

## Institutional Logics and Accounting Professionals

*To my family*

*Örebro Studies in Business 11*



KARIN SEGER

**Institutional Logics and Accounting Professionals**  
– The case of K2 and K3

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## Abstract

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Accounting firms have long been considered a ‘black box’ in the literature, but over the last two decades or so, a growing body of literature has emerged which points to how the accounting profession may be seen as a profession in transformation, one in which the underlying logic of their work has gone from emphasizing professional values to one in which commercial values constitute the main rules of the game.

This thesis draws upon and add to this literature as it directs attention to how co-existing and potentially conflicting institutional logics enable and constrain accounting professionals, in practice and over time. To allow this, I have conducted a qualitative and processual study of the process of converting the existing financial accounting practices for small limited companies in Sweden through new standards - K2 and K3. The scientific purpose has been to generate a micro-oriented and processual modelling of how accounting professionals influence and shape accounting practices in small limited companies, and to identify and theorize on the type of institutional logics underlying their work. My empirical findings show that the professionals influence and shape accounting practices by proposing and proclaiming suitable solutions, and by pre-packaging and marketing these as definite solutions. They also show that the construction of such solutions involves long and complex processes, during which the professionals interpret and judge different alternatives before marketing them to their clients. And from the institutional logics perspective, they show that the process may be understood as one in which the professionals mainly try to live up to professional rather than commercial expectations.

Based on these findings, a number of contributions to the literature are identified, relating to how accounting professionals are enabled and constrained by the professional logic, how the effects of logics are highly non-deterministic, and how a single logic may generate tensions within itself even though it is predominant and not in conflict with other logics.

*Keywords:* Institutional logics, multiple logics, co-existing logics, accounting professionals, accounting firms, small companies, small limited companies, the K-project, K2, K3.

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Nora, April 15, 2018

Karin Seger



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# 1 Introduction

The thesis you are about to read focuses on accounting professionals<sup>1</sup> working in accounting firms and how they are enabled and constrained by institutional logics. More specifically, I have studied how a number of accounting professionals in two different firms reacted upon, and acted within, the so-called K-project, a project focusing on converting the existing financial accounting practices in Sweden into a new set of financial accounting standards. In order to understand how the accounting professionals interpreted the new standards, how they worked with them, and how they in the end came to recommend their clients to choose between the different standards, I have followed their work with this project from 2012 until 2016. Drawing upon the theory of institutional logics, I try to understand the process as one in which the reproduction of multiple and potentially conflicting institutional logics turns a seemingly ‘easy decision’ between different standards into a complex and elongated process.

Before going into details on how and why I ended up with such a focus and the results that it has generated, I want to give a background to the type of setting and the type of actors that are the subject of study in my thesis. In this first chapter I will focus on this; to set the scene. I will give a brief background of the role and function of accounting professionals, and of the developments which have occurred within the accounting profession. Thereafter, I will provide an overview of what the extant literature on institutional logics and accounting professionals has taught us so far, and what I believe is still in need of further research. Based on this, the overall research question will be presented, followed by a short discussion of why a study of the K-project may allow further insights into the kind of research questions posed in this thesis. The chapter will be concluded with a presentation of the more specific and empirically oriented research questions, and the scientific purpose of the thesis.

## 1.1 Accounting professionals

Accounting professionals working in accounting firms have always played an important role in the economy and in society. Based on core values such as objectivity, neutrality, and independence, these professionals provide

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<sup>1</sup> In using the term accounting professionals, I refer to auditors as well as accounting consultants working in accounting firms.

complex and knowledge-intensive services in accounting, auditing, tax, and advisory. In doing so, they are typically seen as maintaining accounting practices and protecting the integrity in financial markets by ensuring the quality of information to stakeholders. And as such, they have become a powerful social and economic force in society (see Cooper & Robson, 2006).

### **1.1.1 Reputation, status, and appearance**

The traditional accounting professional is commonly characterized as being honest, trustworthy, and reliable, but also dull, boring and colourless (Carnegie & Napier, 2010). Even though this might have been true to some extent historically, a perhaps more correct description of the contemporary accounting professional is a client-centred technical expert who provides clients with customized services. In order to provide such services, accounting professionals of course need to have strong technical skills in their field of expertise. However, having technical skills is not enough. To become successful, these professionals also need to have social skills in order to get along with clients and maintain long-standing relations with them (Cooper, Rose, Greenwood, & Hinings, 2002). In fact, it has been stated that accounting professionals' "appearance and social skill are paramount to the ability to present a 'professional' image to the client" (Anderson-Gough, Grey, & Robson, 2000, p. 1156). In other words, being an accounting professional is not all about expertness. It is also about projecting confidence and respectability in order to uphold the public trust and the status of the profession (Carnegie & Napier, 2010).

Arguably, while professional appearance is of great importance to accounting professionals as individuals, their appearance is also of great importance both to accounting firms and to the industry as such. Starting with the firms, the professional appearance of individuals may be seen as important as it allows a particular firm to be competitive in relation to other firms in the field. However, while the competition among firms is important, the individual firms are also dependent on how the accounting profession as such appears in the eyes of the public. That is, even though the accounting firms are competitors, they still strive to uphold a homogeneous image of themselves to the public. As a result, it has been suggested that this particular field is characterized as much by competition as it is by a mutual construction of norms and a professional solidarity (Anderson-Gough, Grey, & Robson, 2002).

Furthermore, status as well as reputation is of utmost importance in this profession as clients commonly judge accounting professionals by reputation. This is because the services provided by these professionals are “intangible applications of complex knowledge” (Greenwood, Li, Prakash, & Deephouse, 2005, p. 663), meaning that clients are unable to evaluate them. Hence, clients instead rely on ‘social proofs’ of professional competence, such as reputation, status, appearance, and behaviour. These proofs are linked to each individual accounting professional but also to the accounting firm in which the professionals are employed.

### **1.1.2 The widening of services**

Originally, accounting professionals provided services within auditing, accounting, tax, and bankruptcy. But in the 1940s, these professionals also started to offer management advisory services to their clients. And since they were well versed in the details of their clients’ businesses, it was relatively easy for the accounting firms to sell this type of services as a complementary extension of their traditional services (McDougald & Greenwood, 2012). At first, the selling of advisory services was a rather modest part of their business, but from the 1960s and rapidly increasing throughout the 1980s and 1990s, advisory services became a substantive part of the accounting firms’ revenues (Wyatt, 2004). The widening of services meant great changes for the accounting professionals, as the jurisdiction of the accounting firms changed dramatically (Greenwood, Suddaby, & Hinings, 2002). Accounting firms grew in complexity and became transnational, and smaller firms were merged into larger ones. During the 1980s and 1990s, the elite accounting firms called the ‘Big Eight’ went through a series of mergers until they eventually ended up as the ‘Big Five’ (McDougald & Greenwood, 2012). Merging was a way for the accounting firms to handle the increase in competitiveness by strengthening the firm’s position within the field (Cooper et al., 2002).

In the early 1990s, Europe had the fastest-growing market for advisory services in the world, and the growth of these services altered the relationship between accounting professionals and their clients. While clients had previously valued and preferred professionals who were situated in their local context and who were active in their local communities (Greenwood, Hinings, & Brown, 1990), the increase in advisory services led to competitive pressure and price competition between accounting firms. This in turn led to clients gaining an increased power over the accounting

professionals, as they were able to make threats of pulling back on their highest-priced and most profitable services, namely advisory services (Hanlon, 1996).

### **1.1.3 Diverse and contradictory priorities and pressures**

The above-discussed developments within the profession have, over time, led to the role of the accounting professionals becoming somewhat contradictory. On the one hand, these professionals state their independence when ensuring the quality of information to stakeholders, but on the other hand they are simultaneously being paid by company managements for their deliverance of advisory services (McDougald & Greenwood, 2012). Arguably, the accounting professionals' role has shifted over time from a main focus on serving the 'public good', to one of performing work 'expertly', that is keeping clients' content (Hanlon, 1996). In fact, it has been stated that accounting professionals are "agents of, and are subjected to, diverse and sometimes contradictory priorities and pressures" (Sikka & Willmott, 1995, p. 549). These contradictory priorities mean that each individual professional must use their discretion and their personal judgment to ensure that their services are not in conflict with the prevailing norms of their profession (Cooper et al., 2002).

Compared to other traditional professions with high professional claims (for example medicine and law), the accounting profession is unusual due to the fact that it is so clearly linked to commercialism. And because of this, the accounting profession is often described as a craft or a guild rather than a profession (Fogarty, Radcliffe, & Campbell, 2006).

### **1.1.4 The autonomous professional**

Another specific feature of the accounting field is the strong presence of large international accounting firms that "constitute a significant sector of the economy, whether measured by their size, numbers, or influence" (Greenwood et al., 2005, p. 661). The power and influence which these firms have on the accounting profession have increased over the last decades (Malsch & Gendron, 2013), and they have been pointed out as the driving force of the modern accounting profession, not least as they serve as important sites for professionalization (Cooper & Robson, 2006; Fogarty et al., 2006). Behind the scenes of these firms, accounting practices become standardized and regulated, standards are translated and put into practice, and professional identities become formed and transformed (Cooper &

Robson, 2006). Notably, the accounting professionals working in these firms maintain high levels of discretion and autonomy, and their work responsibilities are to a significant extent self-contained (Greenwood et al., 1990).

Historically, accounting firms have been led by professionals who reached the top of the firm as a result of their knowledge and expertise (Wyatt, 2004). Unlike typical business firms in which shareholders are mostly external, accounting firms use professional partnership with unlimited liabilities. Most partners of these firms have traditionally practiced at local offices, which means that the local offices have been the principal business unit and the centre of these firms (McDougald & Greenwood, 2012). Hence, accounting firms have primarily relied on informal instead of formal control, and on collegial rather than hierarchical systems (Greenwood et al., 1990). Accounting professionals have resisted any attempts of formal organization, have generally resisted managers who are not part of the accounting profession (Cooper et al., 2002), and have resisted processes which were to limit the autonomy of the partners of the firms (Lander, Koene, & Linssen, 2013).

Clearly, the operating control within accounting firms is decentralized. The professionals who have partnership serve as owners, operators, and managers. Developing and protecting the firm's reputation by ensuring high quality of services within each local office has always been in the interests of the partnership as a whole (Greenwood et al., 1990). Yet, partners have often been more interested in applying their skills to client problems than focusing on managing the firm since they value their professional designation and their autonomy highly (Cooper et al., 2002). In fact, the autonomy aspect is recognized as a crucial element of professionalism within this profession, and the accounting firms serve as channels for the individual accounting professional's professionalism (Bamber & Iyer, 2002).

### **1.1.5 Scandals, and self-regulation versus regulation**

Over time, accounting professionals have adapted to the changing times and demands by using social mechanisms rather than by using authority or legal rules and standards (Cooper et al., 2002). A specific feature of the accounting profession is that from the time when the first standards were issued in the late 1940s until the turn of the millennium, these professionals

were more or less self-regulated. That is, governments left it to the accounting professionals to monitor and control themselves, meaning that they were in control of the standard-setting processes, as well as of the enforcements of standards. Even though there were crises at different times during these six decades that put pressure on the accounting professionals, this self-regulation persisted (DeFond & Francis, 2005). As a result, the accounting professionals maintained and defended, not only the existing regulations within auditing and accounting, but also the authority and the independence of accounting practices (Sikka & Willmott, 1995).

Since the turn of the millennium however, accounting professionals in accounting firms have received quite a lot of attention in the media due to their involvement in major corporate scandals. One such scandal, which came to have great effect on the accounting professionals, was the collapse of Enron in 2001, a collapse that in turn also caused the collapse of Arthur Andersen, which at the time was one of the five largest accounting firms in the world. This scandal was then closely followed by the bankruptcy of WorldCom in 2002, which was another Arthur Andersen client. The magnitude of these scandals increased severely due to the fact that just a few weeks before Arthur Andersen publicly admitted to having shredded documents from its audits of Enron, the accounting firm Deloitte & Touche had presented a clean peer review report of the Arthur Andersen firm. Instantly, the credibility and integrity of the accounting profession became seriously questioned, as was its self-regulation (DeFond & Francis, 2005). The scandals “sent shockwaves through the accounting profession worldwide” (Carnegie & Napier, 2010, p. 360), and auditing and the quality of audits was seriously questioned after this.

In fact, these corporate scandals not only undermined confidence in auditing but also in accounting and in regulations (Carnegie & Napier, 2010). The scandals and critique which followed led to hasty regulatory changes, and the previous self-regulation within the accounting profession was in many places replaced by direct regulation. Thus, there was a shift from a system of self-regulation *by* the professionals, to governmental-related agencies taking control *over* the accounting professionals (DeFond & Francis, 2005). One example of this was the Sarbanes-Oxley Act which applies to companies listed in the United States, and which aimed to improve corporate responsibility and auditor independence as well as increase the control over the accounting professionals (Carnegie & Napier, 2010). Even

so, the reforms which followed after the Enron scandal failed to address the question of auditor liability (Francis, 2004).

## **1.2 Understanding what accounting professionals do – and why**

While the brief description of the historical development of the accounting profession above suggests that this particular field is certainly not a blank spot on our knowledge map, it has long been suggested that our knowledge of what goes on in the accounting firms and among accounting professionals is rather limited. In fact, some twenty years ago, Hopwood (1996) suggested, although we did have some insights at the time, that much of the practices and the functioning of the accounting professionals still remained a ‘black box’.

The major corporate scandals occurring a few years later hardly reduced the wish to open up the black box of these firms. On the contrary, they brought even further attention to this relative knowledge gap and resulted in a number of calls for more detailed studies of what was going on behind the scenes in the accounting firms (Cooper & Robson, 2006; Thornton, Jones, & Kury, 2005). Indeed, over the last decade or so, a number of the issues referred to above have received renewed and increased attention in the literature. For example, researchers have continued to study the accounting firms’ widening of services and how this might have led the accounting professionals to become increasingly oriented towards commercialism (see e.g. Barrett & Gendron, 2006; Thornton et al., 2005). Related to this, researchers have also continued to take an interest in the fact that developments over time seem to have altered the role of the accounting professionals. The autonomy of the individual accounting professionals has been affected (see Bévort & Suddaby, 2016), and the developments have led to an increased diversity in the accounting profession (see e.g. Lander et al., 2013). The effects and the aftermaths of the Enron scandal are other issues which have also been discussed within this literature (see e.g. Suddaby, Gendron, & Lam, 2009).

In line with this, an emerging and growing literature has tried to explain what it is that drives or brings about what accounting professionals do within their professional context. A large part of this literature has drawn upon institutional theory in general and the theory of institutional logics in particular. One important reason for this is that institutional theory provides researchers with a theoretical lens from which we may better

understand *why* accounting professionals act the way they do. The premise is that institutional logics are seen as overarching principles which prescribe how actors and organizations should interpret their realities and how they should behave (Friedland & Alford, 1991; Thornton, 2004). That is, as institutional logics consist of values, norms, and rules, they frame how actors perceive the world and provide a ‘logic’ based on which they may act (Cloutier & Langley, 2013). In other words, institutional logics define not only what actors are supposed to do but also who they are and how they relate to the rest of the world (Pache & Santos, 2013a).

Based on this theoretical perspective, a large number of accounting studies have furthered our understanding of the type of institutional logics underpinning the work of accounting professionals. In fact, and related to the historical developments referred to above, it has been concluded that these professionals are facing two different logics: the professional logic, which is said to underpin accounting and auditing services, and the commercial logic, which is said to underpin advisory services (Greenwood, Raynard, Kodeih, Micelotta, & Lounsbury, 2011). In short, the professional logic upholds that decisions are made in the light of the public interest, that work is performed without too much client influence, and that financial accounting standards are interpreted and applied based on a code of ethics and technical expertise. The commercial logic instead brings focus on client interest, maintaining good relations with clients, expanding services and increasing internal revenues. (Spence & Carter, 2014)

Based on the establishment of these notions (i.e. the professional logic and the commercial logic), many researchers have suggested that the developments and the changes which have occurred within the accounting firms and in the work of the accounting professionals, have led to a shift in institutional logics. That is, the increased focus on providing advisory services is said to have caused the accounting professionals to go from being predominately influenced by the professional logic, to instead become predominately influenced by the commercial logic (see e.g. Barrett & Gendron, 2006; Lander et al., 2013; Thornton et al., 2005). The shift in logics is also often claimed to be an important reason as to why accounting professionals have been involved in major scandals such as Enron and WorldCom and the following collapse of Arthur Andersen (see e.g. Barrett & Gendron, 2006; Suddaby et al., 2009).

Importantly though, rather than a definite shift, some researchers have claimed that both the professional logic and the commercial logic are still present, which has resulted in yet another focus in the literature, namely how the presence of multiple logics may cause tensions. The premise is that when two or more logics are present at the same time, some of these may be contradictory and thereby generate conflicting institutional demands (Lander et al., 2013) and institutional complexity (Greenwood, Díaz, Li, & Lorente, 2009). More specifically, any presence of multiple logics within the same context is said to cause tension as different logics prescribe and proscribe different actions (Greenwood et al., 2011). In line with this, the co-existence of the professional logic and the commercial logic is said to generate instability and fragility within accounting firms (Malsch & Gendron, 2013). This is because the two different logics of action lead to tension in the accounting professionals' day-to-day decision processes (Gendron, 2002).

### **1.2.1 This thesis in relation to the extant literature**

In this thesis, I draw upon, but also add to the insights generated in the literature referred to above. The premise is that although this literature has contributed immensely to our understanding of how and why accounting professionals act the way they do, there are still some areas worthy of further investigation.

