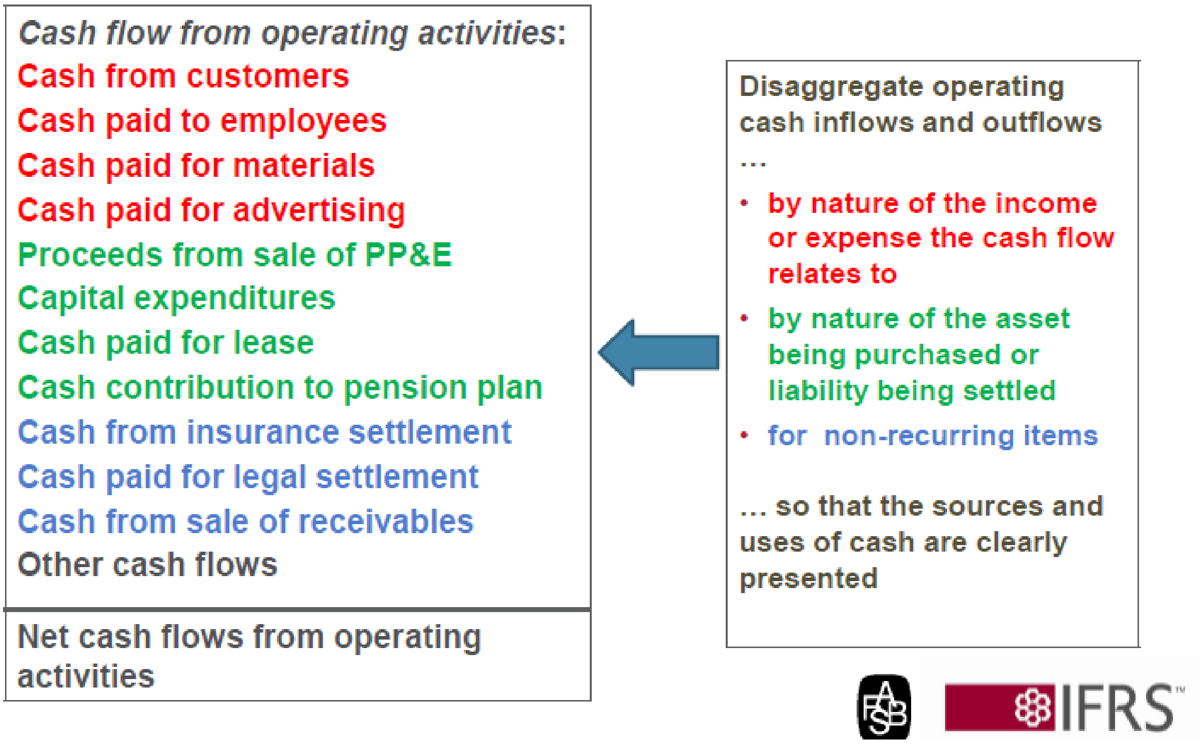
Changes to the Cash Flow Statement include the redefinition of the categories as mentioned previously. Instead of using the former "operating", "financing" and "investing" categories, these would include only items pertaining to the category they actually represent. For example, in "operating activities", income taxes, interest paid and investment income are currently shown. Under the new standard, these would be, respectfully, in the "income tax section", the "financing section" and the "investing category". Additionally, in "investing activities", capital expenditure is now shown. This is planned to be moved to operating activities.

Other changes include the omission of non-cash items like depreciation and changes in receivables and payables. The cash flow statement as such would only have actual cash inflows and cash outflows. In addition, a reconciliation statement with the common starting point of operating income to operating cash flows would be stated underneath the Statement of Cash Flows. Cash equivalents would be eliminated, and operating cash flow would be a pre-tax, pre-interest measure due to the new "income tax section". In the operating section, the disaggregation of line items by function/nature, ie. "cash from customers", would offer the opportunity for users to compare metrics and trends like "cash gross margin" and analyze, for example, if "cash from customers" is growing at the same rate as revenues. (IASB & FASB, 2010)

The reason why operating cash flows are important information to investors from the point of view of the boards is that they make actual cash flows are easier to understand, help in a 'quality of earnings' analysis and provide a meaningful depiction of how an entity generates and uses cash. In practice, cash inflows and outflows reflect the cash realization of income and expenses. According to the new grouping, new metrics can also be created such as “Cash operating margin” and “Gross cash margin”. (IASB & FASB, 2010)

The following table shows an exemplary breakdown of the operating cash flows of a company:

Table 12 Proposal for the breakdown of operational cash flows (IASB & FASB, 2010)



Regarding the Statement of Cash Flows, the largest question in the air is the introduction of a mandatory direct cash flow method. In the Staff Draft, the boards are proposing that the direct cash flow could be attained using an indirect/direct as shown in the following table:

Table 13 *Direct/direct* and *indirect/direct* calculation options for cash flow (IASB&FASB, 2010)

Direct/direct	Tracking cash flows by transaction = Cash from customers
Indirect/direct	Sales +/- change in receivables – write offs on bad debt +/- transactions with any noncustomers like acquisitions or securitization = Cash from customers

Statement of Financial Position

In the Statement of Financial Position, assets and liabilities are proposed to be grouped by function instead of by element. The proposal is to have either short and long-term subcategories or an arrangement of the items by liquidity. Total assets and liabilities would be at the bottom of the statement with assets and liabilities grouped together and not separated. A separate section for operating assets and operating liabilities in order to have a measurement for “net operating assets” is considered. This is crucial for being able to calculate, for example, Return on Capital Employed (the case company currently calculates ROCE with Operating profit/ (Operating capital – Net tax liabilities). The content of line items under operating profit and operating capital would change.

Another change would be the classification of cash balance in the operating category. In addition, the Staff of the IASB has aimed to enable information users to analyze changes in balance sheet line items including the concept of a “net debt roll forward” (=net debt – liquid assets). Finally, in the Statement of Financial Position a separate note should detail the amounts of remeasurement of balance sheet items and their effect on profit and loss in order to distinguish them from other types of gains and losses.

Statement of Comprehensive Income

In the Statement of Comprehensive Income, income and expenses are aimed to be grouped by function, including an operating and financing section, on the face and by nature in the notes. Operating profit would be defined under IFRS in a new way to prove consistency with the terms “operating cash flow” and “operating assets”. For example, it would not include interest expense on financial lease contracts, but could include lease payments in the business section as part of the operating category. More disaggregation would also be required in the notes from existing calculations and Other Comprehensive Income would (already effective in a new IFRS standard released during the FSP change project) distinguish between reclassifiable and classifiable items.

Summary of the changes

To summarize, the FSP standard change is proposing a large overhaul of the presentation of financial statements as well as the classification of line items, which could have an effect on business analysis, IT systems in accounting, taxes and other non-accounting functions. Although the standard change has not been published, discussion has been ongoing for a long time and the standard change has been postponed due to its large-scale effects, and as such is a good case example for purposes of the research paper.

The main changes proposed are the mandatory introduction of preparing a direct Statement of Cash Flows, the introduction of "net balances" to the balance sheet and the grouping of items in the financial statements by nature and into new categories.

5.3 Model case company financial statements according to the new standard

The financial statements of the case company are possible to model according to the proposed changes in the IFRS standard detailed in the previous subchapter. Using only the Annual Report 2009 of the case company as a source of data (Case company Annual Report, 2009), a comparison of the current financial statements and the financial statements under the proposed FSP model look as illustrated in Tables 14, 15 and 16. The tables are included to indicate the documentation shown to the interviewees as a source of information regarding the case example standard change and the large-scale effects it could have.

The illustrative model financial statements have been synthesized according to the detailed changes proposed to each financial statement in the Staff Draft (2010). The final look for the financial statements is not definite, and the model financial statements are subject to possible accounting policy decisions made during the implementation process. In the case of these model statements, accounting policy decisions have been avoided and the statement information regrouped only on the basis of the text in the Staff Draft. For example, the Staff Draft states that "all equity-accounted investments should be accounted for in the investment section" (Staff Draft, 2010, p. 21). Subsequently, all equity-accounted investments of the case company are reported in the investing section in the model statement regardless of whether the case company considers them as operating investments or not. Due to this method of preparation, the model financial statements are illustrative. The figures have been scaled to protect the anonymity of the case company.

Table 14 Statement of Financial Position

ORIGINAL SCALED FIGURES:

Consolidated Balance Sheet			
	As at 31 December		
EUR million	**2009**	**2008**	**2007**
Assets			
Fixed Assets and Non-current Investments			
Goodwill	10,9	10,8	26,3
Other intangible fixed assets	3,7	4,0	8,3
Property, plant and equipment	245,6	282,8	338,4
	260,2	297,7	373,0
Biological assets	8,0	7,0	4,6
Emission rights	1,3	3,5	0,3
Equity accounted investments	77,4	54,5	60,3
Available-for-Sale: Interest-bearing	3,7	8,1	8,5
Available-for-Sale: Operative	40,7	49,9	65,9
Non-current loan receivables	8,3	6,8	6,6
Deferred tax assets	8,1	3,9	3,3
Other non-current assets	1,6	0,8	1,2
	409,4	432,2	523,6
Current Assets			
Inventories	67,0	88,5	104,1
Tax receivables	0,1	1,3	1,8
Short-term operative receivables	71,2	82,7	107,8
Interest-bearing receivables	11,6	13,1	11,9
Cash	46,5	21,7	50,7
	196,4	207,4	276,3
Total Assets	**605,7**	**639,5**	**799,9**
Equity and Liabilities			
Equity Attributable to Parent Company Shareholders			
Share capital	70,1	70,1	70,1
Share premium	4,0	106,5	106,5
Reserve fund	0,2	12,5	12,5
Treasury shares	-0,5	-0,5	-0,5
Other comprehensive income	34,7	17,5	50,2
Cumulative translation adjustment	-10,2	-23,2	-6,0
Invested non-restricted equity fund	106,7	0,0	0,0
Retained earnings	108,7	144,7	175,3
Net (loss) / profit for the period	-46,0	-35,2	-11,2
	267,7	292,3	396,7
Minority Interests	3,0	3,0	3,8
Total Equity	**270,8**	**295,2**	**400,5**
Non-current Liabilities			
Post-employment benefit provisions	15,9	15,6	17,1
Other provisions	9,4	10,6	7,1
Deferred tax liabilities	19,0	14,5	30,4
Non-current debt	151,4	157,1	175,3
Other non-current operative liabilities	2,3	1,5	2,8
	198,1	199,3	232,6
Current Liabilities			
Current portion of non-current debt	42,6	22,9	26,8
Interest-bearing liabilities	11,0	30,7	25,2
Bank overdrafts	0,7	2,3	4,8
Current operative liabilities	77,0	83,7	103,0
Tax liabilities	5,6	5,5	7,0
	136,9	145,0	166,8
Total Equity and Liabilities	**605,7**	**639,5**	**799,9**

STAFF DRAFT- BASED SCALED FIGURES:

Statement of Financial Position			
	As at 31 December		
EUR million	**2009**	**2008**	**2007**
Business section			
Operating category			
Non-current Assets and Liabilities			
Goodwill	10,9	10,8	26,3
Other intangible fixed assets	3,7	4,0	8,3
Property, plant and equipment	242,9	282,4	336,5
Biological assets	8,0	7,0	4,6
Emission rights	1,3	3,5	0,3
Other non-current assets	1,6	0,8	1,2
Other non-current operative liabilities	2,3	1,5	2,8
Net non-current operating assets/(liabilities)	**266,2**	**307,1**	**374,4**
Current Assets and Liabilities			
Inventories	67,0	88,5	104,1
Short-term operative receivables	71,2	82,7	107,8
Current operative liabilities	77,0	83,7	103,0
Net current operating assets/(liabilities)	**61,2**	**87,5**	**108,9**
Operating finance subcategory			
Available-for-Sale: Operative	40,7	49,9	65,9
Finance leases	2,6	0,5	1,9
Post-employment benefit provisions	15,9	15,6	17,1
Other provisions	9,4	10,6	7,1
Net operating finance assets/ (liabilities)	**17,9**	**24,2**	**43,6**
Net operating assets/(liabilities)	**345,3**	**418,7**	**526,9**
Investing category			
Non-current Assets			
Equity accounted investments	77,4	54,5	60,3
Available-for-Sale: Interest-bearing	3,7	8,1	8,5
Non-current loan receivables	8,3	6,8	6,6
Net non-current investing assets	**89,5**	**69,4**	**75,4**
Current Assets			
Interest-bearing receivables	11,6	13,1	11,9
Cash	46,5	21,7	50,7
Net current investing assets	**58,1**	**34,8**	**62,6**
Net investing assets	**147,6**	**104,2**	**138,0**
Financing section			
Debt category			
Non-current debt	151,4	157,1	175,3
Current portion of non-current debt	42,6	22,9	26,8
Bank overdrafts	0,7	2,3	4,8
Interest-bearing liabilities	11,0	30,7	25,2
Total Debt	**205,7**	**213,0**	**232,1**
Equity category			
Equity Attributable to Parent Company Shareholders			
Share capital	70,1	70,1	70,1
Share premium	4,0	106,5	106,5
Reserve fund	0,2	12,5	12,5
Treasury shares	-0,5	-0,5	-0,5
Other comprehensive income	34,7	17,5	50,2
Cumulative translation adjustment	-10,2	-23,2	-6,0
Invested non-restricted equity fund	106,7	0,0	0,0
Retained earnings	108,7	144,7	175,3
Net (loss) / profit for the period	-46,0	-35,2	-11,2
	267,7	292,3	396,7
Minority Interests	3,0	3,0	3,8
Total Equity	**270,8**	**295,2**	**400,5**
Income tax section			
Deferred tax assets	8,1	3,9	3,3
Deferred tax liabilities	19,0	14,5	30,4
Deferred tax liabilities/ (assets)	**10,9**	**10,6**	**27,1**
Tax receivables	0,1	1,3	1,8
Tax liabilities	5,6	5,5	7,0
Tax liabilities/(receivables)	**5,5**	**4,2**	**5,2**
Total tax liabilities /(receivables)	**16,4**	**14,8**	**32,3**
Discontinued operation section			
Discontinued operations	0,0	0,0	0,0
	0,0	0,0	0,0
Total Assets	**605,7**	**639,5**	**799,9**
Total Liabilities	**605,7**	**639,5**	**799,9**

Table 15 Statement of Comprehensive Income

ORIGINAL SCALED FIGURES:

