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# The three pillars of institutional theory and IFRS implementation in Nigeria



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## Abstract

### Purpose

This study explores the effects of the three pillars of institutional theory in shaping the activities of institutional entrepreneurs and other social actors during IFRS implementation in Nigeria.

### Design/methodology/approach

This study uses a document analysis method to achieve the objectives of the study.

### Findings

This study finds that IFRS implementation in Nigeria witnessed some progression from regulative to normative to cognitive pillar building. The regulation on IFRS implementation was initiated top-down rather than through lobbying from professional accounting bodies and the public. Changes in the regulatory framework brought some improvement to corporate financial reporting practices such as the timing of corporate filings of audited financial reports. However, the implementation process is laden with conflicts and power struggle among institutional actors. These conflicts and power struggles led the President of Nigeria to sack the Board of the Financial Reporting Council of Nigeria (FRC), the reconstitution of the Board and appointment of a Chairman for the Board of the FRC.

### Practical implications

IFRS implementation process resulted in power redistribution among institutional actors, which led to resistance, tensions, and conflicts among institutional actors. The conflicts arise from the need of actors to legitimate their activities and secure their positions. The three institutional pillars are key components of a change process and the actor's social position affects their capability to act as an institutional entrepreneur.

### Originality/value

This finding should provide foundational knowledge that will inform practitioners, researchers, and regulators in developing countries on how institutional actors shape the approach to corporate reporting regulations.


**Keywords:** Institutional theory; institutional entrepreneurs; IFRS implementation; regulatory change; institutional actors; legitimacy; Nigeria

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## Introduction

Some studies have examined IFRS adoption in emerging economies and highlight the importance of local factors (Alon & Dwyer, 2014; Judge, Li, & Pinsker, 2010). Although these studies show that local factors are particularly important in the implementation of IFRS, the literature has neglected the role of individual agency. The studies on IFRS implementation ignores the capacity of social expectations to influence the way rules and structures are institutionalised (Carpenter & Feroz, 2001). More importantly, countries in emerging economies may be group together, but these economies are not uniform due to their unique institutional settings. The complexities of the IFRS implementation process can impair the adoption of IFRS standards into effective working practices in emerging economies (Guerreiro, Rodrigues, & Craig, 2020). The impairment of the IFRS transition process could contribute to the common concern among accounting scholars and policymakers that harmonized standards do not necessarily lead to harmonized accounting practices and comparable financial reporting.

IFRS implementation involves a concurrent change in regulations, activities of various individuals, private or government agencies, the accountancy profession, users of financial statements, managers and preparers and accounting regulators (Cooper & Robson, 2006; Saudagaran & Diga, 2000). These concurrent changes in the IFRS implementation process could have distributed consequences, as some institutional actors are likely to benefit while other actors may be harmful. The implementation process could also lead to the redistribution of power among institutional actors as some actors suffer a loss of self-regulatory power in comparison to other actors. The resultant redistribution of power will be subject to resistance or at least to a source of conflict (Hassan, 2008). The process directed at reconciling the differences among social actors in the implementation of IFRS would involve a "political process" as social actors aimed to achieve social legitimacy (Cooper & Robson, 2006, p.424).

This study explores the effects of the three pillars of institutional theory in shaping the activities of institutional entrepreneurs and other social actors during IFRS implementation in Nigeria. The study focuses on how the three pillars of institution theory shape the critical events that influenced the path of IFRS implementation. The trajectory activities of institutional entrepreneurs and the conflicts among institutional actors in organization field formation during the implementation process. The study analyses relevant public documents relating to IFRS implementation in Nigeria to identify the relevant institutional actors and the issues addressed by these actors in the IFRS implementation process.

This study finds that IFRS implementation in Nigeria witnessed some progression from regulative to normative to cognitive pillar building. The regulation was initiated top-down rather than through lobbying from professional accounting bodies and the public. Changes in the regulatory framework brought some improvement to corporate financial reporting practices such as the timing of corporate filings of audited financial reports. IFRS implementation process resulted in power redistribution among institutional actors, which led to resistance, tensions, and conflicts among institutional actors. The conflicts arise from the need of actors to legitimate their activities and secure their positions. These conflicts and power struggles led the President of Nigeria to sack the Board of the Financial Reporting Council of Nigeria (FRC), the reconstitution of the Board and appointment of a Chairman for the Board of the FRC. The three institutional pillars are key components of a change process and the actor's social position affects their capability to act as an institutional entrepreneur.

IFRS implementation process is central to accounting research and considering the continued trend towards worldwide adoption of IFRS, understanding the relative roles of institutional actors in the implementation process in Nigeria will prove useful to other emerging economies that are planning to adopt the IFRS. The lessons we can draw from Nigeria's experience of IFRS implementation should prove especially useful for other emerging economies that are considering adopting IFRS. Section 2 discusses the theoretical framework. Section 3 discusses the institutional settings for financial reporting in Nigeria. Section 4 discusses the methodology and approach adopted for the analysis in this study. Section 5 presents the findings and discusses the results. Section 6 presents a discussion of results; Section 7 presents the conclusion and implications.

## 2. Theoretical framework

International Financial Reporting Standards (IFRS) aims at adding credibility to corporate financial reporting and is gaining worldwide acceptance among emerging economies. However, IFRS must be implemented by national mandates and legislations (Reichborn-Kjennerud et al., 2019). A combination of pressures to follow the norms in society, pressures to follow acknowledged professional practices, and pressures to benchmark against other nations that have adopted the IFRS could affect the implementation of IFRS. For this reason, several studies have drawn on neo-institutional theory (NIT) in the study of adoption and implementation of IFRS. Institutional theory is considered appropriate when trying to explain both individuals, organisational, administrative, and accounting practices (Dacin, Goodstein, & Richard Scott, 2002; Tolbert & Zucker, 1983). In other words, institutional theory is appropriate in the study of the management of all forms of human interactions via cognitive, normative, and regulative processes (Scott, 2008).

A nation's institutional environment is the set of political, economic, social, and legal conventions that establish the foundational basis for production and exchange (Oxley, 1999; Sobel, 2002). Institutions make up the constraints and incentives systems of a society that structure human interactions, and thus they provide rules and enforcement mechanisms that constraints actors and limit their best-choice options to generally predictable outcomes (North, 1994). Social institutions influence organisational characteristics within and between nations (Meyer & Rowan, 1977; Scott, 2008; Whitley, 1994). A nation's institutional profile affects managerial actions including, for example, the choice to become an entrepreneur (Busenitz, Gómez, & Spencer, 2000), managers' ethical reasoning and behaviour (Cullen, Parboteeah, & Hoegl, 2004; Martin, Cullen, Johnson, & Parboteeah, 2007), or which industry to enter.

Social institutions influence managerial actions through a variety of processes with each type having a unique process of affecting outcomes. The most well-known typologies of these institutional processes are Scott's (2008) cognitive, normative, and regulative "pillars" of institutional structure. Kostova (1997, p.180) defines the *regulative* component of a country's institutional characteristics as those "existing laws and rules in a particular national environment that promote certain types of behaviours and restrict others". The enforcement mechanism, and key processes is largely coercive through rules, boundaries, laws and regulations, and sanctions (North, 1990). The *cognitive* pillar of social institutions emphasizes cognitions and actors' generally shared perceptions of what is typical or taken for granted (Busenitz et al., 2000; Scott, 2008). Thus, the cognitive component of a nation's institutional profile reflects the cognitive structures and symbolic systems shared among individuals, that is, shared knowledge. Kostova (1999, p.314) states that "cognitive programs such as schemas, frames, inferential sets, and representations affect the way people notice, categorise and interpret stimuli from the environment". Scott (2008) states that the cognitive component of institutions leads to an isomorphism of activities via processes that encourage imitating patterns of activities that have strong cultural support.