*First* of all, although a number of important insights have been made regarding the type of logics characterizing accounting firms and accounting professionals, the literature still presents different and contradictory views regarding how the professional logic and the commercial logic co-exist in accounting firms, and how they, in turn, affect accounting professionals. For example, some researchers claim that the professional logic and the commercial logic are functioning as two separate logics in the accounting profession (Suddaby et al., 2009), while others claim that there is little empirical evidence for this (Carrington, Johansson, Johed, & Öhman, 2013). More specifically, Carrington et al. (2013) have criticized previous studies for being less clear on how to conceptualize and measure the professional logic and the commercial logic. According to their study, there is little empirical evidence for the existence of these two logics in the accounting profession (in their case, among auditors). Rather, they claim, there is tension between independence enforcements and client commitment. In a similar manner, Spence and Carter (2014) have also

criticized this literature, claiming that its characterization of the professional logic and the commercial logic is too binary. According to their study, the two logics are rather to be characterized as technical-professional and commercial-professional.

*Second*, and as hinted at above, there are also largely different views on the extent to which a shift in logics has occurred. Again, the literature is mostly based on the assumption that the logic of professionalism was the only prevailing logic within the accounting profession before the 1970s. However, due to changing demands and increasing regulation and automation (Lander et al., 2013), commercialism has become increasingly institutionalized in the profession (Guo, 2016). This is a development that is said to have disempowered the accounting profession and its source of legitimacy (Thornton et al., 2005). However, some oppose this and claim that it is unrealistic to believe that the commercial logic was not at all present prior to the 1970s (Malsch & Gendron, 2013), as accountancy has always been a commercially oriented profession (Anderson-Gough et al., 2000). Also, some claim that the shift to the commercial logic is particularly clear amongst accounting professionals working in the ‘Big Four’ accounting firms, since these firms are the ones who have mostly extended their services to include various types of advisory (see e.g. Cooper & Robson, 2006; Greenwood & Suddaby, 2006; Suddaby et al., 2009).

*Third* and last, large parts of the extant accounting literature have focused on the existence of logics at a macro level, and assumed that such logics influence professionals in a static and rather downward direction. Arguably however, while institutional logics are typically portrayed as overarching guidelines, professionals are not to be seen as passive receivers of such logics. Rather, actors always have the ability to interpret and translate institutional prescriptions (Greenwood et al., 2011), and based on this, they might for example behave in consistency with a logic or strive to change existing values and beliefs (Edgley, Sharma, & Anderson-Gough, 2016). This latter view on how institutional logics affect accounting professionals in a non-deterministic way, stresses the need for not only identifying the type of logics that are present in a particular setting, but also for studying how they are played out in the micro practices of accounting professionals.

Based on the three areas discussed above, a micro-oriented focus would arguably enable more detailed insights into how institutional logics may be

interpreted in largely different ways, depending on the contexts in which they are activated. Moreover, it would also allow a more detailed discussion of whether accounting professionals are truly constrained by the different logics, or whether they may indeed choose more deliberately and strategically between them. The premise is that at least some researchers seem to view institutional logics as something that is rather consciously activated among professionals. For example, it has been suggested that accounting professionals consciously draw on different logics in a manner of picking and choosing, depending on what is found to be most applicable to a certain situation (Lander et al., 2013; Thornton, Ocasio, & Lounsbury, 2012). It has also been suggested that they use the professional logic in order to maintain their professional norms and traditions, while applying fragments of the commercial logic in order to resolve certain managerial and strategic issues (Lander et al., 2013). Such a view, however, does not sit easily with the ways in which institutional logics are understood elsewhere in the literature, where they are seen more as taken-for-granted ways of acting (see e.g. Friedland & Alford, 1991; Thornton & Ocasio, 1999).

Furthermore, a micro-oriented study would also enable a focus on another topic which has been raised in the literature, namely how professionals handle multiple and co-existing logics over time during ongoing processes (Cloutier & Langley, 2013; Goodrick & Reay, 2011). In fact, given that many empirical studies in the accounting literature focus on the existence of particular logics at specific time points (see e.g. Carrington et al., 2013; Suddaby et al., 2009), it has been suggested that further research is needed from a processual perspective so as to further our understanding of how institutional logics enable and constrain accounting professionals over time. This, in turn, allows for the opening of the ‘black box’ regarding how and why accounting professionals are acting in certain ways. Again, although the extant literature has contributed immensely to our understanding, it provides no overarching compelling explanation for the reactions and actions of accounting professionals at a micro-level and over time.

### 1.3 Overall research question

Based on the discussion above, the current thesis will depart from the following overall research question:

- *How do co-existing and potentially conflicting institutional logics enable and constrain accounting professionals in practice and over time?*

Three aspects of this research question should be noted before continuing. *First*, by emphasizing the co-existing and potentially conflicting logics, this thesis puts focus on the potential contradictions between the professional logic and the commercial logic, and how these logics might cause tension in the work of the accounting professionals. *Second*, by emphasizing how logics enable and constrain accounting professionals, the current thesis puts focus on how and why accounting professionals at a micro level act in certain ways and thereby produce and reproduce certain institutional logics. *Third*, by emphasizing the presence of logics over time, this thesis will use a processual perspective in order to move beyond a static view on institutional logics as present and handled at certain time points. Again, the premise is that institutional logics are functioning as overarching guidelines which prescribe how actors should interpret their reality and how they should behave.

### 1.4 The empirical setting

In order to answer the above research question, I have chosen to study the process of converting the existing financial accounting practices in Sweden through new financial accounting standards – the so-called K-project. The K-project started in 2004 when the Swedish Accounting Standards Board (BFN)<sup>2</sup> started its development of new and complete sets of standards for different categories of companies. The standards K1-K3 were then developed and released successively (2006, 2008, and 2012), meaning that this process was ongoing for many years.

The main purpose of the K-project was to simplify the use of financial accounting standards, particularly for small companies in an attempt to

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<sup>2</sup> BFN is a governmental agency accountable to the ministry of finance and is the authority responsible for developing generally accepted accounting principles and issuing standards in Sweden.

reduce their relatively large administrative burden. One important aspect of this was that small limited companies<sup>3</sup> had to make an active choice between two very different standards. They could either choose the simplified and rules-based standard K2, or they could choose the more extensive and principles-based standard K3. This choice had a major impact on accounting practices since approximately 97% of all limited companies in Sweden are classified as small and therefore had to make a choice between the standards K2 and K3. In addition, since accounting professionals in accounting firms are the small companies' most frequently used consultants and their most trusted advisors, these professionals were likely to have a central role in this process.

As I started my research project in 2012, the accounting professionals working in accounting firms were very focused on how to handle their work with the new standards which had been released and were about to be implemented. At that point in time, the so-called K-project had been ongoing for eight years, and the simplified and rules-based standard K2 had been released four years earlier, in 2008. Surprisingly however, neither the accounting professionals nor the small limited companies had been interested in implementing this standard. Instead, they had continued to use the previous standards even though they were much more extensive. While this was puzzling, it soon became even more puzzling as the main standard K3 was presented later on in 2012. Once this standard was released, it soon became clear that the accounting professionals were rather hesitant towards this standard as well. As it seemed, there was no obvious way of making the choice between the two standards K2 and K3.

The most important reasons for choosing this particular empirical setting is that it allows me to study accounting professionals at work during an ongoing process of change. This, in turn, allows me to deal with some of the blind spots identified in the extant literature on institutional logics and accounting professionals. More specifically and *first*, it provides me with an opportunity to study a context which will illuminate the question of how the co-existence of the professional logic and the commercial logic might

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<sup>3</sup> The definition of a small company, according to the Swedish Annual Accounts Act, is a company with less than 50 employees, a balance sheet total less than 40 MSEK, and net sales less than 80 MSEK. If two of these limits are exceeded, the company is classified as large (ÅRL 1995:1554).

cause tension in the accounting professionals' work. *Second*, the K-project also provides an opportunity to study how logics enable and constrain accounting professionals, and to explore how and why accounting professionals might reproduce institutional logics through their response to such logics. *Third*, the fact that the K-project went on for so many years (as the new standards were developed and released successively) enabled a processual view on how institutional logics are present in the work of accounting professionals over time. *Fourth*, it also provides an opportunity to study institutional logics by focusing on the individual and autonomous accounting professionals. A micro perspective allows me to focus on different individuals working at different levels within the organizations, having slightly different roles but all being part of the same process. *Fifth* and last, the process of converting the existing financial accounting practices for small limited companies is found to be suitable as a study object since this process is and has been an important issue within the accounting field for many years. It is not only a question for the individual organizations or for the individual accounting professionals but for the accounting industry as a whole. Arguably, this makes it particularly interesting from an institutional logics perspective.

## **1.5 Empirically oriented research questions and scientific purpose**

So far, I have presented the background and motivation of this thesis through discussing my orientation in the literature on the one hand and my empirical journey on the other. As is often the case in qualitative studies, however, there has been an ongoing interplay between these different parts. In fact, as the empirical study underlying this thesis was conducted, the overall research question was specified and divided into two more precise and empirically oriented research questions as I alternated back and forth between the problems and the gaps in the extant literature and the empirically generated insights.

Two particular aspects have been important in formulating these research questions. *First*, as I have approached the accounting professionals in their work with a particular project, I have not directed attention to all of their daily work. Rather, I have primarily focused on how they have dealt with issues related to the K-project. This means that I have been particularly interested in how they reacted and acted once the K-project became an issue within their field, and how such reactions and actions changed over time as

the project evolved. *Second*, the K-project covers standards for accounting practices in Swedish companies rather than the practices of accounting professionals as such. Again, as the accounting professionals are deeply involved in the accounting practices of small limited companies, the K-project has actualized the particular type of relationship that accounting professionals have with their clients. In this thesis I have directed attention to how they, as a form of intermediary between the standard-setter and their clients, deal with this relationship. How did they interpret the K-project, and the choices that it required their clients to make, and how did they approach their clients regarding these issues?

Based on this, I pose the following two empirical research questions:

- *How did the accounting professionals influence and shape accounting practices in small limited companies during their work with the K-project?*
- *Why did the accounting professionals react and act the way they did during this process?*

While the first question is of a descriptive nature and focuses on how accounting professionals actually acted during the work with the K-project, the second question focuses on how we may understand this work. Again, in this thesis I will draw upon the theory of institutional logics as a means for addressing this latter question, focusing on the type of logic(s) that accounting professionals reproduced during this work.

While the theory of institutional logics primarily provides us with a number of concepts based on which we may understand *why* accounting professionals act the way they do, it is less explicit about *how* these professionals may be expected to react and act in different ways. That is, it does not provide us with any particular concepts regarding the specific actions of accounting professionals. Based on this, a first important purpose of this thesis is to generate a micro-oriented and processual modelling of the studied process. Specifically, and related to the first empirically oriented research question, I will develop a number of empirically generated concepts which may be used to describe how accounting professionals influence and shape accounting practices in small limited companies during their work with the K-project. A second important purpose is to identify and theorise

on the type of institutional logics underpinning such actions. Arguably, in fulfilling these two purposes, this thesis may further our understanding of how multiple and co-existing institutional logics are present in the practices of accounting professionals working in accounting firms, and how the presence of such institutional logics enable and constrain these professionals.

## **1.6 Outline of the thesis**

The remaining parts of this thesis will be organized as follows. In Chapter 2, the frame of reference, I will describe institutional logics as a theory. There, I will present the core assumptions of the perspective, and discuss the literature in relation to the research question. In Chapter 3, I will discuss the methodological considerations made when collecting and analysing the empirical data and describe the research strategy and process of this study.

After this first section of the thesis, in which the introduction, frame of reference, and methodological considerations are presented and discussed, a section totaling three chapters will follow devoted to the empirically oriented parts of the thesis. More precisely, the first of these chapters, Chapter 4, will be devoted to presenting the empirical setting as such, i.e. the K-project and the standards K2 and K3. The second of these chapters, Chapter 5, will be devoted to presenting how the K-project and the standards K2 and K3 affected the accounting firms and the accounting professionals both at a field level and organizational level. The last of these three chapters, Chapter 6, will then be devoted to presenting and discussing the empirical findings of the thesis regarding how the professionals reacted and acted throughout this process at the individual level. At the end of that chapter, I will present a model of how the accounting professionals reacted and acted during this process of change.

In the final chapter of the thesis, Chapter 7, I will present the conclusions and contributions of the thesis and answer the question of how co-existing institutional logics are affecting accounting professionals in practice over time, and how and why accounting professionals interpret and reproduce such logics. I will also discuss how the findings of the current thesis relate to previous insights presented within the extant literature and give some suggestions for the future.

## 2 Frame of reference

*The institutional logics perspective will be used as a theoretical framework for this thesis. While a brief review of the literature on institutional logics and accounting professionals was presented in the introductory chapter, this chapter will provide a fuller presentation of institutional logics as a theory. I will begin with a description of the theory as such before presenting a more detailed description of institutional logics as a concept, and how multiple and competing institutional logics might affect the actions of individuals and organizations. At the end of this chapter, I will return to my research questions and discuss how they relate to the chosen theoretical perspective.*

### 2.1 Institutional logics as a theory

Institutional logics was first introduced by Friedland and Alford (1991) as a theory of institutions including both organizations and individuals. In their article, they claim that theories which ‘retreat from society’ are unable to explain the behaviour of individuals and the structure of organizations, since institutional values are influencing the behaviour of both individuals and organizations. Thus, actors must be recognized in their social contexts in order to explain how interests are institutionally shaped. In presenting the concept of institutional logics, Friedland and Alford (1991) rejected the use of macro structural perspectives as well as the use of rational choice theories.

Even though the institutional logics perspective has commonalities with the neo-institutional theory, there are also differences. In the earliest versions of neo-institutional theory, institutions were seen as exerting powerful and invisible constraints on actors’ behaviour. The main focus was on routines and isomorphism, and the behaviour of actors was rather taken for granted. For example, DiMaggio and Powell (1983) suggested that the root of institutionalization derives from the structuration of organizational fields, and that actors’ interests can be separated from their understandings. Friedland and Alford (1991) instead meant that the root of institutionalization derives from a societal level, and that the characteristics of a field are inseparable from its context since different institutions have different institutional logics defining the rules for social behaviour.

Over time, neo-institutional scholars have increasingly started to acknowledge that institutions are not merely constraining behaviour.

Instead, institutions have become recognized as a result of human actions and from being recurrently negotiated by actors. In view of this shift, the concept of institutional logics has presented possible explanations for institutional conflict and how institutional events are shaped and changed over time (Cloutier & Langley, 2013). In consistency with general institutional theory, the institutional logics perspective considers institutions as being historically contingent. The theoretical understanding of institutional logics as emerging, re-emerging, and changing is based on the assumption of historical contingency. Even though this assumption is necessary in order to understand institutional stability and change and how cause and effect might change over time, this topic has remained relatively unexplored within the literature on institutional logics (Thornton et al., 2012).

The understanding of logics as being contingent has in turn led to an interest in the presence and effect of logics at different levels. Friedland and Alford (1991) stress that any social theory must work at three different levels of analysis in order to adequately understand society, and that is the institutional level, the organizational level, and the individual level. Thus, the institutional logics perspective is based on the assumption that institutions are operating at multiple levels, and that actors are nested in higher order levels. In fact, each level is implicated in the others and no level is to be privileged over another. But even though Friedland and Alford (1991) highlight the importance of recognizing the multiple levels, their main focus is on how logics at a societal level affect individuals and organizations. Most importantly however, the theory which has developed from their ideas is much broader, and institutional logics are now considered as developing at different levels (Thornton & Ocasio, 2008).

Even though scholars within the extant literature on institutional logics differ in their focus on and interest in different levels, the empirical literature on institutional logics is primarily focused on the field level (Cloutier & Langley, 2013). Mostly, these studies are concerned with the process of institutional change, trying to identify the logics which serve as the foundation of field level institutions and exploring how these logics are historically contingent. In other words, this literature is mostly focused on horizontal complexity, and has thereby overlooked the vertical complexity and how logics are nested within multiple levels (Greenwood et al., 2011). As a result of this, most empirical studies made within this perspective have

taken the relationship between societal level logics and field level logics for granted (Cloutier & Langley, 2013).

Within this literature, some stress the importance of recognizing multiple levels, claiming that the field level must be understood in order to understand the complexity of the organizational level (Greenwood et al., 2011). However, others claim that a focus on multiple logics at a field level might bring a focus on multiple forms of institutional rationality (i.e. horizontal complexity) which will provide new insights in the dynamics of practices (Lounsbury, 2008). Also, some have called for a greater focus on different forms of organizing and on the interrelationship between organizations and institutions rather than on organizations per se. This is because organizations are a type of social order that is socially and legally constructed and hence need to be recognized for their role as a collective actor within society (Meyer & Höllerer, 2014). Yet, others have stressed that there is a need for rebalancing the focus within institutional studies, claiming that the differences of organizations should not be ignored (Greenwood, Hinings, & Whetten, 2014).

## **2.2 Institutional logics as a concept**

What then are the core assumptions of the institutional logics perspective? The popularity of this perspective has led to diverse identifications and definitions of the concept. By sociologists, institutional logics are commonly referred to as higher order belief systems which shape understandings as well as actions (Glynn & Lounsbury, 2005). Within the literature on institutional logics, various definitions are to be found. The concept was originally defined by Friedland and Alford (1991) as “a set of material practices and symbolic constructions” which is constituting the organizing principles of an institutional order “and which is available to organizations and individuals to elaborate”. They accentuated that institutional logics are historically bounded as they are “symbolically grounded, organizationally structured, politically defended, and technically and materially constrained”. (Friedland & Alford, 1991, pp. 248–249). Some years later, Thornton and Ocasio (1999) made a somewhat different definition when defining institutional logics as socially constructed “historical patterns of material practices, assumptions, values and beliefs, and rules by which individuals produce and reproduce their material subsistence, organize time and space, and provide meaning to their social reality” (1999, p. 804).