Consolidated Income Statement			
	Year Ended 31 December		
EUR million	**2009**	**2008**	**2007**
Continuing Operations			
Sales	**467,4**	**576,2**	**619,0**
Other operating income	9,0	6,3	4,6
Changes in inventories of finished goods and work in progress	-10,5	-4,1	4,2
Change in net value of biological assets	-0,2	-1,0	0,4
Materials and services	-285,5	-356,1	-368,4
Freight and sales commissions	-43,6	-58,9	-59,2
Personnel expenses	-70,5	-87,2	-89,5
Other operating expenses	-43,5	-39,3	-39,8
Share of results in associated companies	5,8	0,4	17,8
Depreciations, amortisation and impairment charges	-60,2	-74,3	-79,9
Operating (Loss) / Profit	**-31,7**	**-38,0**	**9,2**
Financial income	10,9	18,6	8,5
Financial expense	-25,5	-27,4	-16,6
(Loss) / Profit before Tax	**-46,3**	**-46,7**	**1,1**
Income tax	0,4	11,2	-0,4
Net (Loss) / Profit for the Year from Continuing Operations	**-45,9**	**-35,5**	**0,7**
	0,0	0,0	0,0
Discontinued Operations: Profit / (Loss) after Tax for the Year	**0,0**	**0,2**	**-11,8**
	0,0	0,0	0,0
Net (Loss) / Profit for the Year from Total Operations	**-45,9**	**-35,3**	**-11,1**
Attributable to:	**0,0**	**0,0**	**0,0**
Equity holders of the Parent Company	-46,0	-35,2	-11,2
Minority Interests	0,1	-0,1	0,1
Net (Loss) / Profit for the Year	**-45,9**	**-35,3**	**-11,1**

Consolidated Statement of Comprehensive Income			
EUR million	**2009**	**2008**	**2007**
Net loss/profit for the period	-45,9	-35,3	-11,1
Other Comprehensive Income			
Actuarial gains & losses on defined benefit pension plans	-1,1	-0,7	0,9
Asset revaluation on step acquisition	0,2	-	0,0
Available for sale financial assets	9,4	-20,8	11,4
Currency and commodity hedges	11,7	-16,3	0,3
Share of other comprehensive income of associates	-0,4	-0,5	0,3
Currency translation movements on equity net investments (CTA)	13,2	-17,2	-11,7
Currency translation movements on non-controlling interests	0,3	-0,3	0,2
Net investment hedges	0,0	0,1	2,8
Income tax relating to components of other comprehensive income	-3,4	4,6	8,8
Other Comprehensive Income, net of tax	**30,0**	**-51,0**	**13,0**
Total Comprehensive Income	**-15,9**	**-86,2**	**1,9**
Total Comprehensive Income Attributable to:			
Owners of the Parent	-16,3	-85,9	1,8
Non-controlling interests	0,4	-0,3	0,1
	-15,9	**-86,2**	**1,9**

STAFF DRAFT- BASED SCALED FIGURES:

Consolidated Statement of Comprehensive Income			
	Year Ended 31 December		
EUR million	**2009**	**2008**	**2007**
Business section			
Operating category			
Sales	**467,4**	**576,2**	**619,0**
Other operating income	9,0	6,3	4,6
Changes in inventories of finished goods and work in progress	-10,5	-4,1	4,2
Change in net value of biological assets	-0,2	-1,0	0,4
Materials and services	-285,5	-356,1	-368,4
Freight and sales commissions	-43,6	-58,9	-59,2
Personnel expenses	-70,5	-87,2	-89,5
Other operating expenses	-43,5	-39,3	-39,8
Depreciations, amortisation and impairment charges	-60,2	-74,3	-79,9
Operating finance subcategory			
Financial income	0,4	0,1	0,0
Financial expense	0,0	-0,2	-0,2
Operating Loss / (Profit)	**-37,2**	**-38,4**	**-8,8**
Investing category			
Financial income	4,8	18,5	4,8
Financial expense	-18,9	-2,7	-5,2
Share of results in associated companies	5,8	0,3	17,6
Investing Loss / (Profit)	**-8,3**	**16,1**	**17,2**
Financing section			
Debt category			
Financial income	5,7	0,0	3,6
Financial expense	-6,5	-24,5	-11,3
Financing Loss / (Profit)	**-0,9**	**-24,5**	**-7,6**
Multi-category transaction section			
Capital gain from disposal of group companies	0,0	0,1	0,3
Multi-category transaction Profit /(Loss)	**0,0**	**0,1**	**0,3**
Income tax section			
Income tax	0,4	11,2	-0,4
Income taxes	**0,4**	**11,2**	**-0,4**
Discontinued operation section, net of tax			
Profit / (Loss) for the Year	0,0	0,2	-11,8
Profit / (Loss) from discontinued operations	**0,0**	**0,2**	**-11,8**
	0,0	0,0	0,0
Net loss / (profit) for the Year	**-45,9**	**-35,3**	**-11,1**
Attributable to:			
Equity holders of the Parent Company	-46,0	-35,2	-11,2
Minority Interests	0,1	-0,1	0,1
Other comprehensive income, net of tax			
Other Comprehensive Income			
Reclassifiable into profit and loss:			
Available for sale financial assets	9,4	-20,8	11,4
Currency and commodity hedges	11,7	-16,3	0,3
Net investment hedges	0,0	0,1	2,8
Total reclassifiable items	21,2	-37,0	14,5
Non-reclassifiable items:			
Actuarial gains & losses on defined benefit pension plans	-1,1	-0,7	0,9
Asset revaluation on step acquisition	0,2	-	0,0
Share of other comprehensive income of associates	-0,4	-0,5	0,3
Currency translation movements on equity net investments (CTA)	13,2	-17,2	-11,7
Currency translation movements on non-controlling interests	0,3	-0,3	0,2
Income tax relating to components of other comprehensive income	-3,4	4,6	8,8
Total non-reclassifiable items	8,8	-14,0	-1,5
Other Comprehensive Income, net of tax	**30,0**	**-51,0**	**13,0**
Total Comprehensive Income	**-15,9**	**-86,2**	**1,9**
Total Comprehensive Income Attributable to:			
Owners of the Parent	-16,3	-85,9	1,8
Non-controlling interests	0,4	-0,3	0,1
	-15,9	**-86,2**	**1,9**

Table 16 Statement of Cash Flows

ORIGINAL SCALED FIGURES:

Consolidated Cash Flow Statement			
	Year Ended 31 December		
EUR million	**2009**	**2008**	**2007**
Cash Flow from Operating Activities			
Net (loss) / profit for the year	-45,9	-35,3	-11,1
	0,0	0,0	0,0
Result from the Statement of Other Comprehensive Income	12,2	-14,7	0,2
Adjustments & reversal of non-cash items:			
Taxes	-0,4	-11,1	10,2
Depreciation & impairment charges	60,2	76,7	98,3
Change in value of biological assets	0,2	1,0	-0,4
Change in fair value of options & TRS	-2,3	0,3	1,2
Share of results of equity accounted investments	-5,8	-0,4	-17,9
Profits and losses on sale of fixed assets and investments	13,0	-0,7	-1,9
CTA & Equity hedges expensed	0,3	-1,7	-7,3
Net financial items	14,6	9,0	13,9
Dividends received from equity accounted investments	0,4	0,7	1,7
Interest received	0,5	1,4	1,1
Interest paid	-5,9	-10,0	-13,7
Income received on interest-bearing securities	0,0	0,0	0,0
Other financial items, net	-6,1	11,0	-4,3
Income taxes received / (paid)	-0,2	1,3	-5,8
Change in net working capital, net of businesses acquired or sold	33,3	4,3	-17,3
Net Cash Provided by Operating Activities	**68,1**	**32,0**	**47,0**
Cash Flow from Investing Activities			
Acquisition of subsidiary shares	-0,4	-0,2	-3,7
Acquisition of shares in equity accounted investments	-6,7	-2,8	-4,8
Acquisition of available-for-sale investments	-0,1	-0,5	-0,7
Capital expenditure	-20,3	-33,9	-40,2
Investment in biological assets	-1,8	-3,0	-2,6
Proceeds from disposal of subsidiary shares	0,4	9,0	17,2
Proceeds from disposal of shares in associated companies	0,5	0,0	0,0
Proceeds from disposal of available-for-sale investments	1,2	0,8	0,8
Proceeds from sale of fixed assets	3,2	2,7	4,4
Proceeds from (payment of) non-current receivables, net	-1,3	-0,8	0,9
Net Cash Used in Investing Activities	**-25,4**	**-28,8**	**-28,7**
Cash Flow from Financing Activities			
Proceeds from new long-term debt	33,2	15,9	15,1
Repayment of long-term liabilities	-21,5	-33,1	-41,8
Proceeds from (payment of) current borrowings, net	-18,8	0,2	59,8
Dividends and capital repayments paid	-8,2	-18,5	-18,5
Equity injections less dividends from/to non-controlling interets	-0,4	-0,2	0,4
Options exercised and repurchase of own shares	-	-	-0,1
Net Cash (Used) / Provided in Financing Activities	**-15,7**	**-35,8**	**14,9**
Net (Decrease) / Increase in Cash and Cash Equivalents	**26,9**	**-32,6**	**33,2**
Cash and bank in acquired companies	0,2	-	0,0
Cash and bank in divested companies	0,0	-1,6	-5,8
Translation adjustment	-0,8	7,8	2,4
Cash and cash equivalents at beginning of year	19,5	45,9	16,2
Net Cash and Cash Equivalents at Year End	**45,8**	**19,5**	**45,9**
Cash and Cash Equivalents at Year End	**46,5**	**21,7**	**50,7**
Bank Overdrafts at Year End	**-0,7**	**-2,3**	**-4,8**
	45,8	**19,5**	**45,9**

STAFF DRAFT- BASED SCALED FIGURES:

Consolidated Statement of Cash Flows			
	Year Ended 31 December		
EUR million	**2009**	**2008**	**2007**
Business section			
Cash Flow from Operating Activities			
Cash from customers	X		
Cash paid to employees	Y		
Cash paid for materials	Z		
Cash paid for advertising	X		
Proceeds from sale of PP&E	Y		
Capital expenditures	-20,3	-33,9	-40,2
Cash paid for lease	Z		
Cash contribution to pension plan	X		
Cash from insurance settlement	Y		
Cash paid for legal settlement	Z		
Cash from sale of receivables	X		
Other cash flows	Y		
Net Cash Flows from Operating Activities	**59,0**	**-33,9**	**-40,2**
Cash Flow from Investing Activities			
Acquisition of subsidiary shares	-0,4	-0,2	-3,7
Acquisition of shares in equity accounted investments	-6,7	-2,8	-4,8
Acquisition of available-for-sale investments	-0,1	-0,5	-0,7
Investment in biological assets	-1,8	-3,0	-2,6
Proceeds from disposal of subsidiary shares	0,4	9,0	17,2
Proceeds from disposal of shares in associated companies	0,5	0,0	0,0
Proceeds from disposal of available-for-sale investments	1,2	0,8	0,8
Proceeds from sale of fixed assets	3,2	2,7	4,4
Proceeds from (payment of) non-current receivables, net	-1,3	-0,8	0,9
Dividends received from equity accounted investments	0,4	0,7	1,7
Interest received	0,5	1,4	1,1
Income received on interest-bearing securities	0,0	0,0	0,0
Net Cash Used in Investing Activities	**-4,2**	**7,2**	**14,3**
Financing section			
Cash Flow from Financing Activities			
Proceeds from new long-term debt	33,2	15,9	15,1
Repayment of long-term liabilities	-21,5	-33,1	-41,8
Proceeds from (payment of) current borrowings, net	-18,8	0,2	59,8
Dividends and capital repayments paid	-8,2	-18,5	-18,5
Interest paid	-5,9	-10,0	-13,7
Other financial items, net	-6,1	11,0	-4,3
Equity injections less dividends from/to non-controlling interets	-0,4	-0,2	0,4
Options exercised and repurchase of own shares	-	-	-0,1
Net Cash (Used) / Provided in Financing Activities	**-27,7**	**-34,8**	**-3,1**
Multi-category transaction section	**0,0**	**0,0**	**0,0**
Income tax section	**-0,2**	**1,3**	**-5,8**
Income taxes received / (paid)	-0,2	1,3	-5,8
Discontinued operation section	**0,0**	**0,0**	**0,0**
Net (Decrease) / Increase in Cash and Cash Equivalents	**26,9**	**-61,4**	**-29,1**
Cash and bank in acquired companies	0,2	-	0,0
Cash and bank in divested companies	0,0	-1,6	-5,8
Translation adjustment	-0,8	7,8	2,4
Cash and cash equivalents at beginning of year	19,5	45,9	16,2
Net Cash and Cash Equivalents at Year End	**45,8**	**-9,4**	**-16,3**
Cash and Cash Equivalents at Year End	**46,5**	**21,7**	**50,7**
Bank Overdrafts at Year End	**-0,7**	**-2,3**	**-4,8**
	45,8	**19,5**	**45,9**

6. Empirical findings

The purpose of this chapter is to detail and outline the empirical findings regarding the structure of the IFRS standard change implementation process framework and the variables affecting the success of the implementation process. The information and data collected from interviews is presented with references to other sources of data when necessary. In the first subchapter, the implementation process framework is developed through interviews with case company employees and IFRS experts. In the second subchapter a similar analysis is carried out for the variables. The subchapters end with the final implementation process framework and the list of final variables, which provide a basis for the discussion of the results in Chapter seven.

6.1 Empirical findings regarding the implementation process framework

This subchapter includes the empirical findings related to the process framework in its entirety, beginning with the case company interviews and detailing the current processes in the company, views on the case standard change and finally the modification of the process framework itself. Next, the IFRS expert views on the case standard change and their opinion for validation of the framework are presented. Finally, the final process framework is presented.

6.1.1 The case company

<u>Current process for IFRS standard change implementation in the case company</u>

The first question of the semi-structured theme interview asked the interviewees to define their role in the IFRS standard change implementation process currently as well as state how involved they are in that process. From the interview data it is possible to draw a current understanding of the process steps. In detail, the first question was:

1. How involved are you in the process of implementing IFRS standard changes currently, and how does the current process work in the case company?

The functions involved in IFRS standard change implementation in the case company are synthesized from the functions mentioned as being involved in current processes by all interviewees. These include top management (including the Audit committee), the Group level accounting and reporting team, the IT organization, investor relations and communications, Group level taxes, business areas and controllers and the whole accounting organization in all of the entities of the Group.