The *normative* component of a nation's institutional profile consists of "social norms, values, beliefs, and assumptions that are socially shared and carried out by individuals" (Kostova, 1997, p.180). Scott (2008) argues that the normative component of institutions define what is appropriate and "right" for the society's members. As such, when an institution promotes the "correct" way of behaviour, even in the absence of legal or other sanctions, that institution influences organisational and individual actions by normative processes. Rather than assuming that a nation's social institutions fit neatly into cognitive, normative, and regulative types, Trevino et al. (2008) argue that the majority of institutions develop and legitimate platform through one or more of the processes associated with each pillar.

The effects of institutional pressures on IFRS adoption has been widely investigated in accounting literature. The literature finds support for the three pillars of institutional theory in shaping the developing economy's decision to adopt IFRS. For example, Ashraf & Ghani (2005) demonstrated that the IMF played a key role in shaping accounting and reporting practices in Pakistan. External coercive pressures from foreign aid provided by the IMF were influential in Egypt's moving toward the adoption of IFRS standards (Hassan, 2008). Coercive pressures exerted by donor agencies (such as the World Bank and IMF) influence Bangladesh's decision to adopt the IFRS (Nurunnabi, 2015).

Mimetic pressures to follow accounting practices in developed nations and the legitimacy of IFRS confers as significant driving forces for adoption influenced developing countries decided to adopt IFRS (Mir & Rahaman, 2005). Normative and mimetic pressures exerted by Big 4 accounting firms and the influence of trading partners were identified as factors that explained the decision of the United Arab Emirates (UAE) to adopt IFRS (Irvine, 2008). The successful implementation of IFRS by neighbouring countries or closely related countries that have adopted IFRS was found to influence the decision of some countries to adopt IFRS (Koning, Mertens, & Roosenboom, 2018). Judge et al. (2010) found that the adoption of IFRS by some developing, transitional and developed countries was as a response to mimetic, coercive, and normative institutional pressures. Pricope (2016) found that only mimetic pressures significantly explain the adoption of IFRS in developing countries. On the other hand, coercive and normative isomorphic pressures explain IFRS adoption in poor countries (Pricope, 2015).

However, Krishnan (2018) found that India's decision to delay the adoption of IFRS was influence by the cautious approach to the adoption of IFRS by Japan and the United States-India's major economic and trade partners. These relations counter-balances the active adoption of IFRS promoted by powerful transnational organisations, such as the IMF and World Bank. This suggests that trade and economic alliances between countries help to understand how power relations and resource dependencies influence the decision-making process, regarding the adoption of IFRS. Besides, Mantzari, Sigalas, & Hines (2017) argue that the motivations of Greek companies to adopt IFRS were not related primarily to the technical competence of these standards. Instead, they were largely the outcome of a coalition of powerful civil society actors such as the State, parent companies, and financial institutions that accept the superiority of IFRS as taken-for-granted.

The response of social actors to institutional pressures is commonly explain in institutional theory by using the approach of instrumental rationality (an actor-centric approach) and institutional rationality (grounded on the concept of logic) (Lounsbury, 2008). Instrumental rationality conceives agency in a way that contends individuals have greater autonomy to make self-serving decisions (Lounsbury, 2008; Modell, Vinnari, & Lukka, 2017). Three important streams of instrumental rationality are institutional entrepreneurship (DiMaggio, 1988), strategic responses to institutional pressures (Oliver, 1991), and “institutional work” (Thomas Lawrence & Suddaby, 2006).

Institutional entrepreneurship is defined as “activities of actors who have interest in particular institutional arrangements and who leverage resources to create new institutions or to transform existing ones” (Maguire, Hardy, & Lawrence, 2004, p.657). Institutional entrepreneurs are then organised actors- with sufficient resources-who identifies possibilities for creating and transforming institutions (DiMaggio, 1988). The activities of individuals and agencies involved in the IFRS implementation process constitute “an organisational field”. The organisational field includes “key suppliers of resources, product consumers, regulatory agencies, and other organisations that produce similar services or products” (DiMaggio & Powell, 1983). Accordingly, organisational field comprises multiple actors with potentially conflicting interests. The relative power of these individuals and agencies arises not only because of their ability to enforce compliance but also from the need to legitimate their activities and secure their positions (Hassan, 2008).

Hoffman suggests that an organisational field is formed around the issues that become important to the interests and objectives of a specific collective organisation (Hoffman, 1999, p.352). Organisations that constitute a field interact, negotiate, and influence each other to seek alternative rules, solutions, mechanisms, and practices. Essential to this view of field formation are institutional entrepreneurs who take a leadership role in making the issues with which they are concerned legitimate within their society (DiMaggio, 1988). Issues "bring together various field constituents with disparate purposes" (Hoffman, 1999, p.352), and the way these issues are defined determines the boundary of a field. As the issue definition evolves with the progress of the field formation, the composition and role of field members may change. This consideration leads to an important distinction between the roles of different actors involved in the field formation. While some actors take the initiative in defining the issues and facilitating the emergence of a field, others might be in the position of following the rules and adopting new practices. The former is institutional entrepreneurs and may be termed, *field makers*. The role of field makers is distinguished from other field members who can be called *field takers* because the latter are required to comply with the rules emerging within the field (Child, Lu, & Tsai, 2007).

Greenwood et al. (2002, p.60) suggest that an institutional entrepreneurial project involves six stages: precipitating jolts; deinstitutionalisation; pre-institutionalisation; theorisation; diffusion; and re-institutionalisation. The stage is generally initiate by vital events in the form of crises, new problems, or abrupt changes in the wider environment. These vital events erode existing institutional legitimacy and practices and directly challenge the "validity of a long-standing tradition or established activity" (Oliver, 1992, p.567). They, therefore, offer institutional entrepreneurs opportunities to search for alternative solutions through the establishment of new institutional rules, logic, and practices. Once a field is initiated, activities begin to focus on theorisation to translate laws, regulations, and technical standards into appropriate practices (Tolbert & Zucker, 1996).

Hoffman (1999) classifies the events and activities that influence institutional entrepreneurship into critical events and trajectory activities. *Critical events* are events that influenced the path of institutional development in a given environment during a time (DiMaggio, 1991; Hannan & Freeman, 1993; North, 1990). Critical events have been described by various terms such as shocks (Fligstein, 1991); jolts (Meyer, 1982); disruptive events (Hoffman, 1999); turning points (Abbott, 1997); disasters such as pollution accidents; and legal or administrative events (Hoffman, 1999). Critical events indicate consequential shifts in redirecting processes and they drive field formation tasks to move from one stage to another (Abbott, 1997; Prechel, 2000). Critical events, therefore, indicate the boundaries between stages in institutional development.

*Trajectory activities,* by contrast, refer to subsequent activities, on the part of institutional entrepreneurs, that reinforce a regular path of institutional development within the boundary of each stage (Abbott, 1997). Trajectory activities include drafting and revising relevant laws, regulations and policies, training, and public campaigns on the issue (Child et al., 2007). The *strategies* that institutional entrepreneurs employ to foster institutional change can be distilled into three main aspects: (i) developing and articulating a vision, (ii) mobilising allies to support that vision, and (iii) monitoring them to achieve and sustain the vision (Armenakis & Bedeian, 1999; Battilana et al., 2009; Kanter, Stein, & Jick, 1992).

Battilana, Leca, & Boxenbaum (2009) argue that the actor's social position may affect their capability to act as an institutional entrepreneur. An actor's social position influences the extent to which they have access to specific resources (Lawrence, 1999) and the extent to which they are perceived as a legitimate agent of change in the eyes of others (Maguire et al., 2004). The social position also matters because it might affect the actor's perception of a field. However, the three pillars of the institutional system: regulative, normative, and cognitive (Scott, 2008), are central to the success of the strategies adopted by institutional entrepreneurs. Trevino, Thomas, & Cullen (2008) argue that the more appropriate view of the institutional pillars is to examine the process by which institutions influence managerial and organisational actions. This approach will allow for the development of theoretical arguments showing how a nation's institutions can influence institutional entrepreneurs' strategies and decisions in the process associated with IFRS implementation.