Institutional logics have also been described as bundled sets of “higher order meanings, values, norms, and/or rules that frame how individuals make sense of the world around them and consequently know how to act” (Cloutier & Langley, 2013, p. 361). Other definitions have also been presented, for example, Greenwood and Suddaby (2006), who described institutional logics as taken-for-granted social prescriptions which are specifying boundaries and rules, and by Scott (2014), who described institutional logic as defining the relation between subjects, practices, and objects. Some have claimed that the concept of institutional logics is suffering from too much heterogeneity (Meyer & Höllerer, 2014), but even though there are somewhat different definitions of the concept, its mutual aim is to understand individual and social behaviour in social and institutional contexts. These contexts are recognized as regulating behaviour as well as providing the possibility of agency and change (Thornton & Ocasio, 2008).

Each institution in society has its own institutional logics functioning as guidelines, signifying the content and the meaning of institutions. A core assumption within this perspective is that individual and organizational interests, identities, values, and assumptions are embedded within institutional logics (Thornton & Ocasio, 2008). For example, Friedland and Alford (1991) conceptualized Western society as being constituted of five core institutions: market, bureaucracy, family, democracy, and religion. Empirical studies have shown that modern societies are mostly influenced by the following logics: state, profession, corporations and market (Thornton et al., 2012).

### **2.3 Institutional logics and the actions of individuals and organizations**

What is it, then, that such institutional logics are assumed to have an impact on? The general assumption within this literature is that institutional logics work as overarching principles which prescribe what actors (such as individuals and organizations) are supposed to do. This means that logics are seen as affecting not only the reactions and actions of actors, but also how they interpret their realities, who they are, and what they see as their overall purposes (Friedland & Alford, 1991; Thornton, 2004). Importantly, based on this general assumption, the literature has developed different concepts to capture what actors do depending on differences in logics and levels. Specifically, the literature has taken an interest in how actions may

differ depending on whether actors face a single logic or multiple logics (see Section 2.3.1), and that the responses to logics may differ depending on whether focus is directed towards the individual or towards the organization (see Section 2.3.2).

### **2.3.1 Actions and multiple institutional logics**

Individuals and organizations are effected by different institutional logics, and these logics are, according to Friedland and Alford (1991), potentially contradictory. When organizations are experiencing multiple institutional logics, they are subject to institutional complexity (Greenwood et al., 2009), and the presence of multiple logics often causes conflicting institutional demands (Lander et al., 2013). Such institutional complexity is infinite, unfolding and reforming over time, being shaped by processes within organizational fields and thereby creating new and different conditions to which actors must respond (Greenwood et al., 2011).

Multiple logics are found in many and various organizational fields (Lander et al., 2013), and it has been suggested that different organizations will experience institutional complexity differently and to different degrees depending on their position within a field. Central and highly embedded organizations are described as experiencing greater tension from multiple logics compared to more peripheral and less embedded organizations. It has also been suggested that the more complex and differentiated an organization is, the more likely it is to experience institutional complexity. (Greenwood et al., 2011) In contexts where multiple logics are conflicting and incompatible, tensions are generated through ambiguity, multiplicity, and contradictions (Owen-Smith & Powell, 2008), and such tension can be difficult for actors to handle.

The extant literature with a focus on the field level presents *four* possible outcomes in case of multiple and conflicting institutional logics. One possibility is that elements of the new logic are *incorporated* with the old and dominant logic. Another possibility is that a *hybrid* of the new and old logic might occur if elements of both logics are incorporated with each other. There might also be a *shift* from the old logic to the new, or else, the new logic and old logic might *co-exist*. (Lander et al., 2013) Regarding how multiple logics might co-exist, the literature presents three possible explanations for this. Either one logic is dominant and guides behaviour, or the multiple logics fight each other for dominance, or the multiple logics

affect different actors differently (Goodrick & Reay, 2011). Also, the relation between different logics varies across time and different contexts. However, the extant literature offers little insight into why multiple logics generate conflicts in some contexts while easily becoming blended in others (Besharov & Smith, 2014).

Multiple logics might be incompatible, or they might just appear to be so. Regardless of which, they are said to generate tensions for individuals and organizations which are being exposed to them. In the extant literature, multiple logics are often described as incompatible, but the literature is rather inconsistent in the definition of incompatibility (Greenwood et al., 2011). Pache and Santos (2010), for example, have defined incompatibility as either creating conflicts at an *ideological* level (i.e. which organizational goals are perceived as legitimate) or as creating conflicts at a *functional* level (i.e. what course of action is perceived as appropriate). According to them authors, conflicting institutional demands regarding the ideological level will be met with more resistance compared to conflicting demands regarding the functional level.

It has been suggested that conflicting institutional logics might become relatively compatible in certain contexts if they are re-composed. Such re-composition leads to the creation of different hybrids, for example hybrid organizations, hybrid logics, hybrid practices, or hybrid identities (Greenwood et al., 2011). While the previous literature generally suggests that organizations experiencing multiple logics will compromise or decouple these logics, Pache and Santos (2013b) instead found that hybridization occurred as complete components of logics were selectively coupled.

It was not until quite recently that scholars have taken an interest in the character and consequence of the conflicting pressure that multiple institutional logics might inflict on actors. There have been calls for detailed studies in specific contexts on which multiple logics exists (Greenwood et al., 2011) and of how different institutional demands are affecting actors (Greenwood et al., 2014). Also, less is known regarding how professionals are affected by the presence of multiple logics during processes (Goodrick & Reay, 2011).

To enable further theory building on the subject of multiple and conflicting logics, some scholars (see e.g. Meyer & Höllerer, 2014; Thornton et al., 2012) call for a distinction to be made between inter-institutional and intra-institutional heterogeneity and complexity. They stress that conflicting logics are not only existing across different institutional orders (i.e. inter-institutional), but also within one institutional order across different cultural contexts (i.e. intra-institutional). The inter-institutional involves conflicts between different logics such as the logics of marketing, professional and bureaucratic. The intra-institutional involves how multiple logics might co-exist within a profession, or within an industry, over a longer period of time. (Meyer & Höllerer, 2014)

### **2.3.2 Individual versus organizational actions**

There are various explanations to be found within the extant literature for how organizations and individuals respond to multiple and co-existing logics and for how multiple logics effect change. The literature on multiple institutional logics at an organizational level consists of two different lines: one which takes an interest in strategies of organizations facing multiple logics, and another which takes an interest in how the existence of multiple logics affect the structures and practices in so-called hybrid organizations (Greenwood et al., 2011). Different field level factors (such as fragmentation, centralization, and formal structuring) and factors at the organizational level (such as field position, structure, governance, and identity) have been pointed out as determining organizational responses in the case of multiple logics.

However, the way in which individuals respond to multiple institutional logics differs from responses at the organizational level (Pache & Santos, 2013a). Since the vast part of the extant literature has its focus on the field level and the effects of logics at a macro level, the micro level processes which lead up to such effects and outcomes have been fairly neglected (Lander et al., 2013). Yet, it has been suggested that the way in which individuals respond to logics shape the outcome of the organizational response. Pache and Santos (2013a) claim that the way in which individuals respond to competing institutional logics is driven by their degree of adherence to the different logics. According to these authors, individuals might respond to logics by ignorance, compliance, or defiance. Also, they claim, in the case of competing institutional logics, individuals might respond in more complex ways through the combination or

compartmentalization of logics (displaying a compliance with multiple logics depending on the context, i.e. a form of decoupling).

## **2.4 Logics guide actions**

How, then, are institutional logics linked to actions, i.e. to what people and organizations do? Institutional logics are described as enabling and constraining social action, as they serve as “the formal and informal rules of action, interaction and interpretation that guide and constrain decision makers” (Thornton & Ocasio, 1999, p. 804). Institutional logics define not only what a person is supposed to do but also who this person is and how this person relates to the rest of the world (see Pache & Santos, 2013a). In other words, institutional logics serve as the ‘master rules’ of institutions which prescribe as well as proscribe social behaviour (Meyer & Höllerer, 2014), thereby shaping the actions of organizations and individuals by signifying the content and the meaning of institutions (Friedland & Alford, 1991). Institutional logics thereby “function as belief systems that shape the cognition and behaviours of actors” (Edgley et al., 2016, p. 10).

The literature on institutional logics has its main focus on how different institutional logics might affect individuals and organizations, and institutional logics are commonly regarded as originating from the field level, influencing actors in a downward direction (Cloutier & Langley, 2013). However, there are somewhat different ideas on how this takes place. Some researchers claim that the influence of institutional logics is dependent on the relationship between individuals within organizations and on external actors who are acting as intermediaries, supporting and promoting different logics (Greenwood et al., 2011). Dominant actors at a field level, for example regulatory authorities, have been found to enforce logics on organizations (Holm, 1995). Within organizations, powerful groups are likely to influence the response to logics in a way that serves their interest. In the case of co-existing logics, such powerful groups are likely to govern not only the choice of logic but also how to adapt to it (Greenwood et al., 2011).

Related to this, some researchers claim that logics are used rather pragmatically ‘on the ground’ in order to get things done (Pernkopf-Konhäusner, 2014). In fact, some claim that professionals are consciously drawing on different logics in a manner of picking and choosing depending on what they found most applicable to a certain situation (Lander et al.,

2013; Thornton et al., 2012). According to this view, actors have the possibility of drawing on one or more appropriate logics when making decisions (Owen-Smith & Powell, 2008). Importantly though, the way in which individual actors respond to certain logics is by no means predetermined by their profession or by them being part of a specific organizational type (Pache & Santos, 2013a). Some suggest that the way in which logics influence social action depends “intimately on the structures in which activities take place and the partners with whom they are undertaken” (Owen-Smith & Powell, 2008, p. 604).

Also, individuals are said to be exposed to institutional logics through different types of channels, and some researchers claim that the impact of logics is dependent on different aspects. Pache and Santos (2013a), for example, state that the *availability* of a logic (what individuals know about it), the *accessibility* of a logic (to what degree this knowledge about the logic comes to mind), and the *activation* of a logic (how the knowledge about the logic is being used) have consequences for its impact. Importantly however, this view is not in line with what has been suggested elsewhere in the literature, where institutional logics are generally seen as taken-for-granted ways of acting (see e.g. Friedland & Alford, 1991; Thornton & Ocasio, 1999).

Then, one may ask how is such availability, accessibility, and activation suggested to come about? According to Pache and Santos (2013a) this occurs when individuals become exposed to logics through education and work experience, or through the organizational field in which institutional influences are reinforced by professional norms and shared goals, values, and practices, or at a societal level through social interactions. Depending on the degree of availability, accessibility and activation of the logic, Pache and Santos (2013a) argue that the way in which individuals respond to logics is also dependent on whether individuals are novice to the logic (no adherence), are familiar with the logic (intermediate adherence), or are identified with a logic (high adherence). Pache and Santos (2013a) claim that when individuals are novice to a logic, this means that there is no availability, and hence accessibility and activation of the logic is not possible. This might for example occur when the current logic is so strong that individuals are uninterested in alternative ways of thinking.

An individual who has become familiar with a new logic has gained knowledge about it through social interactions. At this stage, Pache and Santos (2013a) stress that activation is possible but not automatic since the individual is not emotionally or ideologically committed to the logic. When an individual is familiar with a given logic but has low embeddedness in it or does not rely on it in order to obtain a sense of self and identity, they claim that the individual will take distance from the logic in order to create room for strategic action. When an individual is identified with a certain logic, they claim that the logic is available and highly accessible and therefore likely to become activated. In this sense, institutional logics define not only what this person is supposed to do but also who this person is and how this person relates to the rest of the world. The individual, they claim, has at this point established a connection with the logic, either through training or through experience, and the logic provides a positive sense of self. Notably however, Pache and Santos (2013a) stress that these three categories are by no means to be seen as disconnected from each other but rather as continuous steps.

## **2.5 Actions reproduce logics**

Why, then, are actors guided by institutional logics? Institutional logics are to be seen as more than just strategies and logics of action. They are a source of legitimacy that brings a sense of order and existential security (Thornton & Ocasio, 2008), helping actors to make sense of their ambiguous world (Suddaby & Greenwood, 2005). Institutional logics bring a sense of order and existential security, as they provide individuals and organizations with rules on how to behave in certain situations. They help in deciding which problems to attend to and in determining suitable solutions (Thornton & Ocasio, 2008). In fact, it has been claimed that “organizations comply with logics in order to gain endorsement from important referent audiences and because logics provide a means of understanding the social world and thus for acting confidently within it” (Greenwood et al., 2011, p. 318). However, it is of great importance to view organizations as “more than merely instantiations of institutional logics, rather they are places where people and groups make sense of, interpret, and enact institutional prescriptions” (Greenwood et al., 2011, p. 344). For example, individual responses have been found to be driven by social acceptance, status, and identity rather than satisfying other institutions (Pache & Santos, 2013a).

Institutional logics provide the foundations for organizational and individual identity (Thornton, 2004; Thornton & Ocasio, 1999), as they bring social actors a sense of self. When individuals are identifying themselves with the collective identity of a group, they are more likely to abide by the norms and prescriptions of the group and protect the collective interests against conflicting identities (Thornton & Ocasio, 2008). Also, the way in which organizations will experience and respond to institutional pressure will vary. When an institutional logic passes through an organizational field, it becomes filtered by the organizations. That is, there are field-level mechanisms which are filtering, framing, and enforcing institutional logics. This filtering is dependent on different characteristics of the organization, such as the organizations' position within the field, the structure, ownership, and governance, and the identity (Greenwood et al., 2011).

The institutional logics perspective is based on the assumption of a duality between logic and practice, which implies that practice is not merely reflecting institutional logics. Rather, practice plays an important role in creating and reproducing institutional logics. Empirical observations have shown that institutions are conflicting when they are enabling change while simultaneously constraining actors. (Thornton et al., 2012) For example, the existence of multiple logics can lead to divergent opinions regarding the application of practices, which might cause ambiguity. Such ambiguity, in turn, might lead to logic blending, new logics, or the emergence of new variation of practices (Lounsbury, 2008). Logics might challenge as well as reinforce the values, beliefs, and rules which are considered to be appropriate. Also, actors have the ability to influence the way in which logics are used within organizations (Besharov & Smith, 2014). Thus, organizations are not to be seen as passive receivers of institutional logics since they will interpret and translate institutional prescriptions (Greenwood et al., 2011). For example, hybrid organizations might try to gain legitimacy by manipulating the patterns provided by the multiple logics in which they are embedded (Pache & Santos, 2013b).

According to Thornton et al. (2012), symbols and practices can appear contradictory or complementary when institutional orders are compared with fundamental categories, such as sources of legitimacy, authority, identity, norms and strategies. Such contradictions or complementarities enable actors to solve problems and gain support through new

combinations of symbols and practices, and according to these authors, this leads to cultural symbols and material practices migrating or being transposed from one institutional order to another.

## **2.6 Approaching the research questions based on an institutional logics perspective**

The current thesis departs from the overall research question of how co-existing and potentially conflicting institutional logics enable and constrain accounting professionals in practice and over time. Related to the particular empirical context under study, it departs from the questions of how accounting professionals influence and shape accounting practices and why they react and act the way they do. Based on the theoretical discussion above, departing from an institutional logics perspective when approaching these research questions means emphasizing the following four main aspects.

*First*, it brings focus on what accounting professionals do. That is, it brings focus on actions where such actions should be understood in broad terms to include how actors think about and interpret their realities, how they react and act upon things, and how they establish their particular practices. Interestingly however, while some concepts have been developed so as to describe how actors respond to particular logics, the theory does not really provide more micro-oriented or processual concepts which may be used to describe different types of institutionally oriented actions. As suggested above, the lack of such action-oriented concepts is also apparent in the literature on institutional logics and accounting professionals, where focus has been mainly on identifying the different logics characterizing the accounting field. This is an important reason as to why this thesis aims to generate a number of empirically oriented concepts which may be used to describe how accounting professionals influence and shape accounting practices in small limited companies during their work with the K-project.

*Second*, and perhaps even more important, as a theory the institutional logics perspective provides a number of concepts for identifying and explaining what underlies the actions of accounting professionals, namely in the form of logics. That is, although it varies in the literature, actions are generally seen as being driven by a set of established assumptions, values, belief systems, and social rules which work as a form of 'logic'. While it has been suggested that a particular practice is usually guided by a single and

predominant logic, multiple logics may also co-exist in one and the same practice. This latter aspect has been particularly dominating in the literature on accounting professionals, where accounting firms are generally described as hybrid organizations facing two different logics, namely a professional logic and a commercial logic. It is interesting to note that while the extant literature has thus helped us to identify the different logics present in this field, it is still an open question as to what extent both logics are actually present or whether there has been a shift towards an increase in commercialisation. In fact, as suggested above, the literature presents different views on whether there has been a shift in logics in the accounting profession. While the vast part of this literature claims that accounting professionals have gone from being predominately influenced by the professional logic to become predominately influenced by the commercial logic (see e.g. Barrett & Gendron, 2006; Lander et al., 2013; Thornton et al., 2005), others are opposed to this and point to the fact that accountancy always has been a commercially oriented profession (Anderson-Gough et al., 2000). Based on this, an important part of the empirical study underlying this thesis will be to identify the logics underpinning the actions of accounting professionals and the extent to which they are co-existing and/or conflicting.

*Third*, while the identification of the particular logic(s) underlying the accounting field is important, the theory also stresses the different ways in which such logics may have an impact on the actions of individuals and organizations. Generally speaking, it is typically assumed that logics work as important constraints on action as they prescribe particular ways of acting. That is, they are assumed to affect actions through shaping how actors think and enforce particular behaviours. Importantly however, an institutional logics perspective stresses that the relationship between logics and actions is non-deterministic, as the logics may be drawn upon, and work as enabling guidelines, in largely different ways depending on the context. And also importantly, to capture how institutional logics may unfold differently in different contexts they need to be studied as they are enacted in practice. This latter aspect is particularly interesting in relation to the literature on institutional logics and accounting professionals, as a main focus in this literature has been on identifying the logics as such, not on how they are enacted in practice. Arguably, adopting a micro-oriented and processual perspective in this thesis will allow a more explicit focus on

how the different logics are actually drawn upon by the accounting professionals and how this may shift over time.