The Group level accounting and reporting team is identified as the main executor of the IFRS standard change implementation process although top management is ultimately responsible for making sure that the changes are implemented. As stated by an accounting group interviewee, the tasks and functions of the Group level accounting team include “Group-level practical accounting decisions, Group closing activities and the maintenance and development of Group accounting”. Including the reporting team, external reporting and management reporting are also responsibility areas. The Group-level accounting and reporting team consists of roughly ten people.

Currently the process is run by top management, although the Group level accounting team is the practical process executor. In fact, it may be stated that an “Accounting and Reporting decision-making body”, referring to a group that meets periodically to discuss accounting and reporting policy issues, is the process owner of all IFRS standard changes. “The Group level accounting team head presents the decision-making body with the upcoming changes. As the CFO attends the meetings, the decision-making body can assess the width of the effects of the change” stated one top-management level accounting group interviewee. In practice, all detailed preparatory work is executed by the Group level accounting team. “It is important that the Group level accounting team prepares a detailed summary of all changes, so the top management level has that input” the interviewee continues.

According to another interviewee, “the Group level accounting team begins to analyze the effects of IFRS standard changes as soon as the first piece of information is out. First we look at options: do we have an opportunity to make a policy decision here? The information is analyzed amongst the Group level accounting and reporting teams, but very quickly the information is disseminated to the Accounting and Reporting decision-making body, tax people, the CFO (and possibly the Audit Committee according to the CFO’s and CEO’s discretion) and the business areas.” In the case company, the FSP standard change is seen as an example of the type of large IFRS standard change that is communicated to top management in a very early stage. “This type of a change is followed in the Accounting and Reporting decision-making body from the very beginning, with updates along the way.” Another interviewee states a similar point: “The Accounting and Reporting decision-making body makes a decision based on pre-material brought to the meeting regarding the accounting-side decisions, and an implementation plan must be brought to the meetings to enable decision-making."

The Accounting and Reporting decision-making body is also mentioned in light of the need to make a decision in uncertain circumstances related to the possible "early adoption" [11]of IFRS standard changes. "Leadership is about making the best possible choice under uncertain decisions. This refers to both decisions regarding early adoption [of IFRS standard changes] and what is communicated to operational management and businesses about large IFRS standard changes." Another interviewee continues: "An early adoption decision needs to be made around the time when the standard is published."

After a possible decision regarding the IFRS standard change has been made by the Accounting and Reporting decision-making body, the message of the change is communicated to the internationally located country-specific accounting organization through an Accounting Manual for IFRS, quarterly reporting instructions and other channels such as IFRS-related training sessions.

In reference to the functions involved in the implementation of the change, non-accounting functions are mentioned several times. An accounting group interviewee states: "Already the Accounting and Reporting decision-making body discusses which functions to involve. Communications would probably be strongly involved in the FSP change implementation." Non-accounting group interviewees had more to say about non-accounting function involvement, however. "I can say right now that I have never heard of an IFRS standard change implementation process at our company. The process steps undertaken are not clear for me, but this is probably because they are not directly related to my work in the operational field. I know there must be information somewhere but I do not know where it is, since I have not needed it. All relevant information has come to me through theme trainings." Another non-accounting function interviewee states that "some group of people must write down the names of the key people who would need to be trained regarding a standard change. In the FSP change, at least communications, investor relations and the business areas would need training." Another non-accounting group interviewee mentions that "when a person does not work in the Head Office and is not in day to day contact with the Group level people, the importance of formal training and the push of information is more pronounced and must not be forgotten."

[11] "Early adoption" refers to adopting and implementing IFRS standard changes in an organization earlier than required by the effective date of the standard change.

Regarding the current process of receiving information, a non-accounting interviewee mentions the importance of a quarterly IFRS meeting, a channel that distributes information on changes via meetings organized by the Group level accounting team. “I follow IFRS standard changes myself, and I am often aware of the changes before I hear about it through our IFRS meeting. Still, it is a good way to make sure I know enough.” The other non-accounting interviewees do not mention the IFRS meeting, possibly due to the fact that they do not work with practical accounting decisions and thus do not need to follow IFRS standard changes closely. The purpose of the quarterly meeting is to “discuss open questions related to reporting processes” as stated by an accounting group interviewee who also admits to “receiving most of the information on IFRS standard changes through this meeting”.

Most non-accounting interviewees felt that due to their roles in non-accounting functions, the only source of information regarding IFRS standard changes that affected their work was internal sources, including formal training and any informal conversations regarding the subject. All in all, two of the interviewees of the accounting function and one interviewee of the non-accounting function admit to following IFRS standard changes from external sources related to their work. The other two interviewees of the accounting function state that “they follow IFRS standard changes in practice with input from internal Group level accounting team members, but that they affect their work so heavily that information about upcoming IFRS standard changes was quick to reach their ears”.

Initially the information on IFRS standard changes enters the company through the Group level accounting team, which works to identify IFRS standard changes using external sources such as the internet pages of the IASB, close connections to IFRS expert bodies in Finland and other expert sources either directly from the standard setting board or from auditing firms. “It is very important that we have an understanding of what other listed companies are thinking, as peer groups form practical ways to approach these principle-based [IFRS] standards. The opinion of the FSA[12] is also important to the formation of practical interpretations of the IFRS standard changes” an accounting group interviewee states.

Currently it seems that there is no systematic process for implementing all IFRS standard changes. “The IT team often gets system change requests quite late, and could be involved more in IFRS

[12] FSA (Financial Supervisory Authority) is the authority for supervision of Finland’s financial and insurance sectors. See www.fin-fsa.fi for more information.

standard changes from the beginning" is a comment from both a non-accounting and an accounting group interviewee. The accounting group interviewee adds, "I have not been actively involved in IFRS standard change implementation processes, and have never heard that there would be a project team allocated to an IFRS standard change in the last few years." A management-level accounting interviewee adds, "the largest IFRS standard change implementation process I can remember from the past five years was the implementation of [one of the IAS standards]. This standard change [FSP] seems larger, however, and we do not have process steps at the moment through which to implement this." The interviewee goes on to explain many examples of positive change implementation projects as a good basis for IFRS standard change implementation projects, and concludes that "any change management theory would be good starting point for this".

Several interviewees mention a shift in the amount of changes that the IASB has proposed. In general, there is trust in the case company that all IFRS standard changes are implemented even if there is no process identified due to their mandatory form. An accounting group interviewee states, "We are moving towards a time where many changes will happen." Another accounting interview continues on the same theme, "We have implemented IFRS standard changes before; the only change here is that there are so many of them coming and now we need to think how we can handle them all with the same resources. I am sure we will find a process that works. Already we have identified a process for <u>identifying</u> IFRS standard changes. Yet it is crucial that we remember to involve the non-accounting functions to a large extent [in the implementation], it is not enough that we know what to do in Group level accounting and reporting."

Regarding current processes, interviewees from both accounting and non-accounting functions paid special attention to the role of top management in ensuring that there are enough resources in place to carry out large changes in IFRS standard change implementation projects. The primary need for human resource policies was seen as being present in the Group level accounting and reporting teams where most of the preparatory and Group reporting work was undertaken. The case standard change was seen as causing, for example, the possibility of double reporting externally and internally in a transition period from the old financial statements to the new ones. "It is possible that we will need to produce numbers according to the old system for a while" stated a non-accounting interviewee from the point of view of external communications and management reporting. During this transition period, the double reporting work would most probably need double or at least more resources. "If this [case standard change] is truly this large, we will need to involve all accounting entities in the whole company and truly train these things. This will be a huge thing. Resourcing is absolutely crucial on the Group level, and top management is the only function which can affect that" commented an accounting group interviewee.

In addition to the Group level accounting function resourcing policies, it was mentioned that management also have an important role in ensuring that there are cross-functional resources in place for implementing IFRS standard changes into action. A non-accounting group interviewee stated, "We could implement the idea of "super users" of IFRS to the non-accounting teams. This contact person could participate more intensively in the IFRS training provided by Group level accounting and reporting teams, and could disseminate the information to the rest of that particular non-accounting organization. This idea has three clear points of data for why it should be used: a) other people would feel comfortable asking the super user for help rather than someone on the Group level, b) the super user would speak the local language and c) it would be cheaper to train a group of super users rather than everyone in all the teams."

In addition to the Accounting Manual and training, interviewees in the accounting group mentioned the importance of up to date line descriptions to ensure that "all reporting entities understand which lines have possibly changed and what should now be reported on which line". In conjunction with line descriptions, up-to-date and thorough reporting instructions issued electronically and at sufficient intervals (at least quarterly) were seen by a management level accounting group interviewee as important process steps following the implementation of an IFRS standard change. It was additionally seen as important to check well enough before external reporting deadlines that the structure of the interim and annual reports correctly incorporated all changes to IFRS standards.

To summarize, the current process was seen as being mainly started by the Group level accounting team who prepare detailed preparatory summaries of the IFRS standard changes based on contact with peer groups, external stakeholders and the IASB. At this stage, the distinction between small and large standard changes is made, with "small" changes including insignificant changes and large changes including anything that may have an effect on current accounting policies. If a large standard change is identified, top management and the Accounting and Reporting decision-making body is seen as responsible for making the choices regarding accounting policy changes as well as human and other resourcing policies. After the accounting policy decision, current processes ensure that it is communicated to the company through Accounting Manual updates, formal and informal training, accounting line description and reporting instructions updates as well as through changes in external reporting structures. As an accounting group interviewee concludes, “After we are reporting according to the new IFRS standard, the change ‘is in effect’”.

Non-accounting functions felt that they receive most of their information either from external sources (one respondent) or from internal sources (training and IFRS meetings). One non-accounting interviewee felt that IFRS standard changes did not affect his/her work at all or very little, as business units often only look at figures “above the operating profit line” and internally different calculation methods are used for following strategic numbers. Non-accounting interviewees also felt that training was the most important channel for hearing about IFRS standard changes, and it was up to the individual to be active in gathering relevant information especially outside the headquarter offices at the moment although formal training was seen as the most efficient way of getting the message across.

The case standard change and its effects on the current process

The case standard change was introduced to each case company interviewee at the beginning of each interview session through the model financial statements with 2009 figures and an explanation of the key changes proposed: the introduction of a direct cash flow model, the introduction of “net” values to the balance sheet and classification of items by nature in the same way across all three statements. Additionally the other changes were explained as needed, referring to for example the introduction of a multicategory transaction section for acquisitions and disposals and the introduction of an income tax section.

The case standard change introduced caused a myriad of reactions ranging from positive to negative. The reactions were mainly linked to the point-of-view through which the interviewee was responding. The FSP standard change was mainly seen as an example of a large change affecting many functions and organizations in the company. “As a change this is large, comparable to when we took a new consolidation system into use. We might have to reprogram the cash flow metrics there” stated one accounting group interviewee, validating also the idea that the standard may have IT system effects. This was seconded by two non-accounting group interviewees who stated that “this would definitely affect our consolidation and reporting systems”. The Investor Relations viewpoint was also prominently addressed as being problematic. “It is of utmost importance that our message to investors stays the same no matter what our financial statements look like”, stated a non-accounting group interviewee.

In general, it was seen and accepted that the standard change will experience changes before it is a final IFRS standard. “This standard change proposal will surely change before it is accepted, as the direct cash flow has received so much resistance” stated an accounting group interviewee. Another accounting group interviewee stated the situation like this, ”In practice it is very difficult to influence these changes from Finland. But if the cash flow can be drawn from an indirect system that is just chopped into smaller parts, then this change might be smaller than we have anticipated.”

All in all, the mood regarding the change was anticipatory, with hopes to receive more information from the IASB as soon as they decide to further the process. At the moment, the interviewees were mixed on which changes could be the biggest ones. Within the accounting group, one interviewee stated that “the change to the statement of financial position is smaller than the rest from a technical perspective”, whereas another interviewee said exactly the opposite, “this balance sheet change is a really large change, as at least I am used to thinking that assets is on one side and liabilities on the other.” This validates the use of the case standard change as an example of one large standard change rather than focusing on building the exploratory implementation process framework from the explicit point of view of this standard change, which could have lead to consistency problems related to the pre-publishing date point of analysis.

Regarding the effects on the case company from the FSP standard change, negative responses questioned current resources, processes and the ability to carry out this type of a standard change without major “adhoc” problems along the way. An accounting group interviewee asked, ”Who will restate the numbers from past years according to the new system? And on a more general level, who will make sure that the information reaches everyone in time? Why is this change even undertaken, I do not see why it is needed.” Another non-accounting group interviewee called out for “good planning of the implementation process change”. In sum, it seemed that implementation process concerns were the main areas of critique, validating the need for research into IFRS standard change implementation processes.

Positive comments received stressed the changes proposed and assumed that if implemented well, the outcome would be better than the current state. An accounting interviewee stated, “IFRS has been missing model financial statements for a long time, and this is a step in that direction” whereas non-accounting interviewees was that this standard change would “increase transparency of cash flow, acquisition and disposal and tax figures to the market” and “help clarify key messages after the standard change has been in effect and understood by all stakeholders”.

All in all, the FSP standard change was seen as introducing changes to current processes although the effect on how operating figures are followed was seen as marginal. “Net income is followed very little on an operating level; rather we are interested if anything will change in the content of numbers above the operating profit as businesses cannot affect the figures below. If they make a profit, they will pay taxes; it is as simple as that” stated a non-accounting group interviewee involved with business controlling, and continued, “but if something does change, then I need information on it as I need to explain business drivers and the numbers above operating profit.” In addition to the concern on the classification of items into the operating or “business section” and “investing section” of the FSP change, the direct cash flow model was the largest red flag. “The direct cash flow statement is the largest open question” stated a management-level interviewee.

Refining the theoretical process framework for standard change implementation

The second and third questions posed to the interviewees were related to the process framework for implementing IFRS standard changes. After explaining current processes, the interviewees were handed a copy of the theoretical process framework to enable them to have a look at it, after which two questions were asked in the following sequence. The theoretical process framework synthesized in Table 8 and condensed in Table 17 was shown to the case company interviewees prior to these questions:

2. Do you feel this framework represents the implementation steps you are conducting at the moment regarding IFRS standard changes, and where do you see your role fits in?

3. How would you improve this framework for implementing IFRS standard changes when considering large cross-functional changes such as the FSP change and your experience from current processes?