## 3. Nigerian institutional settings for financial reporting

Institutional scholars emphasise that the application of institutional theory is context-specific (DiMaggio & Powell, 1983; Meyer & Rowan, 1977; Zucker, 1987). For this reason, this section discusses some contextual issues surrounding IFRS implementation in Nigeria. Nigeria provides a suitable context to examine the implementation process of IFRS due to its unique institutional settings for financial reporting. First, before IFRS adoption, the Nigerian Accounting Standard Board (NASB) has the responsibility to issue national accounting standards (GAAP), known as the Statements of Accounting Standards (SASs). The NASB had issued 31 Statements of Accounting Standards; One Statement of Recommended Practice (SORP) on Employees' retirement and termination benefits for public sector enterprises; Two Exposure Drafts (ED) on accounting for non-profit-making organisations. The NASB states that these national standards were local variants of IAS/IFRS. However, the number of issued local Standards were not keeping pace with the number of IAS/IFRS. Before the adoption of IFRS, the number of SASs issued by the NASB was 32 while IAS was 41 (Anao, 2012). The NASB suggests that in a situation where there is no local variant of IAS/IFRS, entities in Nigeria were required to adopt the IAS/IFRS in existence. Despite the claim that the national Standards were local variants of the IAS/IFRS, the World Bank Report on the Observance of Standards and Codes (ROSC) on Nigeria indicate that while the relevant IASs have been subject to frequent updates and reviews, none of the Nigerian National GAAP was review since they were the issue. This is partly due to the inability of the NASB to mobilise the needed resources for such reviews (The World Bank, 2004, 2011).

Second, the Nigerian government enacted the Nigerian Accounting Standards Boards NASB Act 2003, aimed to empower the NASB to enforce compliance with national accounting standards issued by it (NASB Act, 2003). The NASB Act 2003 established an Inspectorate Division for the NASB, which monitors and enforces compliance with accounting standards. The primary role of the NASB Act 2003 was to ensure that published financial statements are uniform in content and format and that they are clear and precise. Additionally, the NASB Act 2003 aimed to empower the NASB to promote and enforce compliance with the standards developed or reviewed by it, and to narrow areas of differences in practices so that financial statements presented to users would be meaningful. The NASB has the responsibility to receive notices of non-compliance with the standards from the preparer, users, or company's auditor from time to time, and to introduce measures that will enhance the reliability and validity of reported information in financial statements(NASB Act, 2003).

However, despite the NASB Act 2003, the NASB depends on the cooperation of the accounting profession, industry associations, and other government institutions such as the NSE and SEC to enforce corporate compliance with accounting standards issued by it due to the NASB's weak enforcement power (Nigerian Accounting Standards Boards, 2010; The

World Bank, 2004; NASB, 2010). By depending on other agencies to enforce corporate compliance with the SASs, it suggests that those institutional actors have more enforcement power than the NASB that issued the national accounting standards. Besides, the ineffectiveness of the NASB as evident by several other cases of fraud in corporate financial reporting, led to the repeal of the NASB Act 2003 in 2011. For example, there were reported cases of financial statement fraud by listed companies in Nigeria, which led to a significant loss to investors, and the sacking of the CEOs of these companies (Bakre, 2007).

Third, the dominant regulation for corporate financial reporting and corporate governance in Nigeria is the Companies and Allied Matters Decree (CAMD) 1990. The Decree was change to the Companies and Allied Matters Act (CAMA) 1990. The CAMA governs the formation of limited liability companies and registration of businesses (Laws of Federal Republic of Nigeria, Chapter 59, 1990, s.54). CAMA specifies the formats for the preparation of financial statements, the appointment of audit committees for each company to oversee the internal control system; the appointments of external auditors and the appointment of directors and officers of the company (Laws of Federal Republic of Nigeria, Chapter 59, 1990, s.63). The Companies and Allied Matters Act (CAMA) 1990 provisions regarding the format and contents of corporate financial reporting in Nigeria is not in line with the requirements of IFRS. Nonetheless, the Act seems to have overriding power over the IFRS (Ofoegbu & Okaro, 2014).

Fourth, Nigeria had a phase-adoption of IFRS, in which case, the IFRS was adopted in three phases. The first phase was for all listed companies commencing from 1st January 2012. The second phase was for all other non-significant public entities from 1st January 2013, and the third phase was for all Small and Medium-sized entities from 1st January 2014 (Nigerian Accounting Standards Boards, 2010). This phase adoption of the IFRS in Nigeria provides a basis for protracted conflicts and tensions among the relevant institutional actors. The foregoing contexts provide an opportunity to explore how institutional pillars and activities of institutional entrepreneurs shaped the implementation of IFRS in Nigeria.

**4. Methodology and approach**

This study uses document analysis approach to generate evidence to substantiate the effect of the three pillars of institutional theory and the role of the institutional entrepreneur in IFRS implementation. A document is described as an artefact, which has as its central feature an inscribed text (Scott, 1990). Document ranges from the public through private to personal documents (Mogalakwe, 2006). Documentary analysis is the technique used to categorise, investigate, interpret, and identify the limitations of documents to find answers to a social phenomenon (Payne & Payne, 2004). Mogalakwe (2006) argues that the documentary research method is just as good and sometimes, even more, cost-effective than social surveys, in-depth interviews, or participant observation. A document can have independent existence beyond the writer and beyond the context of its production (Jary, 1991).

This study follows the methodological traditions of sociological research (Brivati, Buxton, & Seldon, 1996), as well as critical accounting research (Haynes, 2010; McPhail, Nyamori, & Taylor, 2016; Sikka & Willmott, 2010). This study draws on a range of public documents as data sources for this study. These documents include the report of the Committee on the road map to the adoption of International Financial Reporting Standards in Nigeria (Nigerian Accounting Standards Boards, 2010). The Nigerian Securities and Exchange Commission Code of corporate governance (Securities and Exchange Commission Nigeria, 2011). The Nigerian Stock Exchange X-Compliance reports (The Nigerian Stock Exchange, 2019). The Financial Reporting Council of Nigeria Act No 6 of 2011(Laws of Federal Republic of Nigeria Act No.6, Code 54, 2011), and the rulebook of the Nigerian Stock Exchange (The Nigerian Stock Exchange, 2015a, 2015c, 2015b, 2015d). The Nigerian Securities and Exchange Commission Statistical Bulletin on Nigerian Capital market (SEC Nigeria, 2017), and the World Bank Development Indicators (The World Bank, 2019). *Appendix 1* gives details of data sources.

In qualitative document analysis, the investigator is the primary instrument of data collection and analysis. As such, the researcher relies on skills as well as intuition and filters data through an interpretive lens. O'Leary (2004) raises two major issues regarding the use of document analysis. First, is the issue of bias, in both the author and creator of the document and the researcher. The researcher must consider the subjectivity of the author of the document as well as the personal biases the researcher may be bringing to the research. The second issue is the unwitting evidence or latent content of the document. Latent content refers to the style, tone, agenda, facts, or opinions that exist in the document. Bowen (2009) further suggests that the documents should be assessed for their completeness, that is, how selective or comprehensive their data. Bowen (2009) suggests that the researcher must evaluate the original purpose of the document, such as the target audience.

The approach to the document analysis for this study was sensitive to the theoretical framework on the three pillars of institutional theory and institutional entrepreneur discussed in section 2 of this study. The understanding of the key theoretical concepts directed the search for relevant documents, while not constraining the ability to develop novel; insights and include all relevant documents that were analysed in this study (Anderson, Dodd, & Jack, 2010). To mitigate the aforementioned challenges with documentary analysis, consistent with (Ejiogu, Ejiogu, & Ambituuni, 2019), figure 1 sets out the analytic process engaged in by this study.