*Fourth*, an institutional logics perspective suggests that logics work as important sources of legitimacy and security, sources that over time may become greatly taken for granted. That is, when explaining why individuals and organizations follow particular logics, it is suggested that these provide them with a sense of order, potential status, and social endorsement. While this type of institutional explanations is also typically stressed in the literature on accounting professionals, the previously stated macro focus in this literature means that less focus has been directed towards why certain logics are reproduced in practice. That is, even though some researchers have recently shown an emerging interest in understanding processes of institutionalization at an individual level (see e.g. Bévort & Suddaby, 2016), we know less of how logics might underlie actions. Arguably however, in adopting a micro-oriented focus, this thesis will enable not only an exploration of how accounting professionals handle multiple and co-existing logics over time during ongoing processes (as has been called for by Cloutier & Langley, 2013; Goodrick & Reay, 2011), but also why this is the case.

Based on these theoretical guidelines for how to approach my research questions, I will now turn to a discussion of how I have translated these into an empirical study.

### **3 Methodological considerations**

*In this chapter, I will outline the methodological considerations made throughout the research process. I will discuss the choice of research questions and theoretical framework, as well as the research strategy and the process of this study. I will also account for the design of the study and the methods used when collecting and analysing empirical data.*

In order to fulfil the overall purpose of this thesis, a qualitative and processual method has been used. A main reason for using a qualitative method is that it enables a focus on how multiple and conflicting institutional logics are handled and responded to by professionals at a micro level. Arguably, such a focus requires that we move beyond a narrow and functionalist view of actors as being predictable and as acting purely rational, and instead view the work of accounting professionals as a context-bound and dynamic phenomenon (Vaivio, 2008). A qualitative approach enabled this, as it allowed me to study the accounting professionals in their context. A processual perspective was chosen since it enables a focus on how the presence of and response to different logics might shift and change over time among accounting professionals.

#### **3.1 The choice of research topic**

The choice of research topic is first and foremost based on my genuine interest in the role and function of accounting professionals working in accounting firms. As was discussed initially, these professionals have an important role in the economy and in society, and the developments which have occurred within the accounting profession over the last decades seem to have altered their role, as the widening of their services has led to contradictory priorities and pressures. Even though the choice of research topic in a broader sense was rather clear from the beginning, it has been refined along the course of the research process, as I have made different theoretical and methodological decisions. As pointed out by Silverman (2013), such refinement is never a purely technical activity since research is shaped by assumptions made regarding the nature of the phenomenon as well as how to investigate it.

#### **3.2 Theoretical framework**

A theoretical framework has been used to frame the problem, and the institutional logics perspective was found to be useful for this thesis, since

it brings focus on how action is dependent on and influenced by overarching principles, or ‘master rules’, on how to act. As has been discussed in the previous two chapters, this is a body of literature which has recently taken an interest in accounting professionals working in accounting firms, and in issues such as the commercialization of the accounting profession, the diversity within the accounting profession, and how accounting professionals’ involvement in major corporate scandals has affected their autonomy. The literature on institutional logics and accounting professionals was found to provide important insights, which were also highly relevant also for this thesis. Thus, the institutional logics perspective was chosen as a theoretical framework for this thesis based on its usefulness (see Silverman, 2013).

But even though parts of this literature have taken an interest in accounting professionals and accounting firms, the perspective is much broader than that. As I immersed myself in the literature on institutional logics as such, I found that the perspective in its whole was also relevant for this thesis. For example, the literature as such provides important insights regarding multiple and co-existing logics, how such logics might affect and guide actions, and how certain logics are being produced and reproduced. Moreover, the literature was found fitting as it recognizes that actors involved in a process of change are not constant, as their interests might shift and change over time (see e.g. Robson & Young, 2009). This was of importance due to the processual perspective of this thesis.

Keep in mind, though, that even if the frame of reference (Chapter 2) contains a relatively thorough review and categorization of the literature on institutional logics, it does not cover each and every detail of it. Rather, and in line with the ideas of Sutton and Staw (1995), my intention has been to provide a rich enough overview of the literature for the reader to grasp the arguments.

As I had outlined my overall research question and decided on the empirical setting, I immersed myself in the extant literature on institutional logics in search of potential answers to my research question. However, after I had conducted an extensive review of the literature I found that even though the literature certainly provided important and relevant insights related to my research question, there were areas worthy of further investigation. Again, the literature is mainly focused at a macro level and provides different views

on the co-existence of logics and on the activation of logics. As my overall research question was focused on how co-existing and conflicting logics might enable and constrain accounting professionals in practice and over time, the results of this thesis were thus adding to this literature. As I conducted the empirical study, more specific and empirically oriented research questions emerged as I was reflecting on the gaps in the extant literature in relation to my empirically generated insights.

As any analysis of data is dependent on the use of theory-dependent concepts, the institutional logics perspective has provided guidance for the analysis, conclusions and contributions of this thesis (see Silverman, 2006). However, as I have theorised further on how co-existing logics are enabling as well as constraining accounting professionals, the results of this thesis have arguably also added important insights to the extant literature on institutional logics and accounting professionals.

### **3.3 Research strategy and process of study**

The choice of conducting a qualitative field study was made since it enabled me to study the accounting professionals in their context, weighing in the specific social environment in which they operate (see Ahrens & Chapman, 2006). As stated by Ahrens and Dent (1998), field research has the potential to provide rich explanations for complex relationships between context and accounting. The context is in this case of particular importance, as it brings focus on the co-existence of potentially contradictory logics and how this might cause tension in the practices of accounting professionals. Also, a field study was chosen, since it enabled me to learn from the respondents due to an open interaction that involves little control (Ahrens & Chapman, 2006).

Moreover, a processual perspective was necessary since the K-project is a lengthy process which has been going on for many years. My field study was designed in a way which enabled me to follow the accounting professionals' reactions and actions from when K2 was introduced in 2008, to when the standards were implemented in 2014, to a point where the new accounting practices were fully materialized. By designing the study in such a way, I was able to follow the ongoing process. This was very important considering that "decision processes are rarely rational and linear" as "they are complex bundles of interconnected, loosely coupled events that bounce back and forth" (Vaivio, 2008, p. 66).

In order for me to study the accounting professionals' reactions and actions during the K-project, *two* aspects were of particular importance when it came to deciding on the choice of respondents. *First*, the accounting professionals included in the study had to be employed at the local offices of an accounting firm situated in a relatively large city, but not in one of the largest cities. The reason for this is that offices situated in the largest cities have a higher proportion of large listed companies as clients, while offices located in relatively large cities have a clientele consisting of mainly small companies. As the empirical case underlying this thesis involves the choice of accounting standard for small limited companies, the studied accounting firm offices needed to be situated in a relatively large city. Hence, Örebro was chosen, not only for practical and logistical reasons, but also because many of the companies situated in the region are classified as small.

A *second* aspect which was also of great importance when deciding on the choice of respondents was the accounting professionals' clientele. Again, the empirical case underlying this thesis involves the choice of accounting standard for small limited companies. In order for me to address this, I needed to study professionals who have a large clientele consisting of small companies of various types and sizes. This because they were then more likely to consider both standards K2 and K3, depending on the needs of each client. For this reason, professionals working in smaller and more local accounting firms were opted out, as their clientele generally consists of very small companies with few stakeholders. As a result, the field study was conducted amongst accounting professionals working in two of the larger accounting firms' offices situated in Örebro. In order to get a broad picture of how and why accounting professionals are influencing and shaping accounting practices, I carefully selected a mix of respondents by choosing professionals working at different levels within the organizations, having slightly different roles and experience but all being part of the same process.

As the focus of this thesis is on accounting professionals as individuals, the accounting firms in which they have their employment is of less importance. Again, accounting professionals are autonomous, and their work responsibilities are to a significant extent self-contained. However, in order for the reader to get a fuller understanding of the context in which these professionals are situated, the two firms in which the respondents are employed will be presented below.

Some of the respondents included in this study have their employment in an accounting firm which is a member of the 'Big Four', and other respondents have their employment in one of the so-called 'runner-up' accounting firms. The reason for choosing to include accounting professionals working in these two particular firms was that the professionals working in the 'Big Four' firm have a clientele ranging all the way from listed companies down to the smallest firms, where the majority of the local clients are owner-managed businesses, whereas the 'runner-up' firm is explicitly specialized in owner-managed businesses both centrally and locally. The 'Big Four' firm has a total of 60 offices and 1,600 employees in Sweden, while the 'runner-up' has a total of 24 offices and 1,000 employees in Sweden. Both firms had about 40 professionals each working at their local office in Örebro as I started this study, but the 'runner-up' expanded to about 60 employees during the course of the study.

In order for me to use a processual perspective and follow the ongoing process over time, it was crucial for me to gain long-term access to the professionals working in the above accounting firms. Field studies in accounting are rarely longitudinal, as it is difficult to gain long-term access to this type of organisations (Smith, 2017). Also, it has been stated that it is generally difficult for researchers to gain access to larger accounting firms (Cooper & Robson, 2006). However, getting the access I needed in order to study the professionals over time was not problematic in this case. I was previously employed at one of the firms some years ago, and our business school has a longstanding collaboration with these two firms. Both offices were happy to participate in the study, and they allowed me to follow their work during the process under the premise that I did not spread any information between the two firms.

### **3.4 Collecting the data**

All in all, three different sources of data have been used when conducting the empirical study underlying this thesis. Since the main focus of the study is on accounting professionals at an individual level, interviews are the main source of data. Importantly though, as the institutional logics perspective is based on the assumption that institutions are operating at multiple levels, I have also collected data at the field level and at the organizational level in order to identify and explore institutional logics amongst accounting professionals working in accounting firms.

In order to capture what was going on at the field level, I used the Swedish journal for audit and accounting professionals called 'Balans'. This is a journal in which accounting and auditing, business law, and other topics in the areas of auditing, accounting, and advisory are being discussed. As I went through the journals issued between 2004 and 2015 (ten issues a year), I found that the K-project had been discussed recurrently throughout these years. In a first step, I went through all the issues in search of any articles on the topic. Thereafter, I chose to immerse myself in the articles which were focused on discussing the process and the standards as such, rather than the technical details. These articles were used as background material in order to generate a deeper understanding of the context and of the studied phenomena (see e.g. Silverman, 2013).

As I was starting up this research project, I attended four of the larger accounting firms' (three of them being members of the 'Big Four' firms and one being a 'runner-up') external information seminars on K2 and K3 held in Örebro during September and November of 2012. At that point in time, K3 was completed and the choice of standard was very current. Attending the initial external seminars gave me further insights into the accounting professionals work with the new standards, and it helped in formulating some initial aspects of interest. After I had attended these seminars, I contacted two of the accounting firms and was given permission to make my field study. Later on, during the fall of 2015, I also attended an external seminar at the 'runner-up' firm regarding their experiences from the first year with K2 and K3. These external seminars offered a good opportunity for me to see how these actors were interacting, informing, and advising their clientele.

Apart from the articles and seminars discussed above, the collection of data was mainly done through interviews as the main focus of the study is on accounting professionals at an individual level. According to Silverman (2006), a weakness of interviews is that they are not a direct access to the human experience, but a rendered version of it. This was taken in to consideration as I decided to conduct interviews. However, and as has been suggested by Kvale and Brinkmann (2014), conducting interviews is an active process where knowledge is created through the relationship between the interviewer and the respondent. Hence, conducting interviews was a way for me to get insights into the internal and non-official world of the

accounting professionals, a prerequisite for me to find answers to my overall research question, as well as to my empirically oriented research questions.

In order for me to study the K-project from a processual perspective, the interviews were conducted at different time points. The first set of interviews was conducted between the fall of 2012 and the fall of 2013 (see Appendices A-C). I conducted a total of nineteen interviews during this period. Eight of these interviews were held with professionals working at the 'Big Four' firm, and eleven with professionals working at the 'runner-up' firm. Since the focus of this thesis is on accounting professionals as individuals and not on the accounting firms as such, the uneven distribution of interviews was arguably of no relevance. For this first round of interviews, I carefully selected a blend of respondents. I chose to interview certified auditors and accounting consultants at different levels, having different functions and experience in order to get a broad picture of the process. The second set of interviews was conducted from December 2015 to April 2016 (see Appendix D). At that point, I conducted a total of seven interviews, three with professionals working at the 'Big Four' firm and four at the 'runner-up'. I chose to interview two of the most experienced accounting consultants, three of the most experienced certified auditors and two of the younger certified auditors all of whom had been interviewed before. I deliberately chose a higher number of senior professionals for this second round of interviews, since I had found from the first set of interviews that the most experienced professionals were in a better position to reflect on the current process in a wider perspective. While conducting the interviews stepwise was a necessity in order for me to study the process, it also gave me the opportunity to alternately work with theory and empirical data. As stated by Ahrens and Chapman (2006), acknowledging processual features brings flexibility to qualitative field studies as it enables the developing and testing of new insights in order to revise theories.

Apart from the interviews and external seminars, I also attended internal seminars for employees, one at the 'Big Four' firm which was held in the fall of 2012, and one at the 'runner-up' firm which was held in the beginning of 2013. One of these seminars just briefly touched on the subject K2 and K3, whilst the other was a thorough half-day review of both standards. During these seminars I chose not to audio record since this could possibly deter employees from asking questions. Since most of the professionals

working in these firms had met me before on different occasions, they did not question my presence.

The questions for the interviews were developed and refined throughout the process of collecting the data. The first set of questions (see Appendix A) was focused on gaining an overall understanding of the process as such and the way in which the individual accounting professionals handled their work with the K-project by focusing on what was going on at the field level, at the organizational level, within the offices, amongst the individual professionals, and amongst their clients.

After I had conducted the first few interviews and gained some empirical insights, I further refined the questions before administering the next few interviews (see Appendix B). This set of questions had an increased focus on the professionals' role and function, and I reformulated some of the questions in such a way that I was able to ask the respondent a question based on what I already knew. For example, I was able to initiate a question with a phrase such as "I know from previous interviews that..." In that way, the respondents did not have to inform me about things which I already knew, and it gave more depth to the interviews.

I also developed a specific set of questions for interviewing professionals with management responsibilities (see Appendix C). Like the first set of questions (see Appendix A), this set of questions was focused on what was taking place at the different levels, but this time from a somewhat broader and less individualistic perspective. For example, I asked questions about how competitive firms had pursued the issue of K2/K3 and if the firm had any particular strategies for how to handle the work with the K-project.

For the second set of interviews, I refined the questions even further (see Appendix D) and increased the focus on the institutional logics at play. For this set of interviews, I for example asked questions about quality aspects (which are related to the professional logic) and questions about efficiency (which are more related to the commercial logic) in order to explore how logics might cause tension in the work of the accounting professional.

The interviews were conducted at the accounting firms' offices with one respondent at a time and lasted approximately one hour. For the first set of interviews, the respondents were contacted mostly by phone since it gave

me the opportunity to explain the purpose of my study. Many of the respondents were at first reluctant to participate because they did not consider themselves to have sufficient knowledge in all the details of the new standards, but as I explained that my purpose was to study their reactions and actions during the process, they were all happy to participate. The respondents who I was unable to reach by phone, I contacted by email. This usually resulted in some correspondence back and forth before the respondents accepted. For the second set of interviews, all respondents were contacted by email. At this point, they were familiar with my research question and showed no hesitation in participating. All of the professionals who were contacted participated in the study.

Both sets of interviews were very free-flowing and open-ended, allowing the respondents to speak freely on the subject. The questions were not shown to the respondents prior to or during the interviews. Before conducting the first set of interviews, some of the respondents asked for the interview questions in advance in order to prepare themselves. However, as I explained the purpose of the study, they realized that they did not have to prepare before the interview.

During the interviews, I was listening actively which gave me the opportunity to ask valuable follow-up questions such as “can you give an example” or “why do you think that is”. Kvale and Brinkmann (2014) argue that in order to ask valuable follow up questions, the interviewer needs to have good knowledge of the research subject, be responsive to the social relationships in the interview situation, and have insight into what to ask about. It was an advantage for me that I am both well versed in the research subject and am also familiar with the context in which accounting professionals are working. Due to this, I was able to listen more actively as I did not have to focus all my attention on the interview guide or on which question to ask next, which otherwise, according to Kvale and Brinkmann (2014) is a risk. I took some notes during the interviews, but I was very careful not to make too many notes as it was important for me to stay focused and actively listen. All of the interviews and external seminars were audio-recorded with the consent of the professionals, and the interviews were transcribed in order for me to be able to recheck my interpretations of what was being said.

### 3.5 Analysing the data

Overall, I have followed two main ideas when analysing the empirical data. One idea has been to perform the analysis throughout the whole research process rather than waiting until all of the data had been gathered. As suggested in the introductory chapter, another idea has been to allow an interplay between theory and empirics. Taken together, these ideas have not only allowed me to continuously define and redefine different themes of interest in the collected data but they have also given me the opportunity to reconsider these themes as new empirical insights gradually emerged. And importantly, they have allowed me to draw upon the literature while at the same time remaining open for new insights. The premise is that although the literature on institutional logics was found to provide a number of important insights regarding the type of logics characterizing accounting firms and accounting professionals, the literature also presents different and contradictory views. Thus, in order for me to further theorise on the subject, I had to focus on what was taking place on a level in between the rather abstract theoretical aspects presented in this extant literature and what was being said in the empirical data. Below, I will discuss how these analytical ideas have been concretised into practical strategies for data analysis (Bazeley, 2013).

The software NVivo was used throughout the analysis to code, organize, and provide overviews of the empirical data. In addition, mind maps were continuously created and recreated with the use of pen and paper, Excel, and Scapple, in order to overview and revise the interpretations made. As recommended by Silverman (2011), I started out analysing only parts of the data (the first ten interviews) to grasp the studied phenomena. I made a first coding of these ten interviews using rather broad categories drawn from the literature to see what was important in the data. Thereafter, I went through each code in search for connections within as well as across the data and performed further coding in different nodes based on these empirical insights. This enabled me to explore in-depth in order to detect relevant aspects, and find how these aspects were related to each other (Silverman, 2011).