Table 17 Theoretical implementation process framework for IFRS standard changes

IFRS standard change implementation framework	
Initiation	Step 1. The standard change has been communicated through an IASB discussion paper and outreach activities, and the company has heard of the change. Step 2. The standard change has been further communicated through an Exposure Draft and outreach activities, and the company has begun discussing the change. Step 3. An IFRS standard change is published and an effective date for its implementation is communicated to companies. The firm takes the standard change into active consideration.
Adoption	Step 4. The implementation process has been organized by the Group Accounting department, and a Standard Change team is formed if the standard change is considered as affecting the company.
Adaptation	Step 5. Core business processes that the standard change affects are identified along with Undesirable Effects of the standard change. Step 6. The cross-functional implementation team is in the process of identifying changes needed to the systems and processes, and is supported by other functions but the change has not yet been implemented. Top management is informed and they approve a policy. Step 7. A pilot closing has been identified to test the implementation of the standard change using the new processes and/or systems and a process map is drawn for preparation to deploy the policy of the top management to departments.
Acceptance	Step 8. The standard change has been implemented and top management as well as other stakeholders understand the implications of the standard change on the financial statements. Business areas are reporting according to the new instructions. The quality of reporting is reviewed by the Group level accounting.
Routinization	Step 9. The standard change has been accepted by the organization, and it has become a routine way of reporting.
Infusion	Step 10. Clear improvements in the quality of financial statements are defined after the implementation of the standard change. Process improvement strategies are an integrated part of the system for external reporting and the standard change has been fully understood by all stakeholders. Monitoring of the quality of reporting.

Initiation

The *initiation* stage of the process framework is the beginning of the process. Steps 1-3 were seen as taking place for a relatively long time depending on the IFRS standard change in question, "for example, this [case] standard change has been in discussion for many years, I have heard of it many times" stated one accounting group interviewee. The discussion and communication in Steps 1-3 were also seen as taking place simultaneously, rendering it relevant to approach the steps as part of the overall concept "*initiation* stage".

The accounting group of interviewees felt that the framework in the *initiation* stage failed to mention that active discussion of the effects of the possible IFRS standard change on the external reporting of the company begins as soon as the company has heard of a possible major change through external channels. This was highlighted for example by this management level interviewee, "In my work it is important that we have periodical reviews of what is happening and how this IFRS standard change might affect us. The best situation is when we are reviewing constantly and consistently." Another interviewee added, "Early warnings are important for top management as well. Information cannot come in too late." Due to this consensus, reached due to the lack of any adverse opinions on the subject, **a sentence is added to Step 1: "The Group level accounting and reporting team begins to identify the effects of the change."**

The accounting group interviewees also felt that top management should be involved already in the *initiation* stage of the standard change implementation process. As time was seen as an important variable for success, elaborated on further in subchapter 6.3, the *initiation* and *adoption* stages were seen as involving the preparatory work of the Group level accounting team. As mentioned before, since the early adoption decision was seen as needing to be made at the point when the standard change is published, top management needs to be informed throughout the *initiation* process.

"Who is our top management?" asked one accounting interviewee. "If it is the top management bodies outside of the Accounting and Reporting decision-making body, then they must be informed of a possible large change when the standard is published to enable them to make a possible decision in the Audit Committee for example. The decision-making body of course needs to be informed from day 1." A second accounting group interviewee paid special attention to the importance of taking into account the time needed to explain changes to top management. "This direct cash flow statement change, for example, would require explanation to top management to make sure that they really understand what is going on. The management reporting cash flow is different from the external figures and it would be important to make a decision related to management reporting practices as well, if they would need to be changed."

On the other hand, another accounting group interviewee stated the view that "it is important not to bring in too much information at the very beginning, as the standard change proposals will change before they are final in Step 3". Still, the interviewee stated that due to the early adopter decision and "the fact that the highest level management is the process owner for all changes related to accounting processes due to their responsibility for ensuring correct accounting according to the law", the inclusion of informing top management throughout the *initiation* stage is important.

Additionally, non-accounting group interviewees felt that they needed to be involved already at Step 3 of the *initiation* stage as well through initial information sharing. "Right now the IT function receives information about IFRS standard changes during Step 6 or even Step 7. Often the change requests that we need to process for system changes come in, say, three months before they are needed. Surely there are changes that come in quickly, but if there is a transition period of many months or even years, the IT function would like information right away when the standard is published. 'Sometime next year or in three years' would be enough as an initial estimate of an internal effective date, and as the knowledge increases the estimate could be updated." Non-accounting interviewees also stated that "in large changes, the most relevant non-accounting functions should be involved as early as possible." On the other hand, an accounting group interviewee addressed another point, "It is not a good idea to speak too much before the standard is published to non-accounting functions as it easily confuses the organization and rumors spread. When the standard is published and we know what we will do can we really start to train non-accounting functions."

Due to these requests for informing both top management and relevant non-accounting functions early enough, process Step 3 is modified to include the **formal** informing of the two groups of the key messages (including key changes and the effective date) right at the date of publishing the standard. It is worthwhile to note that the Accounting and Reporting decision-making body needs to be informed also during Steps 1 and 2, as is meant by the phrase "company has begun discussing the change" in Step 2.

The new process Step 3 is thus modified to look like this:

"Step 3. An IFRS standard change is published and an effective date for its implementation is communicated to companies. The firm takes the standard change into active consideration in the group-level accounting function and informs both top management and relevant non-accounting functions of the discussion."

Adoption

The *adoption* stage drew the largest amount of comments from the interviewees. One accounting group interviewee mentioned right away that "we have no set Standard Change teams here, rather each new IFRS standard change should form a separate project." This view was seconded by two other interviewees, one of whom stated, "Each IFRS standard change is naturally a separate project if it is large enough, and the smaller changes can be reviewed through a process framework like this one." In addition, it was seen as an important point that a "Standard Change team" or project could not be started unless top management and in particular in the case of the case company the Accounting and Reporting decision-making body had not made a decision to change the accounting policy of the firm to respond to the change. "First a decision is made by the Accounting and Reporting decision-making body and then we can start a project and inform core business controllers."

The non-accounting group interviewees felt generally that their involvement depended on the effect of the change on the work of their particular function. From the point of view of the case standard change Financial Statement Presentation, the taxation and legal department were seen as not affected, whereas the financial communications and Investor Relations teams were affected a great deal by the changes in external reporting. Business controlling and business teams were seen as needing information on the possible effects the FSP change could have on the key financial variables followed internally as well as any need for changes in business decision making due to regulation changes.

Business controllers are actually involved also earlier due to their presence in the Accounting and Reporting decision-making body, which meant that Step 4 was in fact "implicitly the stage in which a decision is made in the decision-making body and core business controllers are involved." From this point of view it was also seen as important by the accounting group interviewees that the whole

Group level accounting and reporting function knows for certain what has happened by Step 4. “We must first understand what the change means in the accounting function, and then quantify it to the Accounting and Reporting decision-making body.”

The non-accounting group interviewees were unanimously in agreement regarding the fact that they should receive information about relevant IFRS standard changes that could have any effect on their work, but information about changes with no effect on other than actual reporting decisions did not need to be communicated or trained specifically. A stakeholder approach was used commonly, with a request for the Group level accounting and reporting teams to identify the non-accounting functions as “clients for IFRS information”. For example, it was preferred that at the *adoption* stage the Group level accounting function and the Accounting and Reporting decision-making body should make a decision regarding the expected effect on the different stakeholder groups in the company from the IFRS standard change. The “understanding of the Group level accounting and reporting teams of the different functions and stakeholders of the company” was also highlighted by top management interviewees. Several interviewees mentioned the need for top management to make a formal decision regarding accounting policy changes. Based on the interviewee opinions, a process step is added to the *adoption* stage, and the *adoption* stage modified to the following format:

Step 4. The standard change is identified by the size of its potential effect on existing Group policies by the Group level accounting team. The effect of the IFRS standard change on different non-accounting functions of the company is identified, with a possible accounting policy decision and IFRS standard change information communication and training plan added for the relevant functions to the preparatory material.

Step 5. In the case of significant effects regarding accounting policies, a well prepared proposal for policy changes is brought to an Accounting Policy meeting involving top management. Top management makes a decision regarding the adoption of the standard change.

Adaptation

Several interviewees mentioned that the core business processes and any undesirable effects or desirable effects of the IFRS standard change needed to be covered as described in a meeting with business functions and business function controllers, leading to the conclusion that the new Step 6 is both relevant and in the correct place. An accounting group interviewee mentions, however that "it is not always certain that information is disseminated to all of the relevant business people, and so the core business controllers need to be met with separately." Due to the emphasis of the accounting group interviewee on the need for core operational units to be systematically involved in the meetings, **a sentence is added to Step 6: "Business controllers and operational units are involved."**

Step 7 was seen as needing revision as top management needs to be involved earlier in the process according to the interviewees, as mentioned before, and a cross-functional implementation team involving all cross-functions was not necessarily seen as relevant in all cases as mentioned previously. It was also seen that involving IT at this stage was alright regarding the change implementation process but information about the change should have been communicated already earlier in Step 3. As stated by a non-accounting group interviewee, "The IT function makes large changes to accounting systems 4-5 times a year, but of course large changes can be implemented outside of that cycle. They need as much information as possible during the adaptation stage as then the IT specialists can make the call as to what is a large change, what is relevant and what is not."

In conclusion, the following additions and changes are made to the framework based on interviewee comments to Step 7:

Step 7. A cross-functional implementation project is set up involving the relevant non-accounting functions if deemed relevant. The process begins to identify changes needed to the systems and processes, and is supported by other functions but the change has not yet been implemented.

Two interviewees of the accounting group mentioned the need for a pilot entity to test new accounting policies especially in the case of radical changes such as the FSP. They especially approved of process Step 8, to which no changes are made.

Acceptance, Routinization and Infusion

The last three steps received relatively little attention from the case company interviewees. Although the non-accounting group interviewees had no comments regarding process Step 9, they approved of Steps 10 and 11. One non-accounting group interviewee especially emphasized the importance of "thorough documentation of the changes and a full training package to facilitate remembering the change in the future", although limitations regarding human resources were discussed.

Accounting group interviewees felt that the following change should be made to process Step 9:

Step 9. The standard change has been implemented and top management as well as other stakeholders understand the implications of the standard change on the financial statements. ~~Business areas~~ Entities are reporting according to the new instructions. The quality of reporting is reviewed by the Group level accounting and reporting teams."

No amendment proposals were made to Step 10 by any interviewees, and one accounting group interviewee stated that "routinization works quite well in our company". This comment validated the fact that the process step should be retained.

The last step, Step 11, was addressed by one interviewee of the accounting group as seeming too vague in the context of IFRS standard changes. The interviewee felt that no clear improvements to previous rules and routines could be identified necessarily, but agreed with the idea that the quality of the process of generating financial statements could theoretically drop at first and then improve back to the previous level or improve from before. In this context the interviewee approved of the idea that monitoring the quality of reporting was relevant, and added that the *infusion* stage was important yet easily neglected. "The *infusion* stage might be overlooked if communication about the changes is not good enough. In fact, the IFRS standard change may be a routine part of the reporting system but a full understanding may still not be reached on all levels."

A modification is made to the wording of Step 11 to clarify the idea that for IFRS standard changes the quality of external statements should stay the same, yet internal processes may be monitored for quality:

Step 11. Improvements in any initial drops in the quality of processing financial statements are monitored and clear progress is defined in subsequent closings after the implementation

of the standard change in the first Group Closing[13]. Process improvement strategies are an integrated part of the system for external reporting and the standard change has been fully understood by all stakeholders.

Conclusion

Following the interviews with case company stakeholders, the IFRS standard change implementation framework looks like this:

[13] Group Closing as a term refers to the process of consolidating group-level financials and producing the external financial statements of the company at quarterly intervals.

Table 18 Modified implementation process framework for IFRS standard changes *

IFRS standard change implementation framework	
Initiation	Step 1. The standard change has been communicated through an IASB discussion paper and outreach activities, and the company has heard of the change. **The Group level accounting and reporting team begins to identify the effects of the change.** Step 2. The standard change has been further communicated through an Exposure Draft and outreach activities, and the company has begun discussing the change. Step 3. An IFRS standard change is published and an effective date for its implementation is communicated to companies. The firm takes the standard change into active consideration **in the group-level accounting function and informs both top management and relevant non-accounting functions of the discussion.**
Adoption	Step 4. **The standard change is identified by the size of its potential effect on existing Group policies by the Group level accounting team. The effect of the IFRS standard change on different non-accounting functions of the company is identified, with a possible accounting policy decision and IFRS standard change information communication and training plan added for the relevant functions to the preparatory material.** **Step 5. In the case of significant effects regarding accounting policies, a well prepared proposal for policy changes is brought to an Accounting Policy meeting involving top management. Top management makes a decision regarding the adoption of the standard change.**
Adaptation	**Step 6.** Core business processes that the standard change affects are identified along with Undesirable Effects of the standard change. **Business controllers and operational units are involved.** **Step 7.** A cross-functional implementation project **is set up involving the relevant non-accounting functions if deemed relevant. The process begins to identify changes needed to the systems and processes,** and is supported by other functions but the change has not yet been implemented. **Step 8.** A pilot closing has been identified to test the implementation of the standard change using the new processes and/or systems and a process map is drawn for preparation to deploy the policy of the top management to departments.
Acceptance	**Step 9.** The standard change has been implemented and top management as well as other stakeholders understand the implications of the standard change on the financial statements. **Entities** are reporting according to the new instructions. The quality of reporting is reviewed by the **Group level accounting and reporting teams.**
Routinization	**Step 10**. The standard change has been accepted by the organization, and it has become a routine way of reporting.
Infusion	**Step 11. Improvements in any initial drops in the quality of processing financial statements are monitored and clear progress is defined in subsequent closings after the implementation of the standard change in the first Group Closing.** Process improvement strategies are an integrated part of the system for external reporting and the standard change has been fully understood by all stakeholders.

*Changes from the theoretical framework (Table 17) in bold.

6.1.2 The IFRS experts

The case standard change and its effects

The first question asked the interviewees to describe their background related to IFRS standard changes and IFRS standards in general, which was used to describe the background of the interviewees in chapter four:

1. How involved have you been with large IFRS standard change processes in companies during your career?

After the first question, the case standard change was introduced to the IFRS experts in all interviews with the aim to validate the understanding of the theoretical and case company interviewees regarding the effects of the standard change.