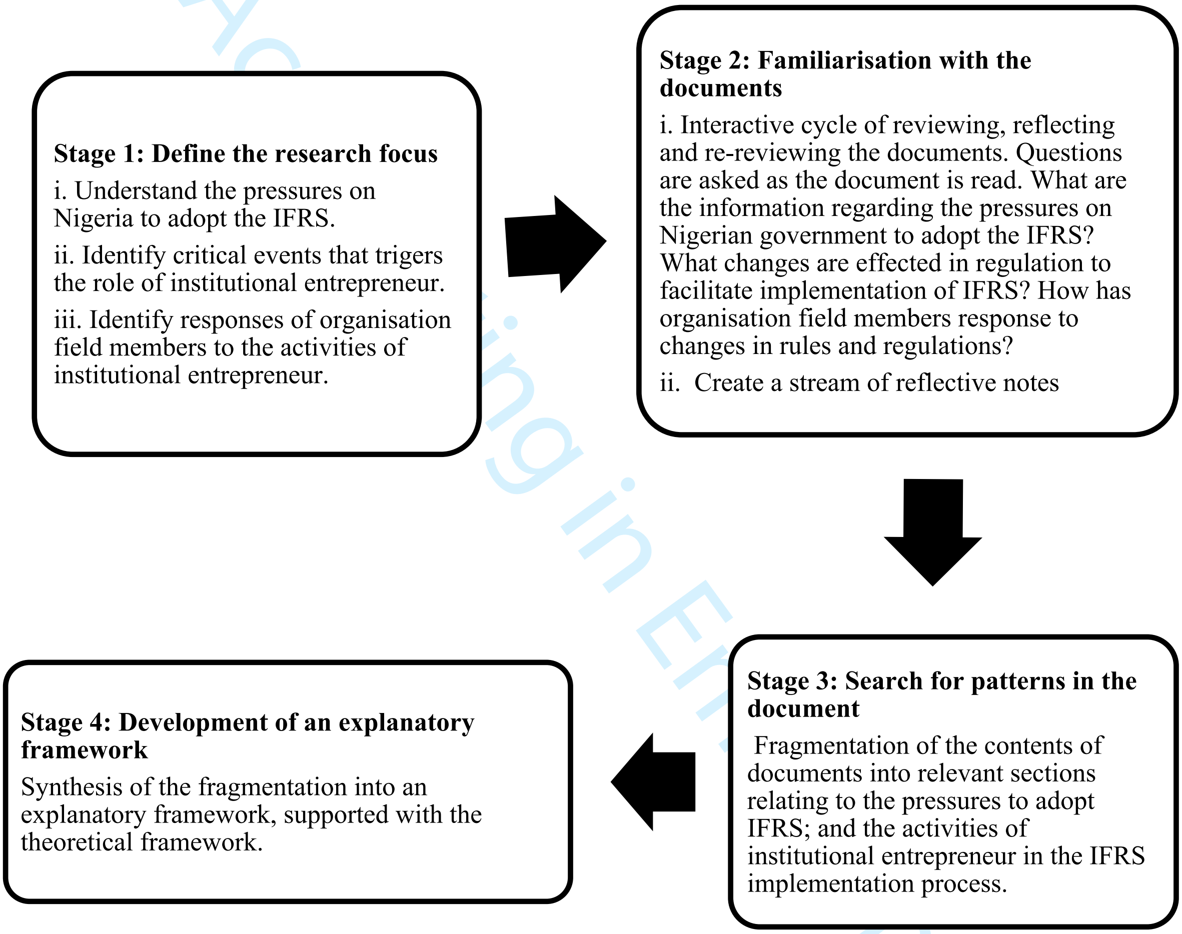


***Figure 1:*** Documentary analytical process for evaluating and institutional entrepreneur in IFRS implementation. IFRS pillars of institutional theory and institution

***Source:*** Author's compilation from the review of related literature (2019)

This study begins the analysis by familiarisation with the relevant public documents. Familiarisation was achieved through an iterative cycle of reviewing the documents, reflecting, and re-reviewing the documents. During this iterative process, the study constantly asked the following questions: What are the information regarding the pressures on Nigeria to adopt the IFRS? What changes are made to regulations to facilitate the implementation of IFRS? Who are the key field makers and field takers in the IFRS implementation process? This procedure helped to develop a stream of reflective notes. The study then sifts the reflective notes, collating the information that seemed important, and discarding the irrelevant information.

The next phase in the analysis is the search for patterns in the documents. This study fragments the documents into relevant sections. Each section of the fragmentation relates to the pressures on Nigeria to adopt IFRS, changes to regulatory and enforcement mechanisms; the activities of institutional entrepreneurs, and the response of organisational field members to the activities of the institutional entrepreneur in the process of IFRS implementation. The fragmentation and constant comparisons enable patterns to emerge from the documents analysed which are then refined. The method of pattern analysis gives a measure of confidence that the themes that emerge and the interpretations subsequently developed were well ground in the documents and supported by the theoretical framework. The final stage involves a synthesis of the analytic categories, which gave insight into the research questions and enable the development of an explanatory frame. To do this, this study moves between the findings and the theoretical framework in a reflective spiral. This allowed this study to make a sense of the results, and at the same time allow developing new insights.

## 5. Findings

### 5. 1. Institutional pressures as key drivers to IFRS adoption in Nigeria

Before the mandatory adoption of IFRS for financial reporting in Nigeria, the Federal Government of Nigeria set up a Committee to review the existing regulatory framework for financial reporting. The Committee submitted their report in October 2010 with the title 'Report of the Committee on Road map to the adoption of International Financial Reporting Standards in Nigeria' (Nigerian Accounting Standards Boards, 2010). The following are the institutional pressures and key drivers of IFRS adoption identified the report of the Committee.

**5.1.1. Weakness in the operations of the national accounting standard-setting agency**

The Committee states that:

> *"The organisations that make up the Board are expected to use their best endeavour to persuade their members and organisations they deal with, to comply with all relevant accounting standards and are also allowed to devise their punitive measures for non-compliance. The fact that relevant enabling laws that set up the organisations and entities mentioned above only required them to exercise authority over varying aspects of monitoring of compliance with Statements of Accounting Standards, without clearly vesting the power on anyone entity made the situation very confusing. It is not surprising that during the confusion, compliance monitoring was not satisfactorily done and worse still, none of these organisations/agencies was vested with the responsibility for the damages that may have occurred. Thus, many significant accounting and reporting inadequacies and departure from norms passed unnoticed" (NASB, 2010, p.14).*

The statement of the Committee on the adoption of IFRS in Nigeria suggests that inadequacy in the operations of the national accounting standards board is one of the pressures on that justifies the adoption of IFRS in Nigeria. The recommendation of the Committee led to the repealed of the NASB Act 2003 and in its place, the government enacted the Financial Reporting Council (FRC). The Financial Reporting Council Act 2011 provides a legal basis for the operation of the FRC (Nigerian Accounting Standards Boards, 2010, p.14). The government decided to replace the NASB with a new regulatory body suggests that the NASB suffers structural legitimacy, due to its inability to perform well the functions for which it was established (Suchman, 1995). The NASB also suffers consequential legitimacy, because it no longer qualifies for the continued support from the government and other social actors in the financial reporting community (Suchman, 1995).

**5.1.2. The pressure of globalisation on Nigerian economy**

The Committee further states that:

> *"The globalisation of capital markets is an irreversible process, and there are many potential benefits to be gained from mutually recognised and respected international accounting standards" (NASB, 2010, p.5). "Today, the business has become more global and thus lost a significant part of its national identity. Nigeria indeed is part of this globalisation."(NASB, 2010, p.9).*

The statement of the Committee suggests that mandatory adoption of IFRS would facilitate increase flows of trade, capital, labour, and technology to the country. The statement of the

Committee suggests that the government was willing to exchange her sovereignty regarding financial reporting regulation in an attempt to gain inflow of foreign direct investments. This is a form of "pragmatic legitimacy" (Suchman, 1995), which suggests that the Nigerian government perceived some potential benefits to derive from the adoption of IFRS.