After I had conducted all the interviews in the first set of data collection (a total of nineteen interviews), I made a more detailed and systematic analysis of the data related to the first research question (i.e. how accounting professionals influence and shape accounting practices in small limited

companies during their work with the K-project). As suggested by the first point in Section 2.6, this work was very much oriented towards identifying or generating 'new' concepts, as the literature did not provide more micro-oriented or processual concepts for describing different types of institutionally oriented actions.

In working with the material in NVivo, it became apparent that the way in which the accounting professionals reacted and acted during the early stages of this process largely differed from the way they acted later on. The accounting professionals were clearly going through different phases during this process, which gave additional support to the importance of using a processual viewpoint. Based on these phases, I recoded the data in Nvivo. The software provided flexibility as it enabled me to do a recoding of the data without having to start all over (see Bazeley, 2013). This recoding was performed by using different nodes based on the different issues the respondents were discussing. While the first coding of the data was rather open, this second set of coding was more focused (see Bazeley, 2013).

As I made this recoding, it seemed as if the professionals were going through three different phases during this process. In fact, in an early phase, they were very focused on just trying to interpret and understand what the K-project would entail (referred to below as 'Interpreting'), while later on they were more focused on deciding how to make the choice of standard (referred to below as 'Judging'). Even further on in the process, their focus seemed to shift again, as they were now more oriented towards how to approach their clients with the chosen standard (referred to below as 'Marketing'). Based on this, I developed a first draft of a model regarding how the professionals reacted and acted during this process which was used to categorize the empirical data.

At this stage, each interview was analysed separately in order to find the actual meaning of what was being said. I categorized the material first by column (phase), and then by row based on whether the accounting professionals were discussing the standard as such ('what') or how they handled the work regarding the new standards ('how'). Thereafter, further analyses were performed in several stages for each such category which allowed me to develop a number of concepts describing the work of the accounting professionals during the process (for an overview of the emerging concepts, see Figure 2). The purpose of generating this micro-

oriented and processual modelling of the process was to develop a number of empirically generated concepts which may be used in order to describe how accounting professionals influence and shape accounting practices in small limited companies.

As I developed the empirically oriented concepts, the emerging model was further evolved into a matrix. Using a matrix might wrongfully give the impression that the different phases of the process were distinctly separated from each other, which they were not. Again, the phases were continuously ongoing and also overlapping. Yet, modelling the process by using a matrix enabled me to make further in-depth analysis of the data, as it helped me to see patterns in this process. The model went through multiple iterations, and it was gradually refined during the research process as I learned from the data and from exploring the developed concepts (see Bazeley, 2013). Not only did this allow me to continuously define different themes of interest in the collected data but it also gave me the opportunity to reconsider these themes as new empirical insights gradually emerged.

At this point, I worked through the already categorized data systematically, and I also went back to each individual interview in order to make sure that any uncategorized activities were not being overlooked, which is a risk when using a set of categories (Silverman, 2006). The modelling of the process enabled the development of the concepts, and these concepts were progressively clarified throughout the research process. These clarifications then helped me visualize, theorise, and validate my findings (Bazeley, 2013) regarding not only how the professionals acted during this process, but also why they acted like they did. At this point, I also conducted the second and last set of interviews, and I coded this data as well as the data collected at the external information seminars.

As I moved on to the second empirically oriented research question regarding why the accounting professionals reacted and acted the way they did during this process, the analysis was oriented towards points 2-4 in Section 2.6. This means that I focused on identifying the logics underlying their reactions and actions, the impact that such logics seemed to have on the accounting professionals, and why that seemed to be the case.

The theoretical framework was used as a guide for this part of the analysis. As my previously presented review and mapping of the literature has shown,

accounting professionals are according to the institutional logics perspective guided by the professional and/or the commercial logic. Again, the professional logic is seen within this literature as bringing focus on the public interest, limited client influence, the code of ethics, and technical expertise. The commercial logic, on the other hand, is instead seen as bringing focus to client relations, the expansion of services, and the increase of revenues. Based on such a pre-established understanding of these logics, I searched for expressions in the empirical material that could be related to such underlying logics. For example, when a respondent said that there is “a throwback on the true and fair view and on transparency”, I have interpreted that as an expression of the professional logic, and when a respondent said that “we can become very efficient because then we’ll all do it in the same way”, I have interpreted that as an expression of the commercial logic.

Drawing upon the theoretical framework, I systematically analysed the empirical data in order to identify how logics were affecting and guiding the actions of the accounting professionals. In focusing on the presence of logic(s) and how they were enacted in practice, I searched the empirical material for different types of key words and expressions. At this point, I was open to the different ideas presented in the literature regarding how logics might influence actors, as some claim that logics prescribe certain actions in a rather deterministic manner while others claim that they are instead influencing and shaping behaviour. Yet, as I found that logics seemed to shape rather than determine the professionals’ way of acting, I performed further analysis in order to explore how logics were produced and reproduced by the professionals during this process. For example, when a respondent expressed that “we want to wait and see what it brings”, I interpreted that as a cautious way of acting which seemed institutionally oriented towards the professional logic rather than determined by it.

As I analysed the material in search of explanations as to why the professionals reacted and acted the way they did, I searched for connections as well as contrasts between the theoretical framework and my findings. That is, I did not only search for consistency or fit between my findings and the extant literature. Theoretical sensitivity is essential for conducting good field research, but I was careful not to ‘over-filter’ the data through the theoretical concepts and thereby lose important information (Ahrens & Dent, 1998).

The analysis was first performed on each of the three phases separately, and thereafter on the process as a whole. Importantly to note however, is that this was an interpretative rather than an aggregative analysis as it involved theorising and constructing new meanings from the data rather than summarising and making conclusions based on overall patterns (Bazeley, 2013). And, just as in the earlier part of the process of analysing the material, I continuously created and recreated different types of mind maps in order to overview the results of the analysis and to make clarifications progressively. This was an important part of the analytical work since the process of elaborating theory involves making constant comparisons and applying a variety of possibilities (Bazeley, 2013).

In the following chapters, I will present the findings from my analyses. I will discuss how the K-project and the standards K2 and K3 were handled at both the field and organizational levels (Chapter 5), and how the professionals reacted and acted at an individual level (Chapter 6). Before doing so however, Chapter 4 will be devoted to a more detailed description of the empirical setting of this thesis, namely the K-project as such.

## 4 The empirical setting – K2/K3

*The empirical setting underlying this thesis is the K-project, a process of converting the existing financial accounting practices in Sweden through new financial accounting standards. As suggested above, this particular setting was chosen as it enables a focus on the co-existence of the professional and the commercial logic, and how these logics enable and constrain accounting professionals at a micro level and over time. Also, the K-project is and has been an important issue within the accounting field in Sweden for many years. In this chapter I will provide an overview of the K-project as such.*

In 2004, the Swedish Accounting Standards Board (BFN) started its development of new and complete sets of financial accounting standards for different categories of companies - the so-called K-project. The main purpose of the K-project was to simplify the use of financial accounting standards, particularly for small companies in an attempt to reduce their relatively large administrative burden, and to enhance the comparability in annual accounts.

The standards K1-K3 were developed and released successively (K1 in 2006, K2 in 2008, and K3 in 2012), which means that this process was ongoing for many years. As the new standards were about to be implemented in 2014, all of the small limited companies in Sweden had to make an active choice between two very different standards. They could either choose to apply the simplified and rules-based standard K2, or they could choose to apply the more extensive and principles-based standard K3. This choice was having a major impact on their accounting practices since approximately 97% of all limited companies in Sweden are classified as small and therefore had to make this choice.

### 4.1 The K-project

The K-project may be seen against the background of the previous financial accounting standards in Sweden. Historically, these standards have been divided into two different categories: one for unlisted companies developed by the Swedish Accounting Standards Board (BFN), and one for listed companies developed by the Swedish Financial Accounting Standards Council (RR) which was replaced by the Swedish Financial Reporting Board (RFR) in 2007. Both categories of standards were principles-based, and they

were divided into different areas such as revenues, inventories, and tangible fixed assets. While these standards were applied and further developed for many years, the application of them was somewhat problematic for at least two different reasons.

*First*, the fact that the standards were divided into different areas led to certain gaps emerging between these areas. Due to this, preparers of annual accounts at times had to turn to other standards for guidance. Not only did this lead to difficulties for the preparers to know what to apply but it also made it difficult for stakeholders to know what had been applied. This, in turn, also effected the comparability in annual accounts, an issue which was extensively discussed within the accounting field for many years.

*Second*, the fact that the standards were divided into different areas also led to an abundance of options for the preparers. This was especially the case for small limited companies since they were able to choose not only amongst the standards but also between the different categories of standards developed by BFN or RR (even though small companies to a greater extent applied the standards developed by BFN due to fewer requirements). This meant that small companies were able to apply one standard from one standard setter in one area, and another standard from another standard setter in another. While this may have been positive in some ways, it certainly made it difficult for preparers to get the full picture of all available options. Also, these options might have been used to manipulate profits or losses within companies.

Consequently, a main purpose of the K-project when BFN started it in 2004 was to develop brand-new and fully complete sets of standards, to simplify the use of financial accounting standards and increase comparability between annual accounts. Thus, the new K-standards were to replace the previous financial accounting standards.

#### **4.1.1 Categories and standards**

Unlike the previous standards, the new K-standards were not divided into different areas. Instead, BFN developed different standards for different categories of companies, where each category was provided with a standard which was fully complete and covering all areas. The purpose of doing so was to provide full sets of standards so that companies were able to apply one standard to the whole and not look for guidance in other standards.

Thus, the K-standards were to remedy the problem with comparability in annual accounts, as well as the problem of not knowing what to apply or what had been applied. The categories were broken down by type and size of enterprise, ranging from K1-K4.

### **K1**

The first standard within the K-project to be developed was K1 (BFNAR 2006:1), a standard for sole proprietorships which was released in 2006. This is a simplified and rules-based standard which has been developed in accordance with the applicable tax rules for sole proprietorships. The standard is detailed and precise in its definitions in order to simplify year-end procedures.

### **K2**

After the completion of K1, BFN started developing K2 (BFNAR 2008:1, later updated and renamed as BFNAR 2016:10), which is a standard for small limited companies that was first released in 2008. Just like K1, this is a simplified and rules-based standard that has been developed from and in compliance with applicable tax rules. The purpose of K2 is to provide a simplified alternative for small limited companies. The standard provides a highly standardized layout for annual accounts and requires minimal supplementary information. Its rules are detailed and rather fixed, which means that there is little room for making assessments. The idea of the standard is to balance stakeholders' need for information with companies' ability to produce such information, and it has been suggested that for most small companies, the transition to K2 will have little effect when it comes to valuation and reporting compared to previous standards developed by BFN (Månsson & Ohlsson, 2008).

### **K3**

After the completion of K2, BFN started developing the standard for category K3 (BFNAR 2012:1), which is a standard for unlisted limited companies. The standard was released first in 2012 after some delays due to extra remittances. In the first released version, two chapters were missing and the standard was not fully completed until later the same year. The standard K3 is principles-based, which means that different assessments have to be made when applying this standard, and annual accounts prepared in accordance with this standard include extended supplementary information. The standard is in some ways influenced by, but differs from,

the international standard for small and medium-sized entities, IFRS for SME. While K3 was primarily developed for large unlisted companies, it is presented by BFN as the main standard for all limited companies. BFN stress that the largest of the small limited companies should consider using K3 instead of K2 since reporting in accordance with K3 will provide stakeholders with extended information.

#### **K4**

The category K4 includes large and mainly listed companies establishing annual accounts and consolidated annual accounts in accordance with the International Financial Reporting Standard (IFRS). This standard is developed by the International Accounting Standards Board (IASB), with supplements from the Swedish Financial Reporting Board (RFR)<sup>4</sup>. Thus, BFN is not involved in the development of this standard.

#### **4.1.2 Standards for small limited companies - K2 or K3**

As has been discussed above, the introduction of the new K-standards meant that small limited companies were presented with the possibility to choose between two rather different financial accounting standards. They could either choose the rules-based and simplified standard K2 which contains standardized solutions and detailed descriptions on how rules should be applied, or they could choose the principles-based standard K3 which is more extensive but also open to interpretations and thus allows for assessments to be made. While all of the categories and standards have already been briefly presented above, I will now provide a more detailed description in order to contrast and compare the two standards.

Below follows an overview of the main differences between the rules-based and simplified standard K2 and the principles-based standard K3. The overview is based on information material presented at the accounting firms' external information seminars and on the standards as such. Please note that this is only a sample of the existing differences and not a complete description of *all* the differences.

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<sup>4</sup> RFR cooperate with International Accounting Standards Board (IASB), adapting their recommendations to conform to Swedish law and tax regulations.

K2	K3
Standardized template for the annual account which clearly specifies what is to be reported in different entries. Very limited scope for adjustments.	Less guidance on what is to be included in the different entries. Provides users with a possibility to make judgments and adaptations.
Income statement must be classified by nature of expense. Income statement by nature of function is not allowed.	Possible to choose between income statement classified by nature of expense and income statement classified by nature of function.
Activation of self-developed intangible assets is not allowed.	Activation of self-developed intangible assets is allowed.
Historical cost must be used for financial assets. Regarding buildings and land, revaluation to assessed value is allowed.	Fair value is allowed for financial assets. Revaluation of fixed assets to market value is allowed in justifiable cases.
The useful life of tangible and intangible assets (including goodwill) may be set to a standard of 5 years. Component depreciation is not allowed.	The useful life of each tangible and intangible asset must be assessed individually. Goodwill shall be written off over a maximum of 10 years. Component depreciation must be used when applicable.
Indirect costs must not be included in the cost of manufactured goods.	Indirect costs may be included in the cost of manufactured goods.
Entries below 5 KSEK and annual expenditures varying less than 20 percent between years do not have to be allocated.	Essential entries must be allocated. Assessment of materiality must be made on each individual entry.
Accounting for provisions and impairment of financial assets may be omitted if the amount is less than 25 KSEK or less than 10 per cent of equity at the beginning of the year. Only allows provisions for legal obligations.	Provisions and impairments must always be accounted for. Allows provisions for legal as well as informal obligations.
Deferred taxes must not be accounted for.	Deferred taxes must be recognized for all temporary differences between accounting and taxation.
Few supplementary disclosures. Regarding accounting principles, users only need to specify that the annual account is prepared in accordance with K2. Cash flow statement must not be reported.	High demands regarding supplementary disclosure. Detailed information must be provided regarding accounting principles. Cash flow analysis must be included in annual accounts for large companies.

*Figure 1 The main differences between K2 and K3*

## 4.2 The K-project during the years 2008-2015

When the K2-standard was released in 2008, BFN presented it in ‘Balans’ (the Swedish journal for audit and accounting professionals) as “finally here”, as it was highly anticipated due to its simplifications (Drefeldt, 2008). In 2009, the Swedish Agency for Economic and Regional Growth reported that small companies ought to be interested in and prefer to use K2 due to its simplifications (Tillväxtverket, 2009). Despite this, the standard was no instant success amongst its potential users, and different studies have shown that the initial disinterest in K2 was significant. For example, KPMG made an inquiry (“Noteringar: Företagen nobbar K2,” 2009) to see how many small companies had made the transition to K2 during its first year. They looked at a total of 97 limited companies situated in Stockholm with 20-40 employees, less than 50 MSEK in net sales and less than 25 MSEK in balance sheet total. The results showed that none of the 97 companies included had chosen to apply K2 during its first year. Another study (Czura & Ström, 2010) included a total of 1,200 small limited companies and found that only 2% of the companies included had made the transition to the new K2 standard in its first year. Moreover, a closer examination of the annual accounts in these cases revealed several examples of the standard not being fully implemented. These studies imply that even though the standard was expected to be in demand due to its simplifications, an extremely low percentage of the small companies were interested in using it initially.

The initial disinterest in K2 and the K-project would change however, as the process eventually reached a stage where the standards had to be implemented and companies were forced into the K-project. In fact, after the standard K3 was completed in 2012, a due date was set for previous standards to be replaced in 2014. Small limited companies then had to make an active choice between the two very different standards. While K3 was under completion, the accounting policy group of the Swedish Professional Institute for Authorized and Approved Public Accountants and Other Highly Qualified Professionals in the Accountancy Sector (FAR) expressed their concerns regarding the possible effects that the choice between K2 and K3 would bring about (Abrahamsson, Arnell, & Overud, 2011). They claimed that the standards were too differentiated since requirements were set too high in K3 and too low in K2, and they feared that small companies would opt out of K3 due to its high demands. Thereby, K2 would become the main standard in practice. The policy group feared that such an outcome would influence the development of accounting practices negatively and

stated that K3 was “extremely important for the development of generally accepted accounting principles in Sweden and represented a reasonable accommodation to international development” (Abrahamsson et al., 2011).

As the previous standards were being repealed in 2014, the situation became increasingly complex for small limited companies as the choice was no longer between the old standards and a new standard, but instead between two new and very different standards. As a consequence, there were many questions that needed to be answered. In particular, the simplified standard K2 gave rise to numerous questions for BFN to answer (Drefeldt, 2015). The whole idea of the simplified rules-based standard K2 was to make a standard so clear that users would “know exactly what is applicable, not having to evaluate different options” (Precht, 2007). However, accounting is a complex matter, and FAR criticized the standard K2 for restricting several choices which were allowed according to the Annual Accounts Act.