In the context of discussion, one IFRS expert felt very strongly that all IFRS standard changes are undertaken because the business environment needs to change or has changed. The interviewee emphasized the large amount of changes coming in the following years and stated that "in the beginning there was no plan to build an international system spanning all countries […] the spread into the US and the EU came by accident through the development process of the standards. The US is facing a world where foreign companies are no longer listed on their stock exchanges due to restrictive SOX-world[14] requirements, and the IFRS standards provide a world that does not limit which country a company wants to be listed in." This development may shift and change again over time, but at the moment according to that expert it is very important for companies to prepare themselves to adapt to these IFRS standard changes.

The expert also felt that the process framework could be implemented for all companies regardless of their size, and that in fact it should be a goal of all companies reporting under IFRS to implement a framework for implementing all IFRS standard changes even if all process steps are not considered for all standards. The interviewee also exhibited several viewpoints regarding IFRS standard changes in general: "First of all, often accounting people think they know everything, as for them it is integral to understand the effects of the changes on the numbers. IFRS standard changes, however, are investor information, and as such investors do not need all of the information

[14] Sarbanes-Oxley Act 2002, USA

disclosed in the financial statements of companies. This is just my opinion. It is, for example, impossible sometimes to distill the right information from a large body of annual report text. From that point of view a direct cash flow statement is good as proposed by this standard change, but ‘more information in the notes’ is not a good idea.”

The interviewee also felt that the IASB is now “listening a lot more to make sure that no carve out options are included in new standard changes”, and that the publishing of this standard change will have to be waited for long. This was also the point of view of another IFRS expert, “This standard change is proposing a very large change for companies: the direct cash flow statement. If it is a strict requirement in the standard, then it will affect many companies as there has been a trend to use indirect cash flow statements.” The expert continued by saying that “due to the large controversy surrounding the change, I do not believe we can expect a final standard for a long time”.

A third expert commented on the direct cash flow statement by stating that “The indirect cash flow statement is the easiest to understand. A direct cash flow is possible only if a company is willing to give the information out. This seems to me a very academic approach, and most probably [the IASB] will accept an indirect/direct cash flow statement to ease the burden on companies.”

The IFRS experts also paid attention to the changes proposed to the Statement of Comprehensive Income (income statement). “Here they are trying to confuse the reader by proposing changes once again to Other Comprehensive Income, whose content is sometimes undecipherable even for professionals. Net Income is still the most important thing.” Another expert commented that “in the Statement of Comprehensive Income the largest change is the introduction of the multicategory transaction section due to the transparency of future acquisitions and disposals, which is actually not a large change.”

All in all, the standard change received criticism from the IFRS experts interviewed, and only one expert saw positive aspects to the change including the “increase in transparency of information that must happen due to this change”. Two experts had a neutral view to the change, stating that “it will change” and “all changes are adapted to in the end”. Other points of critique than the direct cash flow included the difficulty to divide line items into business, investing and financing sections. “It is a fine line between operating and non-operating items. Where do you draw the line? It is important to know how much capital is tied into assets and working capital should be understood easily. These need to be addressed in this standard change."

Referring back to the ideas of the case company interviewees, it can be concluded that the IFRS experts agree that the standard will most likely be a large one but how large is still to be determined based on the decisions the IASB makes in the last rounds of building the new standard. In addition, the direct cash flow statement is identified as the largest change causing companies to possibly rethink their processes. The division of items into operating, investing and financing categories is also seen as a challenge as well as detailed items such as "are all equity accounted investments truly part of the investing category as now proposed in the Staff Draft?".

Validating the modified process framework

The second and third questions posed to the IFRS experts asked them to review the modified IFRS standard change implementation framework. The interviewees were handed a copy of the modified process framework to enable them to have a look at it, after which two questions were asked in the following sequence. The modified process framework shown in Table 18 was shown to the IFRS expert interviewees prior to these questions:

2. Do you feel that this framework represents the steps involved in implementing an IFRS standard change in a company?
3. How would you improve this framework for implementing IFRS standard changes in consideration of large cross-functional changes such as the FSP change and your experience from current processes?

General comments

The IFRS experts felt that the process steps within the six stages are conducted chronologically at the same time in many cases and that the six steps were, in effect, better descriptions of which steps happened in which order. "In reality, the Steps 4 and 5 are carried out simultaneously" stated one IFRS expert, whereas another paid attention to the similarity between process Steps 1-3, "Identification of the effects of the change, discussions and informing top management is all done simultaneously before the standard is published. I think that *Initiation* should be the actual process step." Due to the lack of any contradictory comments on the chronological aspect of the process framework, **the process steps are renamed on the "stage" level and the old process steps are left without numbers as parts of the stages.**

Additionally the IFRS experts felt that although the process framework could be used by smaller companies, it is essentially a process framework for larger companies due to the fact that "it takes into account and assumes that a company has many levels of non-accounting functions". Although smaller companies also need process frameworks, some of the steps may not be as rigid in small companies. "Especially the *initiation* stage might even be lacking completely in smaller companies with no resources to keep up a constant dialogue about IFRS standard changes with top management", stated one expert.

Initiation

According to one IFRS expert, the *initiation* stage should include the discussion of which non-accounting functions need to be involved already in Step 2. "In large companies, it is important to identify the project team at an early stage." Based on other comments from the IFRS experts as well, it is possible to conclude that that the experts feel that process Steps 1 and 2 are incidentally the same and should be merged. In addition, the importance of informing top management should be stated explicitly, "I would merge Steps 1 and 2 and state that top management is usually informed about possible large changes already during Step 1". Another expert stressed the importance of the top management information being distilled, "top management needs to know about the major implications of the change, not all of the changes necessarily as the IFRS standard changes often propose complex ideas that do not really affect the company." The former Steps 1 and 2 are thus merged to form one step:

The standard change has been communicated through IASB material and outreach activities, and the company has heard of the change. The Group level accounting and reporting team begins to identify the effects of the change. Top management is continuously informed of the major implications of the change.

One IFRS expert stated that the *initiation* stage is the most important stage of the process, "the *initiation* stage is an introductory stage that will speed up the other stages if carried out well. A learning curve is present with every standard change."

Adoption

The *adoption* stage was regarded as interesting and surprisingly it was unanimously stated by the expert interviews that “any cross-functional projects need to be planned and set up right after the decision to move forward with the implementation process”. In other words, although the *adoption* and *adaptation* stages are set up as consequent steps, in reality Step 7 begins already at the planning stage in the *adoption* phase.

The *adoption* stage as such did not need changes according to the expert interviews, who felt that the outcome of a decision was clearly identified and an important step in the process. One IFRS expert clearly mentioned that, “it is good that non-accounting functions are involved before the pilot closing to increase understanding. Non-accounting people are often not involved in [IFRS standard change implementation processes] in practice, but they need to be included in the framework.”

Adaptation

The *adaptation* stage was seen as an important step as well, with core business process and cross-functional involvement seen as necessary for the successful implementation of an IFRS standard change affecting those functions. “If the change does not affect the functions, this step can be skipped”, stated one IFRS expert.

Two IFRS experts paid special attention the use of pilot entities. One expert stated that, “It is a rare instance for companies to use a pilot entity, as training is usually the only method used. It is however a good process step to keep and review separately for each standard change, especially the large ones such as FSP.”

It is important to keep the conversation relevant in the core business controller meetings according to one IFRS expert, “it is not ideal if a process framework forces companies to think about unnecessary changes. If a standard change has no effect on business processes, then business controllers should not have to think about them explicitly.” On the other hand, it is not good to forget about the standards already in effect. The same expert continued, “According to the segment reporting clauses a company must report internally in the same way as it reports externally. This means that operational people need to understand most changes to IFRS standards to do their work with all relevant information.”

No changes are made to the adaptation stage based on the IFRS expert interviews.

Acceptance, Routinization and Infusion

For one IFRS expert, the *acceptance* stage of the framework was very important. "The business environment leads to IFRS accounting standard changes and often a change of mindset is needed to help the relevant people understand internally why the change needs to made." This was stated as being especially true for large changes where the acceptance of the change is a prerequisite for understanding. "The actual explanations and trainings begin only after the pilot closing. The training for communications needs to be strong. It is good to highlight the most important stages of the process to them in advance so that they are prepared for any possible questions also to external stakeholders."

Routinization was seen as a necessary and good step. The *infusion* stage, on the other hand, was commented on like this, "The *infusion* stage is easily forgotten, but perhaps because the implementation process has been a success." No changes are made to any of the process step descriptions.

Conclusion

According to the IFRS experts, the process framework includes "all the necessary steps for completion of an IFRS standard change project". One expert adds that, "Many of these steps are not necessarily carried out in a conscious state in companies. They should be."

Regarding the role of external auditing experts and consulting firms, IFRS experts feel that they are ready to "primarily help keep the company informed of coming IFRS standard changes." Additionally, they can help in generating a project and a project team. Auditing firms can also form advisory groups in change implementation after the *initiation* stage to help in implementation. Each auditing firm has their own model for the process, but as one IFRS expert put it, "the ideal is that every company has their own process in place. That way we can identify where we can help them."

The final exploratory process framework based on the IFRS expert interviews is as follows:

Table 19 Exploratory implementation process framework for IFRS standard changes *

	IFRS standard change implementation framework
Step 1: Initiation	The standard change has been communicated through IASB material and outreach activities, and the company has heard of the change. **The Group level accounting and reporting team begins to identify the effects of the change. Top management is continuously informed of the major implications of the change.** An IFRS standard change is published and an effective date for its implementation is communicated to companies. The firm takes the standard change into active consideration in the group-level accounting function and informs both top management and relevant non-accounting functions of the **major implications of the change.**
Step 2: Adoption	The standard change is identified by the size of its potential effect on existing Group policies by the Group level accounting team. The effect of the IFRS standard change on different non-accounting functions of the company is identified, with a possible accounting policy decision and IFRS standard change information communication and training plan added for the relevant functions to the preparatory material. In the case of significant effects regarding accounting policies, a well prepared proposal for policy changes is brought to an Accounting Policy committee meeting involving top management. Top management makes a decision regarding the adoption of the standard change.
Step 3: Adaptation	Core business processes that the standard change affects are identified along with Undesirable Effects of the standard change. Business controllers and operational units are involved. A cross-functional implementation project is set up involving the relevant non-accounting functions if deemed relevant. The process begins to identify changes needed to the systems and processes, and is supported by other functions but the change has not yet been implemented. A pilot closing is identified to test the implementation of the standard change using the new processes and/or systems and a process map is drawn for preparation to deploy the policy of the top management to departments.
Step 4: Acceptance	The standard change **is** implemented and top management as well as other stakeholders understand the implications of the standard change on the financial statements. Entities are reporting according to the new instructions. The quality of reporting is reviewed by the Group level accounting and reporting teams.
Step 5: Routinization	The standard change has been accepted by the organization, and it has become a routine way of reporting.
Step 6: Infusion	Improvements in any initial drops in the quality of processing financial statements are monitored and clear progress is defined in subsequent closings after the implementation of the standard change in the first Group Closing. Process improvement strategies are an integrated part of the system for external reporting and the standard change has been fully understood by all stakeholders.

*Changes from the modified framework (Table 18) in bold.

6.2 Empirical findings regarding the variables affecting success

In this subchapter, the empirical findings from interviews with the case company and IFRS experts are detailed in light of the questions related to the variables seen as affecting the success of the implementation process. First, the case company interviews are covered beginning with a definition of what constitutes a successful standard change implementation and following with an assessment of the variables. Next, the IFRS expert interviews are reviewed with the same structure. Finally, the chapter concludes with a list of variables seen as affecting the IFRS standard change implementation process the most according to the interviewees.

6.2.1 The case company

Defining a successful standard change implementation

As mentioned in subchapter 3.1, the term “success” needs to be defined before the variables affecting the implementation process and its outcome can be identified. During the interviews, each interviewee was first presented with the textbook definition of a successful IFRS standard change implementation process: external reporting complies with IFRS standards and gives a true and fair view of the financial position and profit and loss of the company. Subsequently the interviewees were asked what a successful standard change implementation process means for them, which was question four of the interview session:

4. How would you define a successful IFRS standard change implementation process from the point of view of your job?

For most of the case company interviewees, the first definition of “successful” was “achieving a level of clarity where everyone understands to changes that have been made”. “Everyone” was stated as interviewees as meaning either “every stakeholder”, “everyone involved” or “the whole community affected by the standard change”. Related to this idea, one management level interviewee stated that, “it is most important that a large amount of people can discuss the change early enough. The CFO has had a chance to take it in, business controllers understand what is happening and relevant stakeholders have been informed.” Another interviewee from the accounting group referenced back to previous IFRS standard changes, “When that one IAS standard was implemented the list of the Top Ten people involved was easy to make. In a large standard change such as the FSP change the amount of relevant stakeholders is much larger."

To support the first definition, one interviewee mentioned that "the implementation process is successful if the numbers are truly correct". At first glance this seems to relate to the textbook definition, but in fact the interviewee meant the comment on a more profound level. "Everyone who signs the numbers off, meaning that they swear that the numbers they have reported are correct, might not fully understand that they have not understood something. The numbers cannot be truly correct unless everyone understands the change."

The second definition of "successful" was interestingly "If there is enough time to think and question the change, and the change can be carried out in a stylish and controlled way." This definition for a successful IFRS standard change implementation process can be understood as a wish for the process to be in control.

The third definition of "successful" emphasized the service element of the IFRS standard changes, stating that "the reporting process fulfills the needs of the key stakeholders". Here the focus was also on the IT systems and the smooth operation of all support functions during the Group Closing times.

The fourth definition of "successful" for the case company interviewees was mentioned from an external point of view, with an interviewee stating that "the strategic message and other external messages stay the same despite changes in IFRS standards". This definition was most focused on carrying out the implementation process as what it is, a mandatory change to existing accounting standards and its application in the company. "An IFRS standard change should not change the way in which the strategic messages of the company are communicated or the actual strategic messages", stated a non-accounting group interviewee.

These four definitions of a successful IFRS standard change implementation process form the basis for thinking of the variables that affect the implementation process and attainment of this success in the following modification of the theoretical framework for the variables.