**5.1.3. Normative pressure for comparable financial statements**

Besides, the Committee states that:

> *"Common standards cut the costs of doing business across borders by reducing the need for supplementary information. They make information more comparable, thereby enhancing evaluation and analysis by users of financial statements" (NASB, 2010, p.5).*

The statement suggests that the Nigerian government wants to reduce the cost of doing business for multinational companies in Nigeria by using accounting standards that facilitate comparative analysis of corporate financial statements and enhance the usefulness of those financial statements to users of corporate reports. The statements assume that IFRS-based financial statements will provide affirmative backing that those financial statements prepared by Nigerian companies are sufficient to facilitate financial statements comparability, and thus enable the investing communities across the globe to make rational investing and lending decisions (Franco, Kothari, & Verdi, 2011).

**5.1.4. Pressure to reduce perception of Nigeria as a risky investment destination**

The Committee states that:

> *"A key policy strategy in repositioning the Nigerian economy is the attraction of Foreign Direct Investments into the economy to provide investible funds……..the perception of Nigeria as a risky country for the flow of Foreign Direct Investments can, in part, be attributable to the limited financial reporting and disclosures made by reporting entities in Nigeria" (NASB, 2010, p.8).*

The Committee claims that the perception of Nigeria as a risky environment for the flow of FDI is in part due to limited financial reporting and disclosures by reporting entities in Nigeria. The Committee presumes that IFRS adoption would enhance the perception of foreign investors that Nigeria is conducive for the flow of FDI (Dunning & Zhang, 2008).

### 5.1.5. Pressure from supranational organisations

The Committee further states that:

> *"It should be noted also that governments are being persuaded to engage in wide-ranging reviews that recognise the importance of reassuring the markets and the public at large that corporate reporting and governance frameworks are sufficiently robust (NASB, 2010, p.10). There is an increasing acceptance and use of IFRS in major capital markets all over the World. Since 2001 more than 100 countries have required or permitted the use of IFRS while the remaining major economies have established timelines for convergence with, or adoption of, IFRS………More countries in Africa and the rest of the World are also using IFRS"(NASB, 2010, p.10-p.11).*

The above statements suggest that both "coercive" isomorphism and "mimetic" isomorphism are part of the driving force for the mandatory adoption of IFRS in Nigeria. Since Nigeria depend on international organisations such as the International Monetary Fund (IMF) who routinely provide foreign aid, this organisation likely demands that reform is enacted in the public and private sectors and that the IMF aid is tied to demands that IFRS accounting standards be adopted. Based on the above justifications, the Committee recommends three-phase implementation of IFRS in Nigeria:

> *"It is believed that it will be in the interest of the nation to adopt IFRS. A phased transition over three years is recommended" (NASB, 2010, p.24).*

The Committee recommends the adoption of IFRS in Nigeria effective from 1st January 2012. The finding in this study is consistent with the findings literature on the effect of the three pillars of institutional theory shaping the decisions of emerging economies to adopt IFRS (Mir & Rahaman, 2005; Nurunnabi, 2015). The next section presents the findings on the implementation of IFRS by combining the three pillars of the institution and institutional entrepreneur as a theoretical resource for the explanation of the IFRS implementation in Nigeria.

### 5.2. IFRS implementation and the three institutional pillars

Table 1 presents an overview of the three institutional pillars and the activities of social actors in the IFRS implementation process in Nigeria.

**Table 1. Three pillars of institutional theory and activities of social actors in IFRS implementation**

| Pillars | Scope of the pillars | Main outcomes | Leading institutional entrepreneurs | Field takers |
|---|---|---|---|---|
| Regulative pillar | Formulation of laws, regulations, and standards | FRC Act 2011 | National Assembly of the Federal Republic of Nigeria | NASB |
| Normative pillar | (i) Diffusing official values and beliefs on corporate financial reporting. | (i) FRC rules | FRC | Professional Accounting Body |
| | (ii) Adoption of all IASs and IFRSs issued by the IASB for corporate financial reporting in Nigeria. | (ii) NSE rules | SEC | Corporate organisations and their directors and managers |
| | | (iii) Codes of corporate governance | NSE | |
| | | (iv) NSE X-Compliance reports | CBN | |
| Cognitive pillar | (i) Building public and stakeholder awareness on financial reporting issues. | (i) FRC IFRS Academy | FRC | Professional Accounting Body |
| | (ii) Communicating and exchanging expertise and knowledge between regulators and stakeholders in corporate financial reporting. | (ii) FRC workshops, seminars, and public communications | CAC | Corporate organisations and their directors and managers |

***Source:*** *Author's compilation from document analysis.* ***Notes****: FRC means Financial Reporting Council of Nigeria; SEC means Nigerian Securities and Exchange Commission; NSE means Nigerian Stock Exchange; CBN means Central Bank of Nigeria; CAC means Corporate Affairs Commission; NASB mean Nigerian Accounting Standards Board.*

### 5.3. IFRS implementation and the activities of institutional entrepreneurs

This study finds that the stages of IFRS implementation in Nigeria can be group to three, although the activities in some of these stages overlaps. Table 2 presents the three stages of IFRS implementation and the activities of institutional entrepreneurs. The three stages of IFRS implementation share some similarities to Greenwood et al.'s six-stage model of the institutional stage (Greenwood, Hinings, & Suddaby, 2002). However, Child et al. (2007) argue that the general applicability of the six-stage model remains an open question because countries vary in their level of development and the status and influence of different interest groups within their polities. Therefore, the classification of the stages of IFRS implementation in this study does not follow a watertight classifications indicated in the Greenwood et al. (2002) six-stage model.

**Table 2. Stages of IFRS implementation and the role of institutional entrepreneurs and the response of social actors**

| Stages | Enlightenment<br><br>2009-2011 | Institutional Entrepreneur Activities<br><br>2012-2016 | Social Actor's response and counter-responses<br><br>2012-2016 |
|---|---|---|---|
| Critical events | Federal Government of Nigeria inaugurates the Committee on Roadmap for the adoption of IFRS in Nigeria, 2009. | (i) Release of the report of Committee on Road Map for IFRS adoption in Nigeria, 2010<br>(ii) Federal Government of Nigeria enacted the Financial Reporting Council of Nigeria Act, 2011 | Field takers challenge FRC rules in law courts. |
| Field definitions | A critical assessment of the existing regulatory framework for financial reporting in Nigeria and the desirability of IFRS adoption. | (i) The need to enhance investors' confidence in the quality of corporate financial reports in Nigeria.<br><br>(ii) The need to enforce compliance with relevant codes and legislation | (i) The need for justice and equity in the implementation process of IFRS.<br>(ii) The need for fairness in enforcement actions. |
| Leading Field makers as institutional entrepreneurs | Committee on Roadmap for the adoption of IFRS in Nigeria | (i) Financial Reporting Council of Nigeria.<br>(ii) Nigerian Securities and Exchange Commission.<br>(iii) Nigerian Stock Exchange<br>(iv) Central Bank of Nigeria<br>(v) Federal Inland Revenue Service of Nigeria<br>(vi) The Corporate Affairs Commission of Nigeria | (i) Nigerian Judiciary.<br>(ii) Nigerian Federal Ministry of Trade, and Finance |
| Field takers | (i) Nigerian Accounting Standard Boards<br><br>(ii) Professional Accounting bodies in Nigeria<br><br>(iii) Corporate organisations | (i) Corporate organisations in Nigeria.<br><br>ii) Professional Accounting Bodies in Nigeria<br><br>(iii) Corporate managers and directors | (i) Financial Reporting Council of Nigeria.<br>(ii) Corporate organisations and their directors and managers. |
| Main trajectory activities | (i) Assessment of existing regulatory framework for financial reporting.<br><br>(ii) Awareness and public enlightenment.<br><br>(iii) Planning and impact analysis.<br><br>(iv) Transition adjustments to opening Balance Sheet of listed Entities.<br><br>(v) Prepare comparative financial statements | (i) Financial Reporting Council of Nigeria Rules<br>(ii) Financial Reporting Council of Nigeria IFRS Academy<br>(iii) Registration of Professionals<br>(iv) Code of Corporate governance<br>(v) Nigerian Stock Exchange Rules for listed companies<br>(vi) Nigerian Stock Exchange X-Compliance reports<br>(vii) Compliance monitoring for listed companies<br>(viii) Audit procedures for listed companies<br>(ix) Investors communications<br>(x) SMEs commence transition planning. | (i) Court hearing and decisions on cases relating to IFRS implementation.<br>(ii) Federal government dissolution and reformulation of FRC Board.<br>(iii) FRC Board communications and engagements with stakeholders in the financial reporting community.<br>(iv) NSE delist equity of issuers that do not comply with NSE rules. |