Also, accounting professionals in accounting firms signalled that the restrictions in the simplified standard K2 could cause consequences which were perceived as rigid and illogical (Pramhäll, 2015). While BFN claimed that these restrictions were necessary in order to achieve a simplified standard, FAR instead argued that these restrictions caused major problems for many companies (FAR, 2015). During this process, the EU enacted new accounting directives which resulted in changes having to be made in the Annual Accounts Act as well as in the K-standards. For example, the categorization of companies changed from two categories to four categories (small, medium, large, and entities of public interest), and standard setters were not allowed to require more information from small companies than what was specified in the directive (Lundqvist, 2014). This meant that BFN had to revise K3 and lower disclosure requirements for small companies. Undoubtedly, these extensive changes during the ongoing process created a great deal of uncertainty.

As will be described in more detail below, this long and ongoing process of change caused a lot of uncertainty, not least for the small limited companies who had to make several choices along the course of the K-project. And since accounting professionals are the small companies’ most frequently used consultants and their most trusted advisors, they were highly involved in dealing with this uncertainty. The empirical story which follows will focus on how they dealt with this uncertainty through long periods of just

trying to understand the standards as such and trying to decide on how to choose between them and what to recommend their clients. Before going into details on how the accounting professionals as individuals dealt with this, though, I will first provide an overview of how these matters were handled at a field level and organizational level. Such an overview will not only provide a form of context for the work being conducted at the individual level but it will also allow for a better understanding of the (lack of) ‘institutional guidance’ that the accounting professionals faced in their work with the K-project.

## 5 Findings—K2/K3 at the field and organizational level

*This chapter is the first of two chapters devoted to the findings of the thesis. In this chapter I will provide the empirical material to validate my results. I will also present and discuss the empirical findings regarding how the K-project was handled within the accounting firms at the field and organizational level.*

### 5.1 The field level

The extant literature on institutional logics suggests that logics are filtered, framed, and enforced at the field level (Greenwood et al., 2011), and dominant and authoritative actors within a field might enforce logics on organizations (Holm, 1995). Within the field of accounting, large international accounting firms are said to have a strong influence in this sense (see e.g. Malsch & Gendron, 2013). In Sweden, all of the large accounting firms are active at the field level, as they have representatives in different sections and committees linked to FAR. There are sections for accounting, auditing, and tax, but also policy groups for accounting, auditing, and ethics, and specialist groups for tax, financial companies, the public sector, and sustainability. Just like the other large accounting firms, both firms included in this study (the ‘Big Four’ firm and the ‘runner-up’ firm) have representatives in all of the committees listed above.

Based on the previous discussed insights, one might expect that the large accounting firms would filter and frame issues related to the K-project at a field level during this process. Also, due to these firms’ strong influence on the field, one might expect that they would enforce logics by providing organizations with strategies for how to act on the new K-standards. However, they did not. In fact, a review of the articles published in the journal ‘Balans’ between the years 2008 and 2015 reveals that the large accounting firms, contrary to expectations, did not actively debate or in other ways initiate the upcoming choice of standard in any significant way. Apart from a few short statements, these firms did not publicly discuss how to handle the work with the new K-standards. In one such statement, a ‘Big Four’ partner presented a possible explanation for the low interest of these firms:

The accounting firms may have some doubts about this, and therefore they have not pursued the issue.

(“Noteringar: Företagen nobbar K2,” 2009)

As a result of the large accounting firms' relative silence regarding the choice between K2 and K3, there was no filtering or enforcing of institutional logics at the field level. Hence, the field level did not provide organizations with answers or strategies regarding the proper way of acting on the new standards. Yet, there seemed to be professional solidarity and a mutual construction of norms amongst these firms (as suggested by Anderson-Gough et al., 2002) as they all acted rather uniformly. One of the office managers explained:

When we get central directives, you know that's how it's done within the field. It's not like we're bitter rivals, we talk to each other. I mean... we have people in FAR's various committees and boards, and so do the other firms.

But why were these firms not initiating the choice of standard at a field level during this process? If they were predominately influenced by the commercial logic as has been suggested within the literature, then they would have been likely to provide the field with a commercially oriented strategy based on this logic. The fact that no such strategy was provided by these firms suggests that their reactions and actions during this process are not to be explained by commercial and economic interests alone. Importantly however, they did not provide a professionally oriented strategy based on the professional logic either. Hence, judging by the silence of these firms, neither the commercial logic nor the professional logic provided any clear guidelines for how to act during this process.

Previous research has shown that in the case of change, accounting firms adjust in alignment with the prevailing values and practices of the profession (see Greenwood et al., 2002). According to the findings of this thesis however, there were *three* important aspects of this process which made the large accounting firms unsure of how to handle their work with the new standards.

*First*, the K-project brought fundamental changes in the structure and application of financial accounting standards in Sweden. This is because the K-standards were developed from a completely different approach

compared to previous standards. The previous financial accounting standards had been developed into two main sets, one by BFN for unlisted companies and one by RR for listed companies. Both of these sets were divided into different subject areas, and it was possible to use different accounting principles from different sets depending on what was found applicable to the situation. In contrast, the K-standards were developed as complete sets of standards based on company size and type of enterprise. The fact that the chosen K-standard must also be applied in its entirety meant limited flexibility compared to previous accounting practices, especially for the small limited companies.

Moreover, the K-project also meant a paradigm shift in small limited companies' accounting practices, since the previous standards were all principles-based while the new standards were principles-based and rules-based. Two accounting professionals (titled as specialists, and one of them being a board member of BFN) from two of the larger accounting firms stated the following in 'Balans' prior to the release of K3:

K3 will be a principle-based standard, which is the type of regulatory framework we are used to since the standards we have applied so far have all been principle-based. K1 and K2, however, are rules-based standards. Therefore, we need to get used to rules-based standards, especially in small businesses.

(Drefeldt & Törning, 2012)

Thus, while the previous standards provided high flexibility by enabling the accounting professionals to make different types of decisions (since the standards were principles-based, and since it was possible to choose between different accounting principles depending on the situation) the rules-based K2 standard strictly limits any options. In one of the few short statements in 'Balans', an accounting professional (titled as specialist) from one of the large accounting firms commented on the flexibility of the new standards:

I'm generally a proponent of K3. It is more flexible, it provides more possibilities to make assessments, and it generally leads to a higher quality of accounting.

("Noteringar: Nu är K3 här – vilken väg väljer du?", 2012)

*Second*, the fact that the process was rather indeterminate also caused great uncertainty within the field. That is, even though BFN initially presented a plan on the general orientation and categorization of the K-standards, there were still questions regarding the specific content and implications of the new standards, as well as at what point in time they were to be released and implemented. For instance, both standards K2 and K3 were released later than expected due to extra remittances, after which the content of the standards was adjusted. The sheer length of the process meant that the accounting field lost focus on the project along the way. One of the respondents explained:

Since it wasn't confirmed that it was fully completed, we didn't want to read up on it and later find -Oh well they made modifications and... What did they change and where?

Thus, even though BFN started working on the K-project in 2004, K2 was not released until 2008 and K3 not until 2012, which meant that this process was ongoing for many years. Also, the release dates of the two standards were highly uncertain up until the very last moment. For example, in the early summer of 2012 it was still uncertain if K3 was going to be released during that year or not. However, the standard was released later that summer, even though there were two chapters missing. Thus, not only were the K-standards launched successively instead of all at once but they were also released several years apart, which meant that it took years for the field to get the complete picture of what the K-project would entail in practice. In other words, it was impossible for the large accounting firms to provide the field with strategies on how to act, as they were unsure of when to act or what they were acting upon.

*Third*, another aspect which also contributed to the uncertainty within the field was the fact that there were several coinciding processes going on at the same time. The audit requirement in Sweden was abolished during this period, and there were also ongoing inquiries concerning the connection between accounting and taxation (called SamROB) and on the simplification of the Annual Accounts Act. The outcome of these inquiries was known early on to result in the need for revising the new standards, as stated by one of the board members of BFN in the journal 'Balans':

BFN has indicated that an adjustment of the standards K2 and K3 must be made once SamROB and the other governmental inquiries are completed.

(Drefeldt, 2007)

This meant that even prior to the launching of the K-standards, further changes were expected to be made later on. The problem of coinciding processes was also pointed out by the professional organization FAR as they, in a comment letter on the exposure draft for K2, remarked on the ill-chosen timing of the K-project. Also, the coinciding processes seemed to have somewhat contradictory objectives, as was stated in an article published in 'Balans':

The lack of a clear structure within these processes of change is a result of the market's demand for standardization due to increased globalization, which goes in the opposite direction to the politicians' demands for simplifications.

(Skough, 2007)

In sum, it was not only the fundamental changes that the new standards entailed which brought uncertainty to the accounting field but also the major changes, in combination with the fact that the process was indeterminate and that there were several coinciding processes ongoing at the same time, which generated this uncertainty and led to such hesitancy. Even though the larger accounting firms have a strong influence on the accounting field, the combination of uncertainties during this process made it difficult for them to provide strategies on the appropriate way to act. This is because they were unknowing of how and in what way the K-project would affect the previously existing values and beliefs within the accounting field. Under these circumstances, neither the commercial logic nor the professional logic seemed to provide any clear guidelines for how to act. While institutional logics are usually suggested to influence organizations and individuals in a downward direction from the field level (see e.g. Cloutier & Langley, 2013), this was clearly not the case during this process.

## **5.2 The organizational level**

Given the above, how did the organizations handle their work with the new K-standards when there was no filtering, framing, or enforcing of logics at the field level? According to the findings of this thesis, the great uncertainty

at the field level left both of the organizations included in this study in limbo at the organizational level. While institutional logics are said to bring a sense of order and security by providing organizations with rules on how to behave and how to act (see Thornton & Ocasio, 2008), neither the professional logic nor the commercial logic provided the accounting firms with any clear strategies on how to act on the new K-standards. Due to this, there seemed to be no other option for the organizations but to wait and see. This was a possible but yet temporary solution since the previous standards were to be repealed after the completion of K3. During the development process of K3, neither of the accounting firms were acting on the new standards, and the few clients who asked about them were simply recommended to wait. One of the respondents said:

Our advice has been to wait and see what K3 brings.

As K3 was completed and released in 2012, there was increased pressure on the organizations to act on the new standards. The release of K3 meant that a due date was set for the previous standards to be replaced in 2014, and at that point, it was no longer a viable option to remain passive and wait. Independently of each other, and within a time period of three months, all of the larger accounting firms immediately started to inform their clients about the new standards through external information seminars.

But even though the accounting firms held external seminars in order to inform their clients about the new K-standards, there were still no explicit strategies within the two organizations on how to handle the work with K2 and K3 internally. However, over the years and on several occasions, both organizations held internal information seminars regarding the new standards. These seminars were mostly held by highly skilled specialists working centrally within the organizations.

Through these seminars, important information about the new standards was spread within the organizations. Yet, the main focus during these seminars was on technical details and issues related to the implementation as such. It seemed as though there was little (if any) focus on the issues which were highly relevant to the local offices and to their clientele, namely how to make the choice between K2 and K3. This might be explained by the fact that the central offices and the local offices are operating within

rather different contexts. Even though these offices are part of the same organization, their contexts and settings differ as the local offices have a clientele which largely consists of smaller companies. This means that even though the centrally provided information was technically detailed and delivered by highly skilled specialists, no plan of action was provided on how to go about making this choice of standard. One of the professionals explained:

I get that since they (the specialists) are so darn skilled, they look at those (companies) who are going to experience major changes... But they're talking about very large companies! And obviously, that's what they're working with.

Yet, the difference in perspectives between local and central offices came as no surprise to the respondents. They are not only aware of but also used to these differences within the organizations, as two of the respondents explained:

There's a lot of information about things that don't directly concern us. (We) even feel like different companies sometimes, so...

They (in Stockholm) don't have the same types of assignments, or the close contact with clients as we have here...

Apart from the internal seminars, other types of activities regarding the new standards gradually started to take place within the two organizations after the release of K3. For example, the offices of the two firms were provided with smaller give-aways and centrally produced information material which they were supposed to hand out to their clients. But even though the information material was perceived as well thought through, the offices did not receive instructions or guidance on how to go about spreading this information. Were they supposed to mail them out to their clients? Were they supposed to hand them out when they had meetings with clients regarding other issues? Were they expected to arrange special meetings with clients in order to discuss the upcoming choice of standard? Rather than bringing clarity, this information material seemed to generate further questions. For example, one of the offices only received a handful of brochures, which made them even more uncertain on how to act. Their office manager explained:

To answer your question, we're not clear about what to do yet. But yes, we should definitely do something. I can imagine that while we're out meeting business owners and financial managers, we'll bring it up. We'll certainly pursue this issue now. I'm quite sure that we will. So I guess... I mean... just shooting from the hip and without really having decided anything yet... Yes, we will take the brochure with us to all of the clients.

Apart from these brochures, the organizations also provided the offices with 'decision trees' which were to be used by the accounting professionals to decide on recommending their clients to choose K2 or K3. These decision trees however, were of mere technical nature, and they did not provide any guidance on the proper way of acting.

Clearly, the two organizations were left in limbo since there were no logics-driven solutions provided by the field level on how to behave or act. And while the extant literature suggests that powerful groups at an organizational level are likely to influence the response to logics (see Greenwood et al., 2011), this was not the case during this process. Instead, the combination of uncertainties and the lack of logics-based answers regarding how to act resulted in hesitancy within both organizations. And even though the highly skilled specialists at the internal seminars tried to push for a transition to the new standards, the hesitancy remained. One of the respondents said:

XX (one of the specialist) has developed many documents and so... But she's been involved in the development process, and she's written thick books. Apart from that, no one's been pushing it.

The uncertainty regarding how and in what way the K-project would affect the previously existing values and beliefs within the accounting field also caused uncertainty at the organizational level. Neither the commercial logic nor the professional logic provided any clear guidelines for how to act, and both organizations were equally uncertain. At an organizational level, the 'Big Four' firm has a greater focus on large companies, meaning that the clients who were about to make the choice between K2 and K3 are not in the centre of their attention. The 'runner-up' firm instead has a clear focus on owner-managed businesses, meaning that most of their clients were to make the choice between the two different standards. Regardless of these

differences between the organizations, both of the firms felt the same uncertainty towards the new standards.

In sum, the organizations (like the accounting field in general) were unclear of how and in what way the K-project would affect or alter their previously existing values and beliefs. While there was a lack of logics-driven solutions provided at the field level, there was as we have also seen a lack of strategies on how to handle the new standards at the organizational level. And since the organizational level provided no clear guidelines regarding the appropriate way to act on the new standards either, this was largely left to the individual accounting professionals to decide.

## 6 Findings—K2/K3 at the individual level

*This chapter is the second of two chapters devoted to the findings of the thesis. In this chapter, I will present and discuss the empirical findings and provide the empirical material to validate my results regarding how the K-project was handled at the individual level.*

As we have seen, the K-project was a long and rather indeterminate process that brought fundamental changes in the structure and application of financial accounting standards in Sweden. The vagueness and combination of uncertainties at the field level clearly resulted in difficulties at the organizational level, as there seemed to be no obvious way of managing the work with the new standards. And as it turned out, there were no logic-based answers or guidelines provided by neither the field level nor the organizational level regarding how to handle the K-standards in general, or the upcoming choice between K2 and K3 in particular. This, in turn, meant that the individual professionals autonomously had to make this professionally and commercially important decision regarding their clients' accounting practices. And due to the uncertainties at the field and organizational level, the process ended up being very much about the individual professionals' struggle of grasping the content and effect of the new standards and deciding on how to handle this important issue. As one of the respondents explained:

It's just that this is going to come, this is just something that we have to adjust to. Then it's up to each individual to handle it.

In this chapter, I will explore in detail how the individual accounting professionals reacted and acted throughout this process. As I analysed the empirical data chronologically and looked at the entire process in retrospect, I found that the way in which the professionals reacted and acted when they first encountered the K-project largely differed from the way in which they reacted and acted later on during the process. In fact, through the analyses of the data, I was able to identify three main phases that the accounting professionals went through during this process, namely: the *interpreting* phase, the *judging* phase, and the *marketing* phase.

In the initial (and rather long) phase ('Interpreting'), I found that the accounting professionals primarily tried to interpret and make sense of the

new standards as such, and the potential consequences of implementing them. As an overall understanding of the new standards emerged amongst them, they over time entered a second phase ('Judging') where they gradually began to evaluate and make judgments about these standards. Later on, in a third phase ('Marketing'), they seemed to turn these judgments into strategies for how to market the new standards to their clients.

In the following sections, I will provide the empirical material that substantiates each of the three phases of the process. Also, and as has been discussed above (see Section 3.5), the data has been categorized and analysed on the basis of whether the accounting professionals were discussing the standard as such ('what') and how they handled the work regarding the new standards ('how'). For each such category, I have developed a number of concepts (for an overview, see Figure 2) describing the work of the accounting professionals and how they were influencing and shaping accounting practices during this process. Below, I will present and validate my results by providing a general overview of the phase as such before going into the details of 'what' the professionals discussed and 'how' they handled their work.

## **6.1 Phase 1: Interpreting**

Based on the above, how did the accounting professionals initially react to the K-project in this state of flux where there was no filtering, framing, or enforcing of logics from the field or organizational level? Well, even though the K-project clearly caused great uncertainties, the professionals' overall reactions when they first heard about the K-project were, in line with the public debate preceding the launching of the K-project, mainly positive. One important reason for this was that the new standards were divided into complete sets:

I see the advantage of bringing it together in one document. That's the major advantage as I see it.

The fact that it becomes divided so there's something for the companies who are a bit more basic and smaller, and something more demanding for the larger ones... I think it will be good in the long run once you've learned it.

While the previous standards provided high flexibility by enabling the accounting professionals to make different types of decisions, this flexibility was also somewhat problematic. The professionals often had to turn to various standards issued by different standard setters and consider several different options in order to solve one particular accounting problem. This meant that it was hard for the professionals to keep track on all options possible to apply. In this sense, the new standards were a longed for solution to the kind of ambiguity that had characterized the accounting practices of small companies. Some of the respondents explained:

As I see it, there's been a great need, especially for K2. There have been so many different recommendations that it's been hard to grasp everything.