Refining the theoretical variables affecting the successful implementation of IFRS standard changes

After the fourth question asking to define a successful implementation of an IFRS standard change, the following theoretical table of variables shown to the interviewees, and the fifth question was asked:

Table 20 Theoretical synthesis of variables affecting implementation of IFRS standard changes

The organizational factors affecting the efficient implementation of IFRS standard changes (synthesis):
1. The level to which top management is involved
2. The level to which non-accounting functions are involved
3. Level of clarity and consensus for the objectives of the IFRS standard change
4. The amount of IFRS standard change training provided
5. The purposes of the IFRS standard change and the system applications it affects
Contextual factors affecting the efficient implementation of IFRS standard changes (synthesis):
6. The acceptance of change of the accounting organization
7. The amount of time an organization has implemented IFRS
8. The level of trust and quality in accounting systems
9. Monthly, quarterly and annual reporting success in the past
10. The amount of business functions involved in the standard change

5. Are these contextual and organizational variables relevant to the implementation of IFRS standard changes in your opinion? Is something missing, would you take something out and which variables affect the implementation process the most?

The interviewees of the case study company did not feel that any variables were irrelevant in the theoretical synthesis provided for them. Several began their answer to question five, which asked them to review the list of variables and say if any were irrelevant and if anything should be added, with the words, “I do not think that any of these are irrelevant, but there is something that I think might be missing.”

Based on the interviews, seven variables were added to the list. Four organizational variables and three contextual variables were added to the existing ten variables. In the following, these variables are derived from the interview data. Finally, a conclusion is given of the list of variables and general comments of the case company interviewees on the list of variables.

Organizational variables

The first organizational variable mentioned by case company interviewees not present in the list was “the level of contact with peer groups, meaning other companies of similar size and industry reporting under IFRS as well as contact with external IFRS experts”.

The management level accounting interviewees mentioned almost unanimously the importance of peer group contact. “This also includes the Big 4 auditing firms, which are a consultancy network often contacted during IFRS standard changes.” This can be linked back to the ecological framework theory by Gernon and Wallace (1995) that identified the accounting system design choices of companies being interlinked to the choices of other firms. In this context, the system design choices are individual accounting policies that companies undertake in the face of IFRS standard changes. One interviewee described the role of peer contact like this: “It is important to look around and see what other large listed companies in Finland will do if the [IFRS] standard change allows for interpretation… it usually does. The practical ways to report change over time and through the general consensus of what is seen as the right way to report […] the principle is made by the IASB and the rule by the companies over time.”

Organizational variable 6 is thus added to the list: **The amount of contact with external peer groups and IFRS experts.**

The second identified variable in the case company interviews was “The amount of leadership that the Group-level accounting team and people take for implementing the IFRS standard change systematically”. This was also stated by one accounting group interviewee as, “the level to which Group level accounting people are involved in the change implementation process”. It was seen as integral to the success of the implementation process of the IFRS standard change that accounting people truly adopt a sense of ownership for carrying out the implementation process of the IFRS standard change. Company culture was also seen as affecting the amount of ownership taken. As one accounting group management level interviewee stated, “After instructions and training has been carried out, it is up to the accounting people on a Group level and an entity level to take responsibility and ownership for executing the change.” The amount of leadership exhibited was also seen as a variable affecting implementation by Melan (1998) in research into organizational variables.

Due to the Group level accounting team being interpreted as the function that often drives the implementation process even though top management is the official process owner, one non-accounting group interviewee strongly emphasized the importance of leadership of the team in driving the understanding of the IFRS standard change in the organization, “IFRS standard changes require time, continuity and presence; in these changes the first year is the most important from a leadership perspective. People must be told that ‘we are here’, ask for help, as if the driving function for the change is not ‘present’ the threshold for asking for help (often in a foreign language) will rise.”

Organizational variable 7 is added to the list: **The amount of leadership the Group level accounting team exhibit**s.

A third variable not identified in the original list and raised by one non-accounting group interviewee as a factor affecting the success of an IFRS standard change implementation process was the amount of post-implementation evaluation carried out by the company. This was highlighted by the interviewee due to the, “Increased learning in the organization related to the past implementation processes and possible mistakes made back then”. This variable was recognised by the interviewee as a lesson that could be learned from other process models, “Collecting and using feedback is always something any process aims at, but when it is done well it can speed up and improve future IFRS standard change processes in this case".

Organizational variable 8 is added to the end of the list: **The amount of post-implementation evaluation the company conducts after large IFRS standard changes.**

The final organizational variable brought up by the case company interviewees was "the amount of resources put in place for the standard change". This was stated as being linked to top management commitment by the accounting group interviewee, "The level to which top management is involved is important, which should show in the amount of resources the project receives. I do not mean outsourcing, I mean the human resources allocated to the project internally from the people who truly understand the company." This point was also mentioned by Shields (1995) and McGowan and Klammer (1997) in their research that stated how top management commitment enabled the allocation of resources to the implementation project. It deserved a spot as its own variable according to the interviewee however, "It is a risk for these types of projects to get enough resources, and so this point in itself should be a variable affecting the success of the implementation [of the IFRS standard change]."

Organizational variable 9 is thus added to the list: **The amount of internal resources put in place for the implementation.**

Of the organizational variables present in the list, top management commitment and involvement to the change (variable one) was emphasized specifically by three interviewees in the case company interviews. Variable number two, "the level to which non-accounting business functions are involved", was emphasized specifically by one accounting group interviewee who felt that "the people who truly understand non-accounting and operative decisions need to be involved early enough in the process". The third variable, the level of clarity and consensus for the objectives of the standard change (number three), was specifically at the heart of one non-accounting group interviewee who felt strongly that this was where it could all go wrong. "We need to know what we want and what we are aiming at. If the objectives of the change are at all unclear, if we do not know what we are doing, then nothing matters because no-one in the organization will know what we are trying to commit the internal and external users and audiences to."

The level of training (variable four) was emphasized by five interviewees, with comments like "there can never be enough training, usually it is lack of time that cuts the training on these issues short" and "the training of the organization is the only way in which the change message can be passed across to all internal stakeholders". Another interviewee highlighted the importance of variable five, the system application effects. "System decisions can either hinder or make possible an IFRS standard change implementation process. If we think about Europe, we can speak with one person regarding system changes. If we think global, we need to speak to a lot of people to make changes happen."

In sum, all of the theoretical organizational variables were emphasized by at least one case company interviewee separately, which means that none of the variables can be taken out. This concludes the list of organizational variables affecting the IFRS standard change implementation process at nine:

The organizational factors affecting the efficient implementation of IFRS standard changes:
1. The level to which top management is involved
2. The level to which non-accounting business functions are involved
3. Level of clarity and consensus for the objectives of the IFRS standard change
4. The amount of IFRS standard change training provided
5. The purposes of the IFRS standard change and the system applications it affects
6. The amount of contact with external peer groups and IFRS experts
7. The amount of leadership the Group level accounting team exhibits
8. The amount of post-implementation evaluation the company conducts after large IFRS standard changes
9. The amount of internal resources put in place for the implementation

Contextual variables

The first contextual variable not stated in the list of variables was the amount of time given for the implementation process within the firm. In effect, this was mentioned by each and every case company interviewee as a factor affecting the success of the implementation process. Reflections on time included comments such as “time is such as important aspect, meaning the amount of time that we have to implement the change and at what point in time the change is communicated”, “external consultants might be needed for the project, which always requires enough time to organize”, “time is extremely important to enable enough time for people to understand the change” and “having enough time for implementation is important as it allows for taking the detailed practical challenges and adhoc changes into account during the implementation process”. Another interviewee from the non-accounting group highlighted that based on past experience “most changes are larger than anticipated at the beginning”, and that enough time for implementation is necessary for taking this fact into account.

Time is seen primarily as a Task-related contextual factor in IFRS standard change implementation as it is a characteristic of the standard change itself. When publishing a new standard, the IASB sets a date for when it must be effective. After that, it is up to the organization to set up a timetable for implementation, but the organization does not have full control over the time frame.

Contextual variable number 15 is added to the list of variables: **The amount of time given for the implementation.**

The second contextual variable mentioned by the case company interviewees was the clarity level of the communication regarding the IFRS standard changes. This was referred to outside of the training organized internally as it was meant to refer to the clarity of the message in all contexts, meaning all discussions and forums where the IFRS standard change in question is addressed. Regarding external messages it was stated by one non-accounting group interviewee that, “For the media, even understanding EBIT is too much and so they only follow Net Income”. The interviewee continued, “It is thus very important to give a clear message externally as well as to what the change means especially in the case standard change in question.”

The main idea behind clarity of communication was emphasized by two interviewees as meaning the avoidance of “IFRS language” in communication. “IFRS language should be avoided throughout the whole implementation process, and the messages should be made user-friendly from the very beginning", stated one non-accounting group interviewee. An accounting group interviewee laughed and confirmed this idea, "Most definitely IFRS language is too complex. We often read excerpts from the standards aloud and ask each other what on earth they mean with these concepts."

The clarity of communication is an Organization-related contextual variable as the characteristics of the organization highlight the ways in which it clarifies its internal and external messages.

Contextual variable 16 is added to the list: **The clarity level of the communication of the changes.**

The third and final contextual variable not included in the original theoretical list of variables but mentioned by the case company interviewees was "making sure that all of the changes are documented well". This is seen as interlinked to the level of post-analysis carried out after the implementation process, but highlights a different aspect of the post-implementation time. "Thorough documentation enables us to return to the changes that were made before, enabling all kinds of discussion and post-analysis afterwards. I would personally prefer to have an evaluation of the IFRS standard change implementation process based on the documentation after the first Group Closing where the IFRS standard change was first effective."

The variable is seen as being contextual and contingent on the characteristics of the Organization, its processes for documenting activities and the characteristics of the Technology at hand to see whether documentation of the change can be feasibly carried out or whether it would require an impossible amount of time, drive memory or resources.

Contextual variable 16 is added to the list: **The thoroughness of documentation regarding the change.**

Of the other contextual variables in the list, only variable fourteen referring to the amount of business functions involved in the standard change was emphasized by one non-accounting group interviewee who felt that "If an IFRS standard change affects business decisions and the world affecting operating profit, then variable 14 is relevant to the success of the implementation". Variables 10-13 were not emphasized, and variable 10 was questioned by one accounting group interviewee who felt that "The acceptance level is not important as this is a mandatory change.

Changing the presentation of our financial statements is not a philosophical change.” Due to the fact that that interviewee did not want to remove variable 10 from the list, however, as did none of the other interviewees, variables 10-14 are kept in the modified list for validation by the IFRS experts. This concludes the list of contextual variables affecting the IFRS standard change implementation process according to the case company interviewees at eight:

Contextual factors affecting the efficient implementation of IFRS standard changes:
10. The acceptance of change of the accounting organization
11. The amount of time an organization has implemented IFRS
12. The level of trust and quality in accounting systems
13. Monthly, quarterly and annual reporting success in the past
14. The amount of business functions involved in the standard change
15. The amount of time given for the implementation
16.The clarity level of the communication of the changes
17.The thoroughness of documentation regarding the change

Conclusion

One non-accounting group interviewee stated, “On a theoretical level this list is very good, but our practical problems are often much more detailed. How good is the training material? Do people understand the language? Do all countries have the same system as a basis for the implementation even if theoretically we are all ‘reporting under IFRS’?” The viewpoint brought to the table by this comment is a relevant point in highlighting that the purpose of the research paper is not to give an exhaustive list of all of the variables that could go wrong in an IFRS standard change implementation process, but rather highlight the key variables that could be used as a basis for further academic research.

As a conclusion, the key variables that are seen as affecting the implementation of IFRS standard changes by case company interviewees are all included in Table 21 below. Variables 4 and 15, referring to the amount of training and the amount of time for the implementation respectively, were emphasized the most by the interviewees.

Table 21 Modified variables affecting implementation of IFRS standard changes

Organizational factors affecting the implementation of IFRS standard changes:
1. The level to which top management is involved
2. The level to which non-accounting business functions are involved
3. Level of clarity and consensus for the objectives of the IFRS standard change
4. The amount of IFRS standard change training provided
5. The purposes of the IFRS standard change and the system applications it affects
6. The amount of contact with external peer groups and IFRS experts
7. The amount of leadership the Group level accounting team exhibits
8. The amount of post-implementation evaluation the company conducts after large IFRS standard changes
9. The amount of internal resources put in place for the implementation
Contextual factors affecting the implementation of IFRS standard changes:
10. The acceptance of change of the accounting organization
11. The amount of time an organization has implemented IFRS
12. The level of trust and quality in accounting systems
13. Monthly, quarterly and annual reporting success in the past
14. The amount of business functions involved in the standard change
15. The amount of time given for the implementation
16.The clarity level of the communication of the changes
17.The thoroughness of documentation regarding the change

6.2.2 The IFRS experts

Defining a successful IFRS standard change implementation process

Similarly to the case company interviews, after discussion of the implementation process framework, question four moved the discussion to the definition of a successful standard change implementation process:

4. How would you define a successful IFRS standard change implementation process?

For the IFRS experts, the concept of "successful" was problematized more in the setting of academic research than with the case company interviewees. One expert stated that, "The term successful can mean, even from your textbook definition point of view, too many different things. How do you measure 'true and fair view' of a company's financial statements?" When prompted, the expert gave a concise definition of successful that was used to conceptualize the textbook definition: "No Financial Supervisory Authority letters". By this comment the expert felt that if the company receives no letters stating misconduct or errors in financial statements after they have been published from the Financial Supervisory Authorities, then the financial statements can be said to have been validated and the IFRS standard change implementation process "successful". An IFRS expert interviewed stated that "A company should never compromise on materiality, as all items are material at some stage. The Group policy needs to be IFRS policy even in the case of seemingly small changes to ensure that the financial reporting is in compliance at all times."

Other IFRS experts stated that success in a company-specific process model context often means that "the change is understood by all internal stakeholders", which validates the main definition of "successful" stated by the case company interviewees. Thus it can be said that internal validity for the discussion of the variables affecting an IFRS standard change implementation process is at an acceptable level.

Validating the variables affecting the implementation process

After the discussion of the definition of successful, the modified list of variables affecting the process was presented to the interviewees (Table 21) and question five was asked:

5. What key variables do you feel affect the successful implementation of an IFRS standard change in firms, and what would you remove and emphasize in this list of variables? Which variables affect the process the most?

The IFRS experts as a group felt that there were too many variables listed to condense the list only to the most important variables, but that some variables stood out more than others. According to the research method, the "aim is to identify key variables" and so only the variables specifically emphasized by the IFRS experts are kept in the final list as validated variables seen as important by the interviewees as a whole.