***Source:*** *Author's compilation based on the report of the Committee on Roadmap for IFRS adoption in Nigeria and analysis of other public documents.*

### 5.3.1. Stage 1: Enlightenment

Stage 1 of the IFRS implementation is termed the enlightenment stage, and the process lasts for two years. The *critical event* was the inauguration of the Committee for Roadmap for IFRS adoption in Nigeria. The *field definition* requires the Committee to do a critical assessment of the existing regulatory framework for financial reporting in Nigeria, and to make appropriate recommendations to the government. The *leading field maker* is the Committee on Roadmap for the adoption of IFRS in Nigeria. The *field takers* are the Nigerian Accounting Standard Board, the Professional Accounting Bodies in Nigeria, and Corporate organizations. The *trajectory activities* within the boundary of the organisation field in stage 1 include i) assessment of existing regulatory framework for financial reporting; (ii) awareness and public enlightenment; (iii) planning and impact analysis; (iv) transition adjustments to opening Balance Sheet of listed Entities; and (v) preparation of comparative financial statements (NASB, 2010, p.23).

Although the report of the Committee on the Roadmap for IFRS adoption in Nigeria noted that:

> *"The implementation of IFRS requires considerable preparation both at the country and entity levels to ensure coherence and provide clarity on the authority that IFRS will have concerning other existing laws" (NASB, 2010, p. 18).*

The results of the document analysis indicate Nigeria was not fully prepare for the process of IFRS implementation. The IFRS Roadmap Committee was inaugurate on 22 October 2009 and it submitted its report on 26 January 2010. This implies the Committee used just three months to assess the existing regulatory framework for financial reporting in Nigeria and to prepare and submit its report to the government. The government adopted the report of the Committee on 28th July 2010, and the implementation took effect from 1 January 2012. The period between the time of the inauguration of the Committee and implementation was just two years, 2010 and 2011. Some of the IAS and all the IFRS have never been used in Nigeria before their adoption. The significant difference in size and complexity between the Nigerian SASs and IAS/IFRS requires that adequate time should be allowed for reasonable training and capacity building for the implementation (Anao, 2012). The two years transition period could not have been adequate for proper impact assessment of the IFRS adoption to be done by affected stakeholders. The hasty implementation of the IFRS contributes to conflicts among institutional actors in the IFRS implementation process.

### 5.3.2. Stage 2: Institutional entrepreneur activities

The *critical event* in stage 2 begins with the acceptance of the report of the Committee by the Nigerian government and the enactment of the Financial Reporting Council (FRC) Act 2011. The *field definition* involves: (i) the need to enhance investors' confidence in the quality of corporate financial report in Nigeria; and (ii) the need to enforce compliance with relevant codes and legislation. The *leading field makers* are: (i) the Financial Reporting Council of Nigeria; (ii) The Nigerian Securities and Exchange Commission; (iii) the Nigerian Stock Exchange; (iv) the Central Bank of Nigeria; (v) the Federal Inland Revenue Service of Nigeria; and (vi) the Corporate Affairs Commission of Nigeria. The *field takers* are (i) Corporate organisations in Nigeria; ii) Professional Accounting Bodies in Nigeria; and (iii) Corporate managers and directors.

To pave way for the implementation of *trajectory activities* within the boundary of the organisation field in stage 2; the FRC Act 2011 withdraws responsibility for Audit's oversight from the Professional Accounting Bodies who were previously self-regulatory and places the responsibility with the FRC. The Act requires all professionals who are involved in the financial reporting process to register with the FRC. No person can hold any appointment or offer service for remuneration as a professional for Public Interest Entities unless registered with the FRC. Professional Accounting Bodies are now members of the FRC. The FRC Act also empowers the FRC to oversee the quality and implementation of auditing, independence, and ethical standards, including the quality control environments in which auditors operate. The Act requires Auditors to be qualified and competent, to possess minimum requirements before being a license to perform audits and to maintain professional competency.

Due to the FRC Act 2011, the two professional accountancy bodies operating in Nigeria, ICAN, and ANAN, which were established by the Acts of 1965 and 1993 respectively, continue to exist but are now members of the Board of the FRC. The FRC takes over their previous role of self-regulators of the accounting profession as a public regulator. The FRC also establishes a process for performing regular reviews of audit procedures and practices of firms to ensure that audited financial statements are of high quality. The FRC can initiate and carry out disciplinary proceedings, impose sanctions on auditors and audit firms as appropriate (Financial Reporting Council of Nigeria, 2014a, 2014b). The professional accounting bodies that were partly responsible for the enforcement of the national accounting standards before the adoption of IFRS lost their self-regulatory power and members of the professional accounting bodies are required to register with the FRC (Nigerian Accounting Standards Boards, 2010; The World Bank, 2011). Other self-regulatory agencies such as the Nigerian Stock Exchange also become members of the board of the FRC.

To complement financial reporting regulation in Nigeria, and in exercising its functions as provided on Sections 11 and 51 of the FRC Act, the FRC drafted a new code of corporate governance that consolidates all existing codes for private and public companies and included the requirements for not-for-profit entities. The code was unveiled in 2016 known as the Nigerian Code of Corporate Governance ("NCCG" or the "Code") (Financial Reporting Council, 2019). The Code consolidates all existing provisions in the industry sector codes for banks, public companies, insurance companies, and telecommunications companies. It also covers not-for-profit entities and other private companies. The Code is principle-based and requires the "apply and explain" approach. Companies are required to adopt the practices in the Code and explain the reasons for adopting them in their activities. The Code applies to all companies, as there is no distinction between private companies and public companies. Among the provisions in the Code, it mandates a rotation of audit firms, and audit partners in a particular engagement, after a specified period. The Code places an obligation on auditors to report any violations of the law by the company to the audit committee of the Board. The Code mandates Boards to design a whistleblowing framework, which allows for confidential disclosures of legal violations and company policy infractions. The Code requires the Board to put in place a policy on related party transactions including disclosure based on a threshold. The FRC monitors the implementation of the Code through industry sector regulators, who will impose appropriate sanctions for infractions, based on the sector's laws and regulations (Ethicalboardroom, 2017; Templars Law Firm, 2019).

Furthermore, the Nigerian Stock Exchange (NSE) updated its Rules for listed companies in 2015 (The Nigerian Stock Exchange, 2015c, 2015b, 2015d). NSE requires companies to publish audited financial statements in at least two national daily newspapers within twenty-one calendar days before the date of its annual general meeting. The NSE requires the audited account to be post on the company's website and for listed companies to disclose on its web address the newspaper in which the annual financial statements were published. The NSE requires an electronic copy of the publication to be the file with it on the day of the newspaper publication. The NSE requires that where a company has a reasonable belief that it will not be able to file its accounts by the relevant date, the company may before the due date; apply for an extension of time. Such an application for extension should be support by compelling reasons and evidence. The application should be made to the Exchange not later 30 days before the filing due date. The approval of the application for extended filing is granted at the discretion of the Exchange. The NSE requires the company to make the application for an extension to publish a press release of not less than half a page in at least two national newspapers and post on the company's website that the relevant accounts will not be file by the due date. The press release should contain the information that approval has been obtained to file in a period outside the relevant due date.