It's been a bit messy. So of course in that sense the K-project is welcome, because somehow it feels like a clearance.

It's positive that we get a clarification. Complete standards that are clear and how do I say it... cohesive. Where everything is regulated in the same place.

The professionals were also very positive about BFN becoming the sole standard setter for unlisted companies. Since the previous standards were not completely covering all areas, they sometimes had to apply different standards from the two standard setters in order to produce an annual account for one client. This, in combination with the rapid and continuous developments in the financial accounting standardization area, was clearly problematic to the professionals as it made it difficult for them to maintain their expert skills in the application of accounting standards:

It's been a bit messy. Just the fact that you can look at 10 different places, and then you can interpret it the way you want depending on what you want the outcome to be.

It's a horrible patchwork as it is now... I feel it's really easy to miss things.

The council this and the council that and the board here and the board there, and it had just become too much. And it's been messy! ... So it was messy as it was, and you never really knew what applied to whom, and who applied what. And the fact that you could apply the Accounting Standards Board (BFN), except in some cases where you had to apply the Council (RR) and things like that.

But while the accounting professionals had been overall positive in their expectations before the actual launch of the K-standards, their reactions after the launching were instead characterized by an overwhelming uncertainty. There were as we have seen no guidelines for how to act, and the scale and complexity of the process meant that it was hard for the professionals to get an overview of the project and what it would entail.

But even though the professionals were feeling highly uncertain during this initial part of the process, one thing remained crystal clear to them: there was no room for them as professionals to make any mistakes when advising their clients on the choice of standard. Once the choice was made, it had to be right! Thus, the professional logic seemed to influence the professionals in a rather subliminal manner during the interpreting phase, as they were focused on their role in relation to small limited companies. But acting based on professional values meant providing clients with well-informed and trustworthy advice, something which was not possible while being uncertain. In light of this, the accounting professionals needed to interpret the content and implications of the new standards before making any recommendations to clients regarding which standard to choose.

### **6.1.1 Interpreting with a focus on 'what'**

As the respondents started to look beyond the public debate preceding the K-project, and beyond their own overall visions of the project's potentials, they started to focus on the actual content of the new standards in a more technical sense. As they did so, it became evident that their emerging picture of the K-project was not entirely positive. In fact, it was quite the opposite. As the content of the K-project gradually became clearer to them, the K-standards were commonly problematized by the professionals during this initial phase. These problematizations were mainly made from *three* different viewpoints: with a focus on the *incompleteness* of the K-standards, with a focus on how and in what way the new standards were *deviating* from the previous standards, and with a focus on the *complexity and/or simplicity* that the different K-standards would actually entail.

#### **Incompleteness**

If we start with the first viewpoint, that is, the accounting professionals' discussions on the *incompleteness* of the new standards, they were mainly concerned with two different types of incompleteness. Firstly, they were focusing on the matter of the launching and the fact that the different K-

standards were launched successively (K2 in 2008 and K3 in 2012) rather than all at once. As has been discussed previously, this meant that it took years for the professionals to get the complete picture of what the K-project would entail in practice. Secondly, another form of incompleteness was related to the fact that there were several coinciding processes ongoing at the same time. Again, the outcome of these processes was expected to result in the need for revising the new standards. Moreover, the standard K3 was incomplete at its launch as two chapters on financial instruments were missing due to delays.

Taken together, both forms of incompleteness made it hard for the accounting professionals to form an understanding of the new standards. While they had a positive attitude towards the overall idea of complete and separate sets of standards, it was quite clear that the incompleteness of the project was problematic. Related to the first form of incompleteness, the accounting professionals expressed how they needed to wait for the completion of K3 before looking into the new standards:

We feel that we don't have the whole picture clear to us. So it's not easy to understand this in a general way. Not even for us who work with it.

We wanted to wait for K3, because no one really knew what it would be like or what it would entail. So, we didn't want to convert into... choose K2 before K3 was completed.

We had too little information about the other standard (K3).

Related to the second form of incompleteness, regarding the coinciding processes which were to result in the need for revising the new standards, some of the respondents said:

One knows that this is a long process. You can't take it all in because you are working so intensely with what you have ongoing so... Being wise from experience you know that things will change, and that it will change quite a bit along the way.

It's more about waiting to see what the final drafts entail and what effects they'll bring...

The two forms of incompleteness clearly gave rise to feelings of uncertainty amongst the professionals. While they realized that they had to handle the

matter of the new standards as autonomous professionals, the incompleteness of the standards made it impossible for them to form an understanding of the new standards in a more technical sense. And without such an understanding, it was impossible for them to act based on their professional values and provide clients with well-informed and trustworthy advice. Thus, as it turned out, the incompleteness of the standards was an important reason as to why the professionals saw no other option but to make the decision to wait and see.

### **Deviation**

Importantly however, the aspect of incompleteness was also related to another form of problematization during this first phase, namely how and in what way the new standards were *deviating* from the previous standards. That is, as the accounting professionals were trying to make sense of the new standards, they were comparing the K-standards to the previous standards in order to see how and in what way they were deviating from each other. Arguably though, the attempts to better understand the deviations between the new standards and the previous ones were hampered by the incompleteness of the K-standards:

One wanted to know what the real difference was between the standards we already had, and what was coming.

The biggest reason for waiting was probably that K3 was not completed. You didn't really know what to compare to.

The professionals' initial reaction towards K2 and their decision to wait and see was clearly related to the incompleteness of the K-project. And as it turned out, the accounting professionals' initial construction of K3 was based on the expectation that this standard would be fairly similar to the previous standards, that is that there would be little deviation between K3 and the standards that they already knew and were familiar with. Some of the respondents explained:

A couple of years ago we said that "if we can apply K3, why should we even bother with K2". Then you would only choose K2 for a very small number of clients.

Some three years ago, we said: “Don’t use K2 yet for crying out loud! Let’s keep on using this since we know that K3 will be the same as previous (standards)”.

Apparently, during the interpreting phase of the process the professionals were primarily set on using the more extensive standard K3 since they expected it to be quite similar to the previous standards. As little deviance as possible between the new standard and the previous ones was important to the professionals since it meant that the appropriate way to act was more or less to act in accordance with the previously existing values and beliefs. As a result, the professionals were at this point not particularly interested in the simplified standard K2.

### **Complexity vs. Simplicity**

But even though the professionals during this phase seemed more set on choosing the standard K3, they were discussing the new and previous standards’ degree of *complexity vs. simplicity*, which brings us to the third viewpoint. In the public debate surrounding the build-up and launching of K2, there was a great focus on the simplifications. However, at this initial stage, the professionals’ overall perception was that the simplifications in K2 would have minimal effect on the year-end procedure, mainly for two reasons. First, the well-developed accounting software used in these accounting firms meant that many of the simplifications in K2 were insignificant. Second, many of the simplifications in K2 were already used by the professionals in small companies’ accounting practices. Two of the respondents explained:

In the beginning they talked very much about accruals and the reduced requirements for accruals, and I thought that “Well, if they had said that in 1984...” Today, most accounting systems have the ability to automatically handle a vendor invoice if you just say that this shall be accrued for this long. The system takes care of it! What’s the simplification?

No, I don’t really know to whom it might be such a great simplification... really! These simplifications are what we’ve already been doing previously so...

Hence, the accounting professionals did not really recognize the simplifications in K2 as particularly useful at this point. They were instead

waiting for K3, which they expected to be rather similar to the previous principles-based standards. However, as the standard K3 was finally launched, it soon became clear that it was not what the professionals had expected it to be, as it was much more extensive and complex compared to the previous standards. Thus, despite the fact that BFN presented K3 as the main financial accounting standard, the new standard clearly evoked feelings of uncertainty and even anxiety amongst the accounting professionals. Suddenly, it became increasingly difficult for them to decide on the proper way of acting since they were now aware of the fact that the previously existing values and beliefs were most likely about to change. At this stage, their opinion of the standard was mostly based on hearsay from internal information seminars and from discussing amongst each other. Some of the respondents shared their initial reactions to K3:

My spontaneous reaction after listening to the internal seminar was to stay as far away from K3 as possible, for as long as possible, with all clients.

The first time we heard about K3 I felt “God, how complicated”! That’s how I felt anyway. We talked about properties and component depreciation and all of that, and then I felt what if the clients one works with will be affected by this, because it felt really complicated!

The high complexity of K3 was primarily associated with the requirement of making component depreciation regarding tangible assets of significant value (as for real estate). K3 contained no practical guidance on how to divide these assets in to components or how to go about making the transition to component depreciation. Furthermore, the software and templates for handling fixed assets needed to be modified, as they were not designed to manage different components. The professionals were unsure of how to handle this particular and very complex accounting matter:

It’s this thing with component depreciation that’s crucial in my opinion. Yes, that’s going to... That’s going to be tough! That’s going to be really tough! The way I see it though, one has to do it the easiest way, try to find templates or shortcuts or something like that to make it manageable.

The big difference is component depreciation, it might... If you’re interested in accounting theory it’s certainly good! It might be good in practice as well, but it might also become rather difficult.

Once all the K-standards were completed, the emerging opinion amongst the professionals was that K3, due to its high complexity, resembled IFRS rather than previous practices. At this point, the professionals started to see greater similarities between K2 and the previous practices, since implementing K2 meant less changes for them and for the small limited companies. Two of the respondents said:

It's still easier, as I see it, to adapt an existing annual account to K2 than to K3.

It's clear that the other one (K2) is more similar if you have... if you haven't been applying IFRS of course, because then you're familiar with that kind of thinking. But the other one is more similar... K2 is really what most of us feel familiar with, so to speak.

Thus, once the accounting professionals had a more complete picture of the K-standards, and once they were able to compare the complexity of each standard as well as the differences between them, their interpretations of the standards shifted and changed.

Well, I feel that it has changed over time. That it's shifted towards K2 so to speak.

And as the professionals found K3 to be high in complexity, they started to modify their interpretation of the simplified standard K2. At this point, they gradually shifted their focus towards the possible benefits of using K2. Some of the respondents said:

A lot of it... the way in which we have reported before can be applied with K2. It is not that restrictive really since there's room to do a lot in the same way as it's been done before. Just a little more simplification if you wish.

K2 is more... it's easier like that. It's more specific what's applicable. It's more like do this and do that.

I'm very positive about K2! It simplifies things for us auditors as well. There will be less supplementary information and auditing, so that's positive... K3 is all the more... harder to grasp I would say.

In relation to this, the respondents were also reflecting on the way in which BFN handled the development process. A common opinion amongst the

respondents was that it would have been better if BFN had developed K2 and K3 simultaneously and if they had launched the standards at the same time. In that way, it would have been easier for the accounting professionals to interpret the new standards. Now, the long process clearly contributed to their uncertainty and hesitancy. Two of the respondents shared their view on this:

I don't know if it's been good to introduce the standards successively. Couldn't they have completed all K-standards and meanwhile have kept the old standards and then have said – here are the K-standards. Out with the old and in with this! Because now it has been even more cluttered during a period when K1 and K2 have been parallel with the old recommendations. The longer and more drawn-out the process has become, the longer we've had to live with this mess.

I think it would have been better if they had released them all at once. And if they had presented their general thoughts on them in a more 'hands-on' way.

### **6.1.2 Interpreting with a focus on 'how'**

Arguably, there was no obvious way of making this choice of standard. It was important for the professionals to act based on their professional values and provide clients with well-informed and trustworthy advice, and this was not possible while being uncertain. Hence, it was not possible for them to advise their clients before being fully certain of the contents and effects of transitioning to the new standards. But how did the professionals handle their work with the new K-standards during this initial phase? Well, as will be further discussed in detail below, they acted with great *cautiousness* as they struggled to jointly *comprehend* the new standards and individually make *considerations* regarding the choice of standard.

#### **Cautiousness**

Even though the professionals had been positive towards the K-project initially, they became very uncertain once the standards were launched and hence acted with great *cautiousness*. One aspect that clearly contributed to their cautiousness was the lengthy development process of the K-standards in general and of K3 in particular, which made the accounting professionals lose focus on the project as such.

It's taken an incredibly long time, to say the least! It's been going on for quite some years and it's like it never gets finished.

I think that the information, especially about K3 which was delayed, it has taken too long. It became like a time lag so we postponed it and put it slightly to the side.

It's been so much back and forth with K3 that it's made people uncertain in a way.

Again, it took years for the accounting professionals to get the complete picture of the K-project, as the K-standards were launched successively and several years apart. Also, the outcome of the several ongoing and coinciding processes was expected to result in the need for revising the new standards. Both of these aspects clearly contributed to the professionals' initial cautiousness, as some of them explained:

Before we enter into something, we want to wait and see what it brings. It's a bit like ... well, cautiousness.

Now, there's been a lot of different processes that have taken a lot of time and it's been one thing after another. One has learned to cool down and don't take it in until you know what it really is.

It was clearly difficult for the professionals to form a general perception of the new standards during this period. They very much felt that they were lacking in knowledge regarding the specifics of the new standards, as well as of the possible effects that these might impose on their clients' accounting and on their individual work situation. The difficulty of fully grasping the actual content and possible effects of the new standards led to a state of ambiguity amongst the professionals as they were unsure of the proper way to act. Some of the respondents said:

I reckon we'll need more training! And perhaps work with it and practice on some examples in order to really understand it.

It's not that easy to grasp this, to see what it will actually entail. It seems like K3, even though there have been some courses, it's still hard to assess the consequences that it might have on the individual client.

One wants to see it in print and see... well if I do it like this, it looks like this instead of how it used to look. And why it looks the way it does.

The process of interpreting the new standards and forming an opinion about them proved to be a complicated and onerous task. As it turned out, it was also difficult for the professionals to grasp the content of the new standards without mixing them up with each other, or with the previous standards. This, of course, contributed to even greater uncertainty. Two of the respondents explained:

I've noticed that it's easy to mix up K3 and IFRS. What are the rules for this and what are the rules for that? And what's going on with this and what's going on with that? It's a lot like that. It's difficult to keep them apart.

We've waited with K2, and now if one's to begin with K3 simultaneously, there will be some mix ups... and at the same time we'll still be using the previous standards.

Another aspect which also contributed to the professionals' cautiousness during this phase was the fact that there was some criticism expressed in the public debate against the new standards. K3 was, for example, being critiqued for its high complexity, and it was publicly questioned whether K2 really fulfilled the concept of the true and fair view. Even though the professionals took little interest in the development process of the new standards, they were aware of this criticism through hearsay. This certainly affected them as they were trying to make sense of the new standards, and it made them even more ambivalent:

We'd heard that it would be better and that there would be a lot of simplifications. But then some said that there aren't many simplifications really because that's already how we work. And then we've heard these negative things that it can't be applied by some and that it doesn't fulfil the true and fair view and blah blah blah. So then we've thought that then there's nothing to gain because they say it's kind of like what we have now. Since I have nothing to lose, I don't do anything until I know!

As we have seen, there were several aspects connected to the standards as such which made the professionals act cautiously during this phase of interpretation. However, the respondents were also reflecting upon the fact that there were few if any directives given centrally on how to handle the work regarding the new standards. Understandably, the respondents reacted upon this lack of support from the organizational level:

I think that the firm should provide more continuous information and education. Because now it's been up to the local offices and some individual enthusiast to take the lead and read up on things. And then they lecture us, instead of the firm saying that everybody have to attend this two-day course on K2 and K3.

I think it should be managed centrally! But now it's one person who's a fiery spirit within the office who is well read that is expected to educate everyone.

Arguably, the lack of central directives was problematic for the accounting professionals as they struggled to grasp the content and effect of the new standards and come to terms with how to handle the choice of standard. As they did so, they were not only feeling unsure of *when* to start their work with the new standards, but also *who* was supposed to start first. On top of that, the professionals lacked the tools necessary to implement the new standards as their software and templates were not updated.

We've known that this will come, but then it's a bit like... I don't know if it's a lack of knowledge, but we have waited a bit because we haven't really known. Should I do it, should I get started... or? So we haven't really... What does the transition really entail? We've had that type of questions. And our templates haven't been up to date either, so that's been a limitation or a lack of knowledge or what to say, until now.

It's like nobody wants to be the first to start!

As it seems, the hesitancy caused by the uncertainties involved in this process trickled down from the field level, through the organizations, and onwards to the individual level as the professionals found that there was no obvious way of knowing how to act. Due to this, a decision was made within both of the local offices to wait and see. Interestingly though, was that the respondents themselves were not certain of whether this decision was formally made centrally or if it just came about as a mutual agreement amongst the individuals within the local offices. Two of them said:

I think that it was centrally decided, but I don't think there were any written instructions that this is the way we handle it within the firm. But... I don't really know where it came from! It was just how we've talked about it and we decided that we were to lay low. I've been led to believe that's how it's been handled everywhere, but it may just be that all offices accidentally have

had that attitude. It could've been something that's been discussed informally in some office meeting or so, and that this opinion has spread.

The decision came from... It was ... it was probably no formal decision! It probably just didn't happen since most have seen that there's no point in doing anything until we know what really happens.

Due to the many uncertainties, the professionals acted cautiously during this initial phase, and rather than transitioning into the new standards, they kept on using the previous standards for as long as possible. This was regardless of the fact that these standards were perceived as fragmented and even messy. Since they were expected to provide their clients with trustworthy advice, it was easier for them to continue to use the standards which they were already familiar with than to make these important decisions during such uncertain conditions. Again, once the choice was made, it had to be right!

It's pretty vague now, but we're used to it so for us it's harder to switch to new standards. Of course it is! What you already know is always the easiest!

It's because we haven't been forced to do it. We've of course known that there are a number of years left until we have to make the choice... So, no. We've kept on doing it like we've always done it!