The first IFRS expert listed seven variables he/she emphasized as important to the success of an IFRS standard change implementation process, although none of the variables were stated outright as not being relevant. The first variable mentioned was the **level of top management commitment**, integral to the success of the implementation in order to get the process on the priority list. The second variable was the **amount and quality of training**, very important to increasing the internal understanding of the change. Third, the expert highlighted the **amount of contact with external peer groups and IFRS experts** to enable that the company was "involved in the game". Fourth, the **amount of internal resources** was seen as important, with a link to top management commitment.

Fifth, the **amount of time an organization has implemented IFRS** was seen by the expert as important. "Companies like Nokia have it easier, as they have implemented the accounting standards for a longer time and have thus built up a body of knowledge." Sixth, the expert emphasized the **clarity level of the communication of the change**s, which he/she saw as "always being important". Seventh, the **thoroughness of documentation of the change** with a link to post-analysis of the change was highlighted. The expert saw that lack of documentation would be a problem for implementation processes after people change. "There is no continuity in the implementation of standard changes if there is no documentation."

The expert also mentioned the importance of the leadership of the Group level accounting team, but did not see it as necessary for the success of the implementation process. "It helps if the leader of group level accounting is social of course". The level of non-accounting and business function involvement and the level of clarity and consensus for the objectives of the change were not seen as too relevant for the implementation process either. "Are these really that important? The people will do as top management tells them to when a mandatory change is in question."

The other IFRS experts took the approach of highlighting variables and issues that they believed were important to the implementation process in a more random order. One IFRS expert emphasized three variables in particular: **the level of clarity and consensus for the objectives** of the standard change, the **amount of contact with peer groups and IFRS experts** and the **level of top management commitment**. The first variable was considered by the expert as being “a tough one”, as many standards have elements of estimation and judgement. The key question of the expert was how to ensure consistency of a principle-based accounting standard in a large organization without implementing rules. Seeing as the institutional framework is a driving force behind this thesis, understanding the reporting processes as rules and routines was seen as a “necessary evil” by the IFRS expert in a principle-based world. The amount of top management commitment was seen as affecting resources most directly. “After all, if you take out budgeting, holidays and reporting, the accounting function only has a maximum of two months per year to implement changes.” The amount of contact with external peer groups and experts, on the other hand, was a way of “making sure that people discuss and are on the right track” according to the expert.

The two IFRS experts understood variable number three, “level of clarity and consensus of the IFRS standard change”, from different viewpoints; the first expert saw variable number three as not important due to the necessity of implementing the standard anyway, whereas the second expert viewed it as a necessary step in making any implementation plans.

The other IFRS experts named the following variables as affecting the implementation process: **top management commitment**, **contact with external peer groups and IFRS experts**, **thorough documentation of the changes**, **the amount of time given for the implementation** and **the level of clarity and consensus for the objectives of the standard change**. Due to the fact that three experts mentioned the variable “level of clarity and consensus for the objectives of the IFRS standard change” as being important, the variable is included in the key variables seen as affecting the success of the standard change in the research. It is, however, a controversial variable and needs more research attention before it can be fully validated as the most important variable.

Based on the emphasized variables of the IFRS experts, the following list of key variables seen as affecting the implementation process are formed:

Table 22 Key variables affecting an IFRS standard change implementation process

The key variables seen as affecting the success of IFRS standard change implementation:		
Organizational	1	Top management commitment
Organizational	2	The amount of contact with external peer groups and IFRS experts
Contextual	3	The thoroughness of documentation regarding the change
Organizational	4	The amount of IFRS standard change training provided
Organizational	5	The amount of internal resources put in place for the implementation
Contextual	6	The amount of time an organization has implemented IFRS
Contextual	7	The clarity level of the communication of the changes
Contextual	8	The amount of time given for the implementation
Organizational	9	Level of clarity and consensus for the objectives of the IFRS standard change

These key variables have some dependencies amongst themselves. For example, top management commitment, which in itself includes the possibility to allocate resources to the implementation process and training activities, can be seen as affecting variables four and five. In a similar sense, the clarity level of the communication of the changes may be linked to the amount of time an organization has implemented IFRS, meaning the amount of knowledge the organization has gathered. These dependencies cannot be analyzed further based on the research paper, however, as the empirical questions did not address that point.

A complete list of all variables seen as having some kind of an effect on an IFRS standard change implementation process are shown below. This list may be used for purposes of further study on the variables identified in both case company and IFRS expert interviews:

Table 23 All variables affecting an IFRS standard change implementation process

The key variables seen as affecting the success of IFRS standard change implementation:		
Organizational	1	Top management commitment
Organizational	2	The amount of contact with external peer groups and IFRS experts
Contextual	3	The thoroughness of documentation regarding the change
Organizational	4	The amount of IFRS standard change training provided
Organizational	5	The amount of internal resources put in place for the implementation
Contextual	6	The amount of time an organization has implemented IFRS
Contextual	7	The clarity level of the communication of the changes
Contextual	8	The amount of time given for the implementation
Organizational	9	Level of clarity and consensus for the objectives of the IFRS standard change
Other variables seen as affecting the success of IFRS standard change implementation:		
Organisational	10	The level to which non-accounting business functions are involved
Organisational	11	The purposes of the IFRS standard change and the system applications it affects
Organisational	12	The amount of leadership the Group Accounting team exhibits
Organisational	13	The amount of post-implementation evaluation the company conducts after large IFRS standard changes
Contextual	14	The acceptance of change of the accounting organization
Contextual	15	The level of trust and quality in accounting systems
Contextual	16	Monthly, quarterly and annual reporting success in the past
Contextual	17	The amount of business functions involved in the standard change

7. Discussion of the results

This chapter is aimed at a concise and interesting discussion of the results presented in the Chapter six, with reflection on the outcomes of the framework and the variables in light of both the research questions and the theory from past academic research presented in Chapters two and three. The first subchapter focuses on the implementation process framework and the second subchapter on the variables.

7.1 The implementation process framework for IFRS standard changes

The implementation process framework for IFRS standard changes is shorter and more concise than its theoretical counterpart, adding to its usability in different types of companies. It is also easier to generalize the framework due to the fact that it has been validated by the IFSR expert interviewees.

Table 24 Development of the IFRS standard change implementation process framework

(The table is spread across the following two pages)

THEORETICAL SYNTHESIS

	IFRS standard change implementation framework
Initiation	Step 1. The standard change has been communicated through an IASB discussion paper and outreach activities, and the company has heard of the change.
	Step 2. The standard change has been further communicated through an Exposure Draft and outreach activities, and the company has begun discussing the change.
	Step 3. An IFRS standard change is published and an effective date for its implementation is communicated to companies. The firm takes the standard change into active consideration.
Adoption	Step 4. The implementation process has been organized by the Group Accounting department, and a Standard Change team is formed if the standard change is considered as affecting the company.
Adaptation	Step 5. Core business processes that the standard change affects are identified along with Undesirable Effects of the standard change
	Step 6. The cross-functional implementation team is in the process of identifying changes needed to the systems and processes, and is supported by other functions but the change has not yet been implemented. Top management is informed and they approve a policy.
	Step 7. A pilot closing has been identified to test the implementation of the standard change using the new processes and/or systems and a process map is drawn for preparation to deploy the policy of the top management to departments.
Acceptance	Step 8. The standard change has been implemented and top management as well as other stakeholders understand the implications of the standard change on the financial statements. Business areas are reporting according to the new instructions. The quality of reporting is reviewed by the Group level accounting.
Routinization	Step 9. The standard change has been accepted by the organization, and it has become a routine way of reporting.
Infusion	Step 10. Clear improvements in the quality of financial statements are defined after the implementation of the standard change. Process improvement strategies are an integrated part of the system for external reporting and the standard change has been fully understood by all stakeholders. Monitoring of the quality of reporting.

MODIFIED FRAMEWORK

	IFRS standard change implementation framework
Initiation	Step 1. The standard change has been communicated through an IASB discussion paper and outreach activities, and the company has heard of the change. The Group level accounting and reporting team begins to identify the effects of the change.
	Step 2. The standard change has been further communicated through an Exposure Draft and outreach activities, and the company has begun discussing the change.
	Step 3. An IFRS standard change is published and an effective date for its implementation is communicated to companies. The firm takes the standard change into active consideration in the group-level accounting function and informs both top management and relevant non-accounting functions of the discussion.
Adoption	Step 4. The standard change is identified by the size of its potential effect on existing Group policies by the Group level accounting team. The effect of the IFRS standard change on different non-accounting functions of the company is identified, with a possible accounting policy decision and IFRS standard change information communication and training plan added for the relevant functions to the preparatory material.
	Step 5. In the case of significant effects regarding accounting policies, a well prepared proposal for policy changes is brought to an Accounting Policy meeting involving top management. Top management makes a decision regarding the adoption of the standard change.
Adaptation	Step 6. Core business processes that the standard change affects are identified along with Undesirable Effects of the standard change. Business controllers and operational units are involved.
	Step 7. A cross-functional implementation project is set up involving the relevant non-accounting functions if deemed relevant. The process begins to identify changes needed to the systems and processes, and is supported by other functions but the change has not yet been implemented.
	Step 8. A pilot closing has been identified to test the implementation of the standard change using the new processes and/or systems and a process map is drawn for preparation to deploy the policy of the top management to departments.
Acceptance	Step 9. The standard change has been implemented and top management as well as other stakeholders understand the implications of the standard change on the financial statements. Entities are reporting according to the new instructions. The quality of reporting is reviewed by the Group level accounting and reporting teams.
Routinization	Step 10. The standard change has been accepted by the organization, and it has become a routine way of reporting.
Infusion	Step 11. Improvements in any initial drops in the quality of processing financial statements are monitored and clear progress is defined in subsequent closings after the implementation of the standard change in the first Group Closing. Process improvement strategies are an integrated part of the system for external reporting and the standard change has been fully understood by all stakeholders.

MODIFIED FRAMEWORK

	IFRS standard change implementation framework
Initiation	Step 1. The standard change has been communicated through an IASB discussion paper and outreach activities, and the company has heard of the change. The Group level accounting and reporting team begins to identify the effects of the change. Step 2. The standard change has been further communicated through an Exposure Draft and outreach activities, and the company has begun discussing the change. Step 3. An IFRS standard change is published and an effective date for its implementation is communicated to companies. The firm takes the standard change into active consideration in the group-level accounting function and informs both top management and relevant non-accounting functions of the discussion.
Adoption	Step 4. The standard change is identified by the size of its potential effect on existing Group policies by the Group level accounting team. The effect of the IFRS standard change on different non-accounting functions of the company is identified, with a possible accounting policy decision and IFRS standard change information communication and training plan added for Step 5. In the case of significant effects regarding accounting policies, a well prepared proposal for policy changes is brought to an Accounting Policy meeting involving top management. Top management makes a decision regarding the adoption of the standard change.
Adaptation	Step 6. Core business processes that the standard change affects are identified along with Undesirable Effects of the standard change. Business controllers and operational units are involved. Step 7. A cross-functional implementation project is set up involving the relevant non-accounting functions if deemed relevant. The process begins to identify changes needed to the systems and processes, and is supported by other functions but the change has not yet been implemented. Step 8. A pilot closing has been identified to test the implementation of the standard change using the new processes and/or systems and a process map is drawn for preparation to deploy the policy of the top management to departments.
Acceptance	Step 9. The standard change has been implemented and top management as well as other stakeholders understand the implications of the standard change on the financial statements. Entities are reporting according to the new instructions. The quality of reporting is reviewed by the Group level accounting and reporting teams.
Routinization	Step 10. The standard change has been accepted by the organization, and it has become a routine way of reporting.
Infusion	Step 11. Improvements in any initial drops in the quality of processing financial statements are monitored and clear progress is defined in subsequent closings after the implementation of the standard change in the first Group Closing. Process improvement strategies are an integrated part of the system for external reporting and the standard change has been fully understood by all stakeholders.

FINAL FRAMEWORK

	IFRS standard change implementation framework
Step 1: Initiation	The standard change has been communicated through IASB material and outreach activities, and the company has heard of the change. The Group level accounting and reporting team begins to identify the effects of the change.Top management is continuously informed of the major implications of the change. An IFRS standard change is published and an effective date for its implementation is communicated to companies. The firm takes the standard change into active consideration in the group-level accounting function and informs both top management and relevant non-accounting functions of the major implications of the change.
Step 2: Adoption	The standard change is identified by the size of its potential effect on existing Group policies by the Group level accounting team. The effect of the IFRS standard change on different non-accounting functions of the company is identified, with a possible accounting policy decision and IFRS standard change information communication and training plan added for the relevant functions to the preparatory material. In the case of significant effects regarding accounting policies, a well prepared proposal for policy changes is brought to the Accounting Policy committee meeting involving top management. Top management makes a decision regarding the adoption of the standard change.
Step 3: Adaptation	Core business processes that the standard change affects are identified along with Undesirable Effects of the standard change. Business controllers and operational units are involved. A cross-functional implementation project is set up involving the relevant non-accounting functions if deemed relevant. The process begins to identify changes needed to the systems and processes, and is supported by other functions but the change has not yet been implemented. A pilot closing is identified to test the implementation of the standard change using the new processes and/or systems and a process map is drawn for preparation to deploy the policy of the top management to departments.
Step 4: Acceptance	The standard change is implemented and top management as well as other stakeholders understand the implications of the standard change on the financial statements. Entities are reporting according to the new instructions. The quality of reporting is reviewed by the Group level accounting and reporting teams.
Step 5: Routinization	The standard change has been accepted by the organization, and it has become a routine way of reporting.
Step 6: Infusion	Improvements in any initial drops in the quality of processing financial statements are monitored and clear progress is defined in subsequent closings after the implementation of the standard change in the first Group Closing. Process improvement strategies are an integrated part of the system for external reporting and the standard change has been fully understood by all stakeholders.

The final IFRS Standard Change Implementation Process (ISCIP) framework reflects an understanding of what the process model should look like rather than being a direct interpretation of the current processes of the case company. Due to this reason, its usefulness needs to be validated by further research on companies where large IFRS standard change implementation processes have been carried out. In those studies the process framework can be validated against the ongoing processes in the companies.

Referring back to theory, the institutional framework is still present in the final ISCIP-framework and the process steps detail processes b and c of the institutional framework which set out the ways in which the changes to rules and routines are institutionalized. Additionally, the roots of the ISCIP-framework can be found in the research bodies of management accounting synthesized in Chapter two.

The ISCIP-framework provides a starting point for testing the validity of the theory in further research, which was stated as the objective of exploratory research in Chapter four. It is an exploratory result of the empirical research completed in this thesis, and needs to be validated through further research because it can potentially be institutionalized as a theory.