In addition, the NSE introduces the X-Compliance reports in April 2012 as part of the regulatory program to improve the quality of information disclosure by firms that list on the NSE. The Nigerian Stock Exchange (NSE) begins publication of the NSE X-Compliance reports in 2012 which continues in subsequent years (The Nigerian Stock Exchange, 2014, 2015a, 2015c, 2015b, 2015d, 2019). The X-compliance report indicates the compliance status of listed companies with four identification symbols. The X-Compliance report indicates the time each of the listed companies filed their annual and quarterly reports, and the number of sanctions imposed on defaulting companies. The contents of the report include a regulatory deadline for each listed company to file their audited financial statements and the date each company files the audited financial statements with the NSE. The report also includes companies that are sanction by the NSE for defaulting on regulatory requirements.

### 5.3.3. Stage 3: Social Actors response and counter-responses

Some of the activities in stage 3 of the IFRS implementation occurs concurrently with the activities in stage 2 of the implementation of IFRS. The *critical event* in stage 3 begins whilst the FRC sought to enforce its power to compel the registration of corporate officers to register with it and some corporate officers made a decision to challenge the FRC in the law courts. The *field definition* involves: (i) the need for justice and equity in the implementation process of IFRS; and (ii) the need for fairness in enforcement actions. The *leading field makers* are (i) the Nigerian Judiciary; and (ii the Nigerian Federal Ministry of Trade, and Finance. The *field takers* are: (i) the Financial Reporting Council of Nigeria; and (ii) corporate organizations and their directors and managers.

The *trajectory activities* within the boundary of the organization field in stage 3 includes legal tussle between the field makers and field takers, which result from the attempt of the field takers to exercise their powers. Other trajectory activities include delist of listed companies by the Nigerian Stock Exchange (NSE) and voluntary delist from the board of the NSE by some listed companies. The results of the document analysis show that the FRCN Act 2011 empowers the FRC to register the Chief Executive Officers (CEO) and Chief Financial Officers (CFO) of all public interest entities. Whilst the FRC sought to enforce this power to compel the registration of the Officers of Eko Hotels Limited, the company legally challenged the Financial Reporting Council of Nigeria at the Federal High Court. The court ruled in favour of Eko Hotels Limited in 2014(PwC-Nigeria, 2014). The Court's decision in favour of Eko Hotels began a legitimacy challenge to the power of the FRC, and it provides an incentive to other corporate organisations to challenge the legitimacy of the FRC.

A further tension ensued between the FRC and Stanbic IBTC bank in 2015. The FRC sought to impose sanctions on Stanbic IBTC bank in 2015 because the bank engaged in unapproved transactions with its foreign technical partners (Vanguard, 2015b). However, the Central Bank of Nigeria (CBN) contradicts the FRC that after their due diligence, they found no basis for the FRC to accuse Stanbic IBTC bank of inappropriate accounting procedure (The NEWS, 2015). The shareholders also accused the FRC that they were misled by the FRC action regarding the financial affairs of the Stanbic IBTC bank (Vanguard, 2015a). Although the FRC took legal action to prosecute Stanbic IBTC bank for financial misreporting, the Court ruled in favour of the Stanbic IBTC bank (KPMG Nigeria, 2019b). The FRC was compelled to revoke its Rule 4 which it had earlier issued that prohibits an entity from recognising a transaction or event of a financial nature that requires the approval of registration by a statutory body in Nigeria before such approval has been obtained (KPMG Nigeria, 2019a; PwC-Nigeria, 2019).

Furthermore, as part of the enforcement of its powers, the FRC issues combined the code of corporate governance for all companies in Nigeria, including not-for-profit organisations. The Code was suspended in 2016 due to the controversy it generated after its release. As part of the provisions of the Code, it states that heads of non-profit organisations like Churches have a maximum period of twenty years to lead their organisations and while in retirement, they are not permitted to hand over to their families. The provisions in the FRC combined code of corporate governance, particularly in respect of not-for-profit organisations in Nigeria lead to a series of crises. These crises ultimately led the Nigerian President of Nigeria to dissolve and reconstitute the Board of the FRC. The President removed the Executive Secretary of the FRC and a new Executive Secretary appointed for the FRC council. The President also appoints a Chairman for the Board of the FRC (The NEWS, 2017).

Besides, the Nigerian Stock Exchange (NSE) as a field maker concerning listed companies; impose sanctions on listed companies that fail to comply with its rules. The result of the document analysis shows that despite the sanctions imposed on listed companies for failing to file their financial statements within the regulatory time limit, significant numbers of listed companies continue to delay the filing of the financial statements. More than half of all the activities listed firms consistently delayed filing their audited financial statements beyond the 90 days required for companies to file the audited financial statements. In addition to financial penalties imposed by the NSE on defaulting companies, the NSE took further steps to delist several companies from its board. The total number of listed companies delisted increased yearly between 2013 and 2016. The NSE states that the reason for delisting these companies includes but is not limited to the past history of late filing and evidence that those companies may not be able to cure its filing deficiency within the extension periods granted by the NSE (The Nigerian Stock Exchange, 2015d).

## 6. Discussion of findings

Nigerian government seeks "pragmatic legitimacy" (Suchman, 1995) from the local and global investing community by assuming that the nation could benefit from the adoption of IFRS in form of inflow of FDI and increase investors' confidence in the quality of an IFRS based financial statements. This study finds that the IFRS implementation process in Nigeria witnessed some progression from regulative to normative to cognitive pillar building. The regulation was initiated top-down rather than through lobbying from NGOs and the public. Starting with trigger events that placed pressure on the government to enhance stakeholders' confidence in the financial reports of corporate entities in Nigeria, and the need to facilitate the inflow of foreign investment, a regulation was introduced, which established the legitimacy of the Financial Reporting Council of Nigeria, the major player in the field of corporate reporting in Nigeria. Afterward, the Financial Reporting Council of Nigeria made efforts to build normative and cognitive systems by issuing various rules, codes, and organising workshops and training events relating to the implementation of IFRS.

Regulatory agencies (Financial Reporting Council of Nigeria; Nigerian Securities and Exchange Commission; Nigerian Stock Exchange; Corporate Affairs Commission of Nigeria;

Central Bank of Nigeria), were the primary institutional entrepreneur in the implementation of IFRS in Nigeria. This unique characteristic suggests that Nigeria adopts a top-down process in the implementation of IFRS. With the top-down approach, professional accounting bodies become field takers as regulatory agencies had full control over the introduction of laws, policies, and legal framework. Regulatory agencies dominate the main trajectory activities of the IFRS implementation. The construction of the normative pillar was dominate by regulatory agencies, as the scope of field makers do not extend to organisations or professional accounting bodies. This finding is  not consistent with the argument that professional accounting bodies play a dominant role in influencing change (Greenwood et al., 2002).

However, the IFRS implementation process in Nigeria was not without conflicts among institutional actors. The tension was not only between the Financial Reporting Council (FRC) and corporate organisations but also between regulatory agencies such as between the FRC and the Central Bank of Nigeria (CBN). The tension between regulatory agencies indicates a lack of consensus on the means of achieving regulatory goals among these regulators. This lack of consensus between regulatory agencies provides a basis for corporate organisations to deviate from regulatory requirements in the IFRS implementation process in Nigeria (Goodrick & Salancik, 1996). The conflicts among actors in the IFRS implementation process not only arise because of their ability to enforce compliance but also from the need to legitimate their activities and secure their positions. These findings show that power and conflict are embedded in the negotiation process of social legitimacy (Booth & Cocks, 1990). Also, the IFRS implementation process which resulted in power redistribution among institutional actors contributed to the resistance, tensions, and conflicts among the actors involved in the implementation process (Hassan, 2008).