Managerial implications of the ISCIP-framework are wide, as it can be used as a validation point for seeing if a company reporting under IFRS has an implementation process framework for IFRS standard changes. In effect, the amount of IFRS standard changes is accelerating and as one of the IFRS experts said, each company should ideally have their own process in place for implementing the changes consistently.

7.2 The variables affecting the success of the implementation process

The key variables affecting the success of an IFRS standard change implementation process were synthesized and validated with five IFRS expert interviews. This validation method was methodologically viable as it allowed for the external validation of the variables synthesized from theory and the case study of one case company firm. In addition, the results can be generalized, which has been identified as a major purpose of exploratory studies, due to the fact that the case standard change was seen as an example of a large standard change rather than the only paradigm through which these variables should be viewed.

Table 25 Development of variables affecting an IFRS standard change implementation process

THEORETICAL SYNTHESIS	MODIFIED VARIABLES	FINAL VARIABLES
The organizational factors affecting the efficient implementation of IFRS standard changes (synthesis):	**The organizational factors affecting the efficient implementation of IFRS standard changes:**	**The key variables seen as affecting the success of IFRS standard change implementation:**
1. The level to which top management is involved	1. The level to which top management is involved	1. Top management commitment (O)
2. The level to which non-accounting functions are involved	2. The level to which non-accounting business functions are involved	2. The amount of contact with external peer groups and IFRS experts (O)
3. Level of clarity and consensus for the objectives of the IFRS standard change	3. Level of clarity and consensus for the objectives of the IFRS standard change	3. The thoroughness of documentation regarding the change (C)
4. The amount of IFRS standard change training provided	4. The amount of IFRS standard change training provided	4. The amount of IFRS standard change training provided (O)
5. The purposes of the IFRS standard change and the system applications it affects	5. The purposes of the IFRS standard change and the system applications it affects	5. The amount of internal resources put in place for the implementation (O)
	6. The amount of contact with external peer groups and IFRS experts	6. The amount of time an organization has implemented IFRS (C)
Contextual factors affecting the efficient implementation of IFRS standard changes (synthesis):	7. The amount of leadership the Group level accounting team exhibits	7. The clarity level of the communication of the changes (C)
6. The acceptance of change of the accounting organization	8. The amount of post-implementation evaluation the company conducts after large IFRS standard changes	8. The amount of time given for the implementation (C)
7. The amount of time an organization has implemented IFRS	9. The amount of internal resources put in place for the implementation	9. Level of clarity and consensus for the objectives of the IFRS standard change (O)
8. The level of trust and quality in accounting systems		
9. Monthly, quarterly and annual reporting success in the past	**Contextual factors affecting the efficient implementation of IFRS standard changes:**	**Other variables seen as affecting the success of IFRS standard change implementation:**
10. The amount of business functions involved in the standard change	10. The acceptance of change of the accounting organization	10.The level to which non-accounting business functions are involved (O)
	11. The amount of time an organization has implemented IFRS	11. The purposes of the IFRS standard change and the system applications it affects (O)
	12. The level of trust and quality in accounting systems	12. The amount of leadership the Group Accounting team exhibits (O)
	13. Monthly, quarterly and annual reporting success in the past	13. The amount of post-implementation evaluation the company conducts after large IFRS standard changes (O)
	14. The amount of business functions involved in the standard change	14. The acceptance of change of the accounting organization (O)
	15. The amount of time given for the implementation	15. The level of trust and quality in accounting systems (O)
	16.The clarity level of the communication of the changes	16. Monthly, quarterly and annual reporting success in the past (O)
	17.The thoroughness of documentation regarding the change	17. The amount of business functions involved in the standard change (O)

The end result can be trusted in the sense that the variables have been synthesized and identified using a method of matching the patterns, or repetitions, of certain emphasized variables affecting the success of an IFRS standard change implementation process based on a list of variables rather than trying to ask each expert specifically if “any variables come to mind”. The validity of the results can be questioned to the extent that research ethics come into play, however, as the end result is contingent on the interpretations and analysis of the author of the research paper. Due to this possibility of interpreting the answers of the IFRS experts wrong, the full list of variables is shown in the last part of the empirical results to be used as a basis for further research if further validity through more research is carried out. The list of nine key variables is to be understood as the final results of the research paper at hand, however.

Another limitation of the exploratory research method is the fact that the variables are not aimed at being measured; rather the idea is to identify variables that have an affect. Similarly to the ISCIP-framework, the list of variables provides a good starting point for any further research on the building blocks of successful IFRS standard changes and as such fulfills their purpose in the academic context.

8. Conclusion

In the research paper, a framework has been developed for the implementation process of IFRS standard changes based on an exploratory method and for the purposes of finding areas for further research in the field of research on IFRS standards. To support the development of the framework, a list of variables has also been found to affect the outcome or “success” of the implementation process through in-depth interviews in one case company and the validating interviews of five IFRS experts with a long background in IFRS standard change implementation.

Although the research paper has not followed the strict conventions of grounded theory, research that has a “clear model as the outcome of the analysis that may reach the status of a “theory” if it is validated and supported by further research and literature” can be said as fitting the norms of grounded theory according to the view on the theory by Barney Glaser (Koskennurmi-Sivonen, 2007). This idea has been a supporting function of the research paper, as exploratory case research methods represent the “first step” in a long process of research on a certain subject. Due to the fact that there has been little research on IFRS standard changes and no implementation process frameworks developed in this theoretical way found in mainstream research, the results of the research paper can be said to be seminal if they are supported by further literature.

The research question stated in the beginning was, “How can a listed industrial company implement an IFRS standard change successfully?” This question has been answered through the development of the exploratory framework and the variables affecting the success or outcome of the implementation process. A listed company can implement an IFRS standard change successfully by taking into use a clear process framework for implementation in the company (the “ISCIP”-framework) and taking into account top management, keeping contact with peer groups and IFRS experts, allocating enough internal resources to the change projects, starting early, learning through past projects, communicating the objectives of the standard change clearly and organizing a sufficient amount of IFRS training.

The main strengths of a case research method include the ability to probe deeply into case examples and attain a profound understanding of the phenomenon at hand. That has been done with the approach in this exploratory research paper of using one case company as a basis for analysis and the validating comments of IFRS experts.

For purposes of further research, the framework could be used in larger case studies seeking external validation of the framework to the current IFRS standard change implementation processes in companies reporting under IFRS. Alternatively the framework could be a starting point for research into the specific process steps of the framework with different sized companies, different standard change examples and different countries. The possibilities for validating the ISCIP-framework in an IFRS standard change context are endless, as so little research exists in the time after companies have already adopted IFRS and the dust has settled.

Survey research methods allow the possibility to reach many audiences within the same research and validate the framework horizontally. On the other hand, vertical research that uses longitudinal case studies would be extremely interesting from the point of view of researching IFRS standard change implementation processes. Researchers could follow companies using the framework in time, before a case standard change, during it and after the adoption to see how the process steps are carried out in the case companies. Would this end up changing the ISCIP-framework?

Regarding the variables, a large amount of further research could also be carried out on specific variables to see how much they in fact affect the process. How can they be measured? What is their significance? Are they statistically significant if a larger amount of companies and respondents is considered? What is their correlation to the quality of financial statements or to earnings quality? The exploration of the variables through quantitative analysis might bring new revelations regarding the role of IFRS standards and especially their change within companies. How much do IFRS standard changes actually affect business processes? A number of very practical questions arise from the theoretical view of finding variables that affect the implementation process.

All in all IFRS standard change research could develop in the footsteps of research on management accounting practices, which can already said to have reached a mature stage. The research paper is a first step in the direction of that type of research, with the introduction of an exploratory model for the implementation process of IFRS standard changes and the identification of variables that affect it. Through further research this field of study can grow into results that help companies, accounting standard setting bodies and other stakeholders in the external reporting community to understand IFRS standards and their role better.

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APPENDICES

Appendix 1: Case company interviews

Semi-structured theme interview questions for the case company stakeholders

1. How involved are you in the process of implementing IFRS standard changes currently, and how does the current process work at the case company?
2. Do you feel this framework represents the implementation steps you are conducting at the moment regarding IFRS standard changes, and where do you see your role fits in?
3. How would you improve this framework for implementing IFRS standard changes when considering large cross-functional changes such as the FSP change and your experience from current processes?
4. How would you define a successful IFRS standard change implementation process from the point of view of your job?
5. Are these contextual and organizational variables relevant to the implementation of IFRS standard changes in your opinion? Is something missing, would you take something out and which variables affect the implementation process the most?

Before questions 2 and 3, the following theoretical framework was presented to the interviewees:

IFRS standard change implementation framework	
Initiation	Step 1. The standard change has been communicated through an IASB discussion paper and outreach activities, and the company has heard of the change. Step 2. The standard change has been further communicated through an Exposure Draft and outreach activities, and the company has begun discussing the change. Step 3. An IFRS standard change is published and an effective date for its implementation is communicated to companies. The firm takes the standard change into active consideration.
Adoption	Step 4. The implementation process has been organized by the Group Accounting department, and a Standard Change team is formed if the standard change is considered as affecting the company.
Adaptation	Step 5. Core business processes that the standard change affects are identified along with Undesirable Effects of the standard change. Step 6. The cross-functional implementation team is in the process of identifying changes needed to the systems and processes, and is supported by other functions but the change has not yet been implemented. Top management is informed and they approve a policy. Step 7. A pilot closing has been identified to test the implementation of the standard change using the new processes and/or systems and a process map is drawn for preparation to deploy the policy of the top management to departments.
Acceptance	Step 8. The standard change has been implemented and top management as well as other stakeholders understand the implications of the standard change on the financial statements. Business areas are reporting according to the new instructions. The quality of reporting is reviewed by the Group level accounting.
Routinization	Step 9. The standard change has been accepted by the organization, and it has become a routine way of reporting.
Infusion	Step 10. Clear improvements in the quality of financial statements are defined after the implementation of the standard change. Process improvement strategies are an integrated part of the system for external reporting and the standard change has been fully understood by all stakeholders. Monitoring of the quality of reporting.

Before questions 4 and 5, the following synthesis of theoretical variables was presented to the interviewees:

The organizational factors affecting the efficient implementation of IFRS standard changes (synthesis):

1. The level to which top management is involved
2. The level to which non-accounting functions are involved
3. Level of clarity and consensus for the objectives of the IFRS standard change
4. The amount of IFRS standard change training provided
5. The purposes of the IFRS standard change and the system applications it affects

Contextual factors affecting the efficient implementation of IFRS standard changes (synthesis):

6. The acceptance of change of the accounting organization
7. The amount of time an organization has implemented IFRS
8. The level of trust and quality in accounting systems
9. Monthly, quarterly and annual reporting success in the past
10. The amount of business functions involved in the standard change

Appendix 2: IFRS expert interviews

Semi-structured theme interview questions for IFRS experts

6. How involved have you been with large IFRS standard change processes in companies during your career?
7. Do you feel that this framework represent the steps involved in implementing an IFRS standard change in a company?
8. How would you improve this framework for implementing IFRS standard changes in consideration of large cross-functional changes such as the FSP change?
9. How would you define a successful standard change?
10. What key variables do you feel affect the successful implementation of an IFRS standard change in firms, and what would you remove and emphasize in this list of variables? Which variables affect the process the most?

Before questions 2 and 3, the following theoretical framework was presented to the interviewees:

IFRS standard change implementation framework	
Initiation	Step 1. The standard change has been communicated through an IASB discussion paper and outreach activities, and the company has heard of the change. The Group level accounting and reporting team begins to identify the effects of the change. Step 2. The standard change has been further communicated through an Exposure Draft and outreach activities, and the company has begun discussing the change. Step 3. An IFRS standard change is published and an effective date for its implementation is communicated to companies. The firm takes the standard change into active consideration in the group-level accounting function and informs both top management and relevant non-accounting functions of the discussion.
Adoption	Step 4. The standard change is identified by the size of its potential effect on existing Group policies by the Group level accounting team. The effect of the IFRS standard change on different non-accounting functions of the company is identified, with a possible accounting policy decision and IFRS standard change information communication and training plan added for the relevant functions to the preparatory material. Step 5. In the case of significant effects regarding accounting policies, a well prepared proposal for policy changes is brought to an Accounting Policy meeting involving top management. Top management makes a decision regarding the adoption of the standard change.
Adaptation	Step 6. Core business processes that the standard change affects are identified along with Undesirable Effects of the standard change. Business controllers and operational units are involved. Step 7. A cross-functional implementation project is set up involving the relevant non-accounting functions if deemed relevant. The process begins to identify changes needed to the systems and processes, and is supported by other functions but the change has not yet been implemented. Step 8. A pilot closing has been identified to test the implementation of the standard change using the new processes and/or systems and a process map is drawn for preparation to deploy the policy of the top management to departments.
Acceptance	Step 9. The standard change has been implemented and top management as well as other stakeholders understand the implications of the standard change on the financial statements. Entities are reporting according to the new instructions. The quality of reporting is reviewed by the Group level accounting and reporting teams.
Routinization	Step 10. The standard change has been accepted by the organization, and it has become a routine way of reporting.
Infusion	Step 11. Improvements in any initial drops in the quality of processing financial statements are monitored and clear progress is defined in subsequent closings after the implementation of the standard change in the first Group Closing. Process improvement strategies are an integrated part of the system for external reporting and the standard change has been fully understood by all stakeholders.

Before questions 4 and 5, the following synthesis of theoretical variables was presented to the interviewees:

	The organizational factors affecting the efficient implementation of IFRS standard changes:
1	The level to which top management is involved
2	The level to which non-accounting business functions are involved
3	Level of clarity and consensus for the objectives of the IFRS standard change
4	The amount of IFRS standard change training provided
5	The purposes of the IFRS standard change and the system applications it affects
6	The amount of contact with external peer groups and IFRS experts
7	The amount of leadership the Group Accounting team exhibits
8	The amount of post-implementation evaluation the company conducts after large IFRS standard changes
9	The amount of internal resources put in place for the implementation
	Contextual factors affecting the efficient implementation of IFRS standard changes:
10	The acceptance of change of the accounting organization
11	The amount of time an organization has implemented IFRS
12	The level of trust and quality in accounting systems
13	Monthly, quarterly and annual reporting success in the past
14	The amount of business functions involved in the standard change
15	The amount of time given for the implementation
16	The clarity level of the communication of the changes
17	The thoroughness of documentation regarding the change