Furthermore, some listed companies decide to deregister their equity voluntarily from the Board of the Exchange due to the sanctions imposed by the Nigerian Stock Exchange (NSE). The voluntary deregistration of equities listed on the Exchange indicates the extreme case of companies' discretion to 'go dark' and decrease disclosure to the public by deregistering theirs suspends their obligation to make periodic filings to the NSE (Leuz, Triantis, & Yue Wang, 2008). The choice of corporate actors to voluntarily delist their company's equity indicates a form of resistance from corporate organisations to the IFRS institutionalisation process (Oliver, 1991). It is likely corporate managers perceive that the prescriptions and proscriptions of the NSE are incompatible, or at least, appear to be so concerning their need to satisfy the demand of other institutional actors. The incompatibility in these institutional demands on corporate managers inevitably generates challenges and tensions for organisations, leading to a decision to delist their company's equity (Friedland & Alford, 1991; Kraatz & Block, 2008). The voluntary decision to delist equities from the Stock market are part of the unintended consequences of mandatory IFRS adoption and enforcement actions against defaulting companies. Minority shareholders in these companies would be at a significant disadvantage.

The sacking of the Board of the FRC in the implementation process of the IFRS implies that the Board of the FRC suffers "personal legitimacy" due to the uncharismatic approach of the leaders of the FRC (Suchman, 1995). The regulatory agency fails to engage constructively in reasonable conversations with relevant stakeholders to justify the top-down approach to the IFRS implementation. The agency therefore suffers "democratic legitimacy" (Scherer & Palazzo, 2007) in the implementation process of the adopted IFRS as its actions fail to gain the approval of all the relevant stakeholders in the financial reporting community in Nigeria. Institutional actors exercised their relative power to challenge the legitimacy of field makers, and therefore, influenced the implementation of IFRS through legal actions (Cooper & Robson, 2006).

The Nigerian top-down approach to IFRS implementation contributes to the conflicts and resistance from social actors that are field takers. Given the top-down approach the diffusion of the new institutional legitimacy (that is IFRS), aims at promoting decision-useful corporate financial reports would very weak. Professional accounting bodies were mere field takers in the IFRS implementation process.

## 7. Conclusion and implications of the study

This study explores the effects of the three pillars of institutional theory in shaping the activities of institutional entrepreneurs and other social actors during IFRS implementation in Nigeria. The paper identifies critical events and the tensions among institutional actors in the implementation process of IFRS in Nigeria. This study analyses public documents to identify the pressures to adopt IFRS for financial reporting in Nigeria and to identify how organisations' fields are form in the process of IFRS implementation. This study finds that the pressures for IFRS adopting in Nigeria includes the perceived weakness in the operations of the National standard-setting agency. This result suggest that which suggests that Nigerian government aligns with “pragmatic legitimacy” (Suchman, 1995) as the country was willing to sacrifice her sovereignty in the aspect of financial reporting regulation for the potential gains from the adoption of IFRS. Other pressures for IFRS adoption include coercive, normative, mimetic, and cognitive pressures to adopt the IFRS.

Nigeria made some regulatory changes to facilitate the implementation of IFRS. This study finds that the IFRS implementation process in Nigeria witnessed some progression from regulative to normative to cognitive pillar building. The regulation was initiated top-down rather than through lobbying from NGOs and the public. This study finds that these changes in the regulatory framework brought about significant improvement in corporate financial reporting practices such as the timing of corporate filings of audited financial reports. However, the implementation process is laden with conflicts and power struggle among institutional actors that are involved in the IFRS implementation process. The crisis, conflicts, and power struggles among institutional actors ultimately led the President of Nigeria to sack the board of the Financial Reporting Council of Nigeria (FRC), the reconstitution of the Board, and an appointment of a Chairman for the board of the FRC. The first Board of the FRC Board fails to gain the approval of all relevant stakeholders in the financial reporting community in Nigeria while implementing the IFRS. The FRC board suffers “democratic legitimacy” due to its failure to constructively engage relevant institutional actors in deliberations to justify its approach to the IFRS implementation (Scherer & Palazzo, 2007).

The findings in this study contribute to the argument that institutional pillars are key components of an organisational field (Scott, 1995). This study shows that actor’s social position may affect their capability to act as an institutional entrepreneur and that actor social position can influence the extent to which they are perceive as a legitimate agent of change in the eyes of others (Maguire et al., 2004). The result also shows that prevailing institutional logic shapes the use of political skills, the leverage of resources, the mobilisation of allies, and the enactment of powers by the actors involved in an organisational field (Thornton, et al., 2012).

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**Appendix 1: List of documents analyse**

| Item | Document title | Regulatory Agency issuing the document | Document source |
|---|---|---|---|
| 1 | Report of the Committee on road map to the adoption of International Financial Reporting Standards in Nigeria | Nigerian Accounting Standards Boards (2010) | https://www.financialreportingcouncil.gov.ng/notice_board/report-of-the-committee-on-road-map-to-the-adoption-of-international-financial-reporting-standards-in-nigeria/ |
| 2 | Code of Corporate Governance for Banks (2006;2014) | Central Bank of Nigeria (CBN) (2006; 2014) | https://www.cbn.gov.ng/out/2014/fprd/circular%20on%20code%20of%20circular%20on%20corporate%20governance%20and%20whistle%20blowing-may%202014%20(3).pdf |
| 3 | Investment and Securities Act 2007 | Securities and Exchange Commission Nigeria | https://sec.gov.ng/investment-and-securities-act/ |
| 4 | Financial Reporting Council of Nigeria Act 2011 | Financial Reporting Council of Nigeria | https://docs.google.com/file/d/0BxB1-bqcIt35dC1nNzRaelo0d0U/edit?usp=sharing&usp=embed_facebook |
| 5 | Code of Corporate Governance for Public Companies in Nigeria 2011 | Securities and Exchange Commission Nigeria | sec.gov.ng/wp-content/uploads/2016/06/CODE-OF-CORPORATE-GOVERNANCE_web-optimized.pdf |
| 6 | NSE X-Compliance Reports (2012-2018) | Nigerian Stock Exchange | http://www.nse.com.ng/issuers/corporate-disclosures/x-compliance-report |
| 7 | Rules for filing of accounts and treatment of default filing (2015) | Nigerian Stock Exchange | http://www.nse.com.ng/regulation-site/IssuersRules/Rules%20on%20Filing%20of%20Accounts%20and%20Treatment%20of%20Default%20Filings.pdf |
| 8 | The Bill for the Repeal and Re-enactment of the Companies and Allied Matters Act 1990 (2016) | Corporate Affairs Commission (CAC) Nigeria | http://new.cac.gov.ng/home/wp-content/uploads/2016/07/Draft-Bill-for-the-Repeal-of-CAMA-and-Enactment-of-New-Act.pdf |
| 9 | The Nigerian Code of Corporate Governance (2016) | Financial Reporting Council of Nigeria | https://pwcnigeria.typepad.com/tax_matters_nigeria/2019/01/the-financial-reporting-council-of-nigeria-has-published-a-new-code-of-corporate-governance-.html |
| 10 | Nigerian Stock Exchange Fact Sheet | Nigerian Stock Exchange | http://www.nse.com.ng/market-data/other-market-information/nse-fact-sheet |
| 11 | Statistical Bulletin | Securities and Exchange Commission Nigeria | https://sec.gov.ng/statistical-bulletin/ |
| 12 | Nigerian Capital Importation | National Bureau of Statistics Nigeria | https://nigerianstat.gov.ng/elibrary?queries[search]=capital%20importation |