### **Comprehension**

The professionals' way of acting during this initial phase was also affected by the fact that it was problematic for them to fully *comprehend* what each K-standard would actually entail. As has been discussed previously, the professionals received few if any central directives on how to handle the work with the K-standards, which meant that the efforts to create a common consensus regarding the new standards had to take place locally within the office. Yet, the process of forming an opinion about the new standards proved complicated. This was because the professionals had to interpret two new standards simultaneously without mixing them up with each other or with the previous standards. The sheer complexity of doing so meant that it was virtually impossible for each individual to single-handedly form an understanding of the new standards. In order for the professionals to comprehend the new standards, it stood clear to them that a collective effort was needed on a local level. Some of the individuals,

therefore, attended courses on the new standards, and spread the information to their colleagues within the office.

You're so busy all the time, and then to make time to read up... You pretty much have to attend a course, or that someone attends a course and then informs the others. To just sit down with K2 and think that you could produce an annual account, it's not that easy!

Those who've been on courses have had a run through with the rest of the office, so that we all become familiar with it.

But the spreading of information alone was not enough for the individuals to comprehend the new standards. As they tried to grasp their content and effects, they often discussed the standards amongst each other within the office. This was a way for the individuals to gain further knowledge about the new standards, but more importantly, it was also a way for them to manage the major uncertainties that they were experiencing during this process. And as it turned out, knowledge was constructed collectively amongst the individuals within the offices through these discussions. Moreover, these discussions, which started during this first phase and later increased in the following phases (as will be further elaborated on later), were also a way of mutually reaching a shared understanding regarding the proper way to act. While the discussions subsided for a few years after the release of K2, they resumed again as soon as K3 was about to be launched.

We're discussing within the group how to handle this.

We've talked about it, and we've attended seminars about it, and we've discussed it for a couple years now. So now we're just waiting for it to get started.

As the professionals discussed the new standards, there were certain individuals within the local offices who clearly played a more prominent role than others. Again, even though the respondents had been informed about the standards through internal seminars held by highly skilled specialists within the organizations, this information was not enough for them to fully comprehend the new standards. Under these very uncertain circumstances, they instead put their trust in their most skilled colleagues within the local offices in order to make sense of the new standards. These individuals, in turn, felt that it was implicitly expected of them to act as

driving forces during this process. And even though they were not officially appointed to do so, they felt the responsibility of doing so.

I've not been appointed to take this on, but I'll probably do so. I'll probably be the one who pursues this issue within the office, I think so.

I'm amongst the first to deal with it... Someone's got to do it!

This really has to happen now! We must make sure that it gets done.

Someone has to start, someone who has the guts to tell the rest that it's really not that difficult to make this transition.

Some of these individuals have managerial responsibilities and are officially recognized within the firms as being highly skilled. However, there were other individuals who were not officially appointed in any way, but who were also very influential during this process. These professionals had gained an informal status as experts within the local offices entirely based on their technical skills. Taken together, these highly skilled individuals had a key role in the collective effort of trying to make sense of the new standards. Thus, in a situation where there was no enforcement of logics neither from the field level nor the organizational level, the decision on how to handle the new standards was not made by the management within the local offices. Instead, the comprehension of the new standards emerged amongst the individual professionals over time.

### **Consideration**

Another thing which also affected the professionals' way of acting during this initial phase was their *consideration* of the new standards. In contrast to comprehending the new standards (which was handled rather collectively within the office), the consideration was instead taking place at a more individual level. As each client manager is responsible for their own clients, they as individuals ultimately had the responsibility to decide on how to advise their clients. This meant that each client manager had go through their clients individually and consider which standard was the suitable one for each particular client.

It's highly dependent on the client, so you have to go through client by client... Every single client must be gone through individually.

We'll probably have to agree on some common guide-lines, but then we've said that we've got to go through client by client.

But as the individuals in general and the client managers in particular were considering the new standards, they were not only assessing the current situation of their clients. In their role as professionals, making the right choice of standard meant providing the client with a solution which was relatively persistent over time. Thus, in order to make the choice of standard, they needed to weigh in on what the future might hold for each particular client. In other words, they had to consider aspects such as if the client was expected to expand their business in the near future, or if there were plans for a transfer of ownership. This was also of great importance as the professionals had to contemplate on the potential possibilities (as well as the appropriateness) of doing, for example, write-ups. This was in certain cases possible when making the transition to the new standard, and it could involve tax benefits.

I think it will depend on what the company looks like. If it's a company that will grow and develop, then perhaps it's just as well to choose K3 from the start to avoid having to think about it. If there's a company in which you have one or two people and it just keeps on going and doesn't... well, sort of livelihood companies, then maybe it is just as easy to choose K2. It might be the best option.

One must try to look further into the future and think about what the owners might have in mind, if someone's taking over the business or so.

If there's a generation shift or an external transfer of ownership coming up, then I'd want the option of re-evaluating the property. Perhaps it's time to make a write-up.

Clearly, there were a lot of aspects that the professionals needed to consider regarding the new standards during this phase. But while the accounting professionals were expected to advise their clients on the appropriate choice of standard, they are consultants by definition which means they are under constant time pressure and under pressure to produce. Due to this, the professionals sometimes felt that there was not enough time for contemplation. One of the respondents explained:

I wish that one could sit down and go through all clients and go 'this one belongs there and that one belongs there' and to see where we need to think it over... but it's a bit difficult when you've got other things to do, to prioritize this first.

As has been discussed previously, there were several aspects within this process that caused uncertainty and which contributed to the individuals' initial cautiousness. Again, it was not possible for the professionals to act or to advise their clients before being fully certain of the contents and effects of the new standards. And as we have seen, there were numerous aspects which needed to be taken into account when considering the new standards. Due to the combination of uncertainties, the professionals felt that it was of great importance to be able to switch from K2 to K3, or from K3 to K2, in case it would be necessary:

I feel that in a worst-case scenario, you want to be able to change your mind once you see the annual account and find that it was not the best alternative. If you were to miss something, then you would have a way out.

However, BFN initially made changes which meant limiting the possibilities of switching from one K-standard to another. This sudden change of rules made the professionals even more uncertain and insecure.

How was it? Is it possible to make a switch? You're allowed to switch from K2 to K3, right? But that wasn't the case at first! We were told that you're able to choose K2 first and then switch to K3 later, but at that point you were not allowed to switch back from K3 to K2. That's how it was from the beginning.

Now, it's possible to switch from K2 to K3, right? But it's not possible to switch back to K2... or? Many might choose K2 initially, even though they really should have chosen K3 to begin with. Just to be safe...

The change of rules meant that companies would only be allowed to switch from K3 to K2 in case of special circumstances, such as if there was a major downscaling of the company. In other words, choosing K2 meant a possibility of switching to K3 if needed, whilst choosing K3 meant a lock-in to using that standard.

In sum, it was a complicated and onerous task for the accounting professionals to interpret the new standards in order to grasp the overall concept of them and gain an understanding of the conditions for transitioning into them. The transition to the K-standards meant a complete conversion of the existing financial accounting practices for small limited companies, and a shift in paradigm within accounting practices since

previous standards were all principles-based. But while the professionals had been overall positive towards the idea of the K-standards prior to their launching, their reactions after their launching were instead characterized by an overwhelming uncertainty. In this state of uncertainty, the professionals focused on their role as professionals in relation to their smaller clients. As professionals, they needed to comprehend and carefully consider the new standards before advising clients. Hence, any commercial aspects of the process were not in their focus during this initial phase.

But the importance of acting based on professional values enabled as well as constrained the professional's reasoning during this phase. As neither of the two new standards lived up to the professionals' prior expectations (as they were striving for the lowest deviation possible compared to the previous accounting practices) there was no obvious way of making this choice. The interpretation of the new standards was ongoing for several years, during which the professionals interpreted the content and implications of the new standards collectively and individually. During this interpreting phase, the professionals were rather open in their discussions as they weighed different options and alternatives back and forth for how to handle the new standards. Over time, as the respondents gained further insight into and understanding of the new standards, their cautiousness slowly started to subside as the content and effects of the K-project became clearer to them. Gradually, their problematization changed in character and started to shift into discussions about the actual implementation of the standards.

## **6.2 Phase 2: Judging**

While there was no distinct transition from the initial phase of interpreting the standards to the following phase, there was, however, an interesting shift in the professionals' reactions and actions. Over time and further into the process, I gradually started to identify more and more normative judgment expressions about the standards. That is, the professionals were no longer only trying to understand or problematize the K-standards, but also starting to evaluate and make judgments about them. Hence, I call this phase the phase of judging.

As we have seen, the professionals' interpretations of the new standards had left them with several possible ideas and options for how to handle the work with the new standards. However, in their professional role and as a form

of intermediaries between the standard-setter BFN and the clients, the professionals could not remain in this interpretive phase any longer. As they were the experts, they were expected to provide their clients with an appropriate solution. Interestingly though, as they started to make these judgments about the standards, they were still not involving their clients. A main reason for this is that small companies generally have neither the interest nor the knowledge in financial accounting matters. Hence, it was entirely up to the accounting professionals to evaluate and judge the new standards. Two of the respondents said:

They (the clients) can't familiarize themselves with this! They're not accountants and it's too much for them to familiarize themselves with it and to evaluate two standards - which one is the best? They haven't been into financial issues in that sense or studied business administration, so for them it's not that easy. For them to evaluate and assess this, it's almost impossible!

None of them have had a look at any of these accounting standards. They don't want to do it, and maybe they shouldn't do it either.

Interestingly however, while the smaller clients were not involved in the actual judging of the standards, it was an important part of the professionals' role to provide them with information and inform them about the upcoming changes.

We do have a duty to inform our clients.

But even though the professionals invited the small companies to information seminars on K2 and K3 after the K-project was completed in 2012, few of these clients attended the seminars. This was, however, expected by the accounting professionals as according to them small companies are generally uninterested in accounting matters. One of the respondents said:

For 95% of our clientele this is completely uninteresting! They look at the time and wonder how many sales they are missing out on.

Still, in order to make sure that all clients were informed about the new standards, the accounting firms started to distribute overall information on

the K-project to them by mail. The sole purpose of the letter was just to make sure that the clients were aware that something new was coming.

It must be very, very elementary of course, more to get them to understand that there's something going on.

As it seemed, there was an expectation and understanding between the professionals and their smaller clients that the professionals were to decide and advise on the appropriate choice of standard. The importance of making the right choice led to the professionals postponing the transition to the new standards for as long as possible. One of the professionals explained:

We've felt that if we first were to enter into something new and inform the client that we've made the transition, and then later tell them that "no, you're supposed to have this instead and now we have to make another transition". We've felt that to fuss with two different... Since we're allowed to use the old standards, we've kept on doing that until we know.

Clearly, the relationship between accounting professionals and small limited companies seems to be of a particular nature. In this case, the professionals knew from the very start that the small companies expected them to judge the standards and recommend the best choice. And interestingly enough, even though most of the smaller clients have little or no ability to assess the quality of the services provided by the accounting professionals, the professionals' reactions and actions were still very much driven by their professional values.

### **6.2.1 Judging with a focus on 'what'**

As the professionals judged the new standards in detail, they did so mainly from *three* different viewpoints: with a focus on the *accounting quality*, with a focus on *accounting information*, and with a focus on if and how the new standards were to affect their *efficiency*.

#### **Accounting Quality**

One viewpoint which was of great importance to the professionals as they were trying to judge the new standards during this second phase was if and to what extent the new standards might have an impact on *accounting quality*. At this point, the professionals were still rather sceptical about the

K2 standard and the level of quality that this standard would generate. After interpreting the standard, they had realized that the information presented in the annual accounts was to be less detailed when applying this standard. Two of the respondents explained:

The information is simply not as detailed with K2. When it comes to such things as to analyse companies... There will be a slight degradation in quality I think.

Annual accounts according to K2 won't say that much, and when everything is done on a standard basis... Yes, you'll know exactly how the reports were prepared and that's an advantage, but they won't say that much really...

In relation to this, the respondents were also discussing the possibility of reporting in abbreviated form. In 2011, the Annual Accounts Act was changed. In order to simplify the accounting practices of small companies, they were allowed to merge their annual accounts and report in abbreviated form. K2 provides guidance on how to report in abbreviated form, and this was clearly against the professionals' perception of the true and fair view:

Information is needed! I mean, what if we get to the point where everybody will be reporting in abbreviated form... Then it feels like they might just as well say that one doesn't need to report at all!

Well to be honest, I haven't even heard the expression true and fair view in this context. I don't really know how they (BFN) look at true and fair view when it comes to those abbreviated versions.

It's a throwback on true and fair view, and on transparency!

The professionals were obviously sceptical about the accounting quality generated by K2. From a professional point of view, the standard K3 was recognized as generating higher quality in accounting:

It's clear that it's more accurate (K3). And of course you can get much more out of it, and do much more with the accounting information.

It's absolutely more accurate!

I think that K3 will be better. I think so! But K2 will be slightly easier.

Importantly however, none of the two standards were seen as optimal or preferred by the professionals at this point in time, as one of the respondents declared:

Each standard has its drawbacks, so one has to consider what the reports should look like, and what the mandatory disclosures should look like.

While judging the new standards based on accounting quality, the importance of acting in accordance with professional values clearly enabled as well as constrained the professionals' reasoning and actions. For example, the professionals were discussing how the character of the standards as such might have an impact on the level of quality. These discussions were based on the premise that annual accounts were to be submitted in full format since the abbreviated form of reporting was not seen as of sufficient quality. As the professionals discussed accounting quality related to the character of the standards, these discussions were mostly focused on the flexibility versus the inflexibility of the new standards. For example, the individuals found that the rather inflexible and rules-based K2 standard actually had the possibility of improving certain quality aspects in the annual accounts, just by being highly standardized and providing fewer options. Two of the respondents explained:

We reckon that K2 will make accounting more similar in different companies... Hopefully we'll get a bit more consistent reporting.

But it's a good thing with K2. In the directors' report where you have fixed headers, you'll have to fill in a bit and that's good. Now the directors' report is a bit haphazard, and even though there are headers there, small companies can't be bothered to write about everything. And it might not be relevant either. With K2 you are forced to do it since it's a bit more standardized.

Yet, while the inflexibility of K2 was seen as contributing to certain quality improvements, the professionals also saw potential difficulties in applying such an inflexible and rules-based standard. These difficulties were assumed to have a negative effect on accounting quality, as was pointed out by one of the respondents:

Then comes K2 which I think is a bit messy. It's not as stringent, you can't go in and apply it in the same way. That's why there will have to be, as we talked about before, complementing literature. Then it will become like in law. You have a legal framework and then you have the interpretations of this legal framework. In practice, quite simple things can become complicated, and you don't dare to put your foot down because they haven't thought about this in the standard... And then, practitioners will have to solve quite complex problems.

While K2 was perceived as inflexible, the principles-based standard K3 was instead recognized for its high flexibility and possibilities of making interpretations and assessments. When applying such a standard, it would be possible for the professionals to manage accounting issues based on their professional judgment and in accordance with generally accepted accounting principles. Thus, the flexibility of K3 entailed a greater freedom for the professionals to act, as one of the professionals explained:

K3 provides more options, and it's a bit freer.

But even though the individuals clearly saw the advantages of K3 providing a freedom of action, they also saw that there were downsides to using such a flexible standard. This is because the freedom of action might lead to subjectivity, which in turn might have a decreasing effect on accounting quality:

It's a framework (K3), and there's a fairly large space within this framework to make your own interpretations. So I'm a little bit... Will it really give a more accurate picture of the company? Because there's so much scope to make your own judgments that it might be difficult to make an objective assessment.

From what I have picked up so far, I feel like there's a lot of subjectivity in it (K3).

Importantly though, the professionals did not see the character of the standards as being the sole determinant of accounting quality. Rather, they stressed that accounting quality is mostly dependent on the competence of the accounting professional, that is, the person applying the standard. In fact, as the professionals judged the new standards, they found that it was

mostly the smaller accounting firms which were to benefit from using the simplified rules-based standard K2, as they saw a possibility of the standard improving their sometimes low quality of work. One of the auditors said:

Since there are so many accounting consultants out there producing very varying quality, I think it's an advantage that it's rules-based. I think so actually! It will be easier for them.

In their discussions, the professionals were clearly distinguishing themselves from professionals working in small accounting firms by pointing out the difference in competence and quality of services. Regardless of which standard they were to apply as professionals working within the larger firms, the respondents were convinced that the standards' effect on accounting quality would be minimal.

Well, perhaps I'm too involved in the business but... I assume that if there's a larger accounting firm that applies K2, then the quality will be largely unaffected. I find it hard to see that there would be major differences. Okay, it's a little less information, but it is marginal.

An annual account prepared in accordance with accepted accounting principles and the Annual Accounts Act by our firm today, pretty much meets the requirements of K3.

Apparently, the aspect of accounting quality was of great importance to the professionals as they were judging the new standards. However, the level of quality was not seen as being determined by the standard alone. Rather, the aspect of accounting quality was strongly connected to professional values and technical expertise.

### **Accounting Information**

But the professionals were not judging the new standards based on accounting quality alone. It was also important for them to consider their clients' as well as their own need for *accounting information*. In order to assess their clients' need for information, the professionals carefully reviewed each one of their clients in detail. Again, they felt that there was no room for them as professionals to make any mistakes when making the choice of standards. Similar to when the professionals considered the new standards during the interpreting phase, the judging of their clients' need

was also taking place at a more individual level within each assignment team. Since small companies often outsource their administration to accounting firms, they commonly have neither the interest nor the insight into financial accounting matters, as two of the respondents explained:

Many of them are so small and we do almost everything for them, and they don't care about this. They don't care a bit! We can say that generally for those clients where we serve as their finance department, they don't care.

They are interested in their reported earnings and to see that the business is going well and that they make money. But what the annual accounts look like, I don't think they care that much about it. There aren't many who care!

But despite the fact that few of the small companies are using their annual accounts to communicate information to stakeholders, there are examples of small companies who do. Knowing this, the professionals were careful not to assume that all of their small clients had little or no use for their annual accounts. Besides, even though most of the small companies might not be interested in their annual accounts as such, they might still be interested in other accounting-related issues. The professionals needed to take this into account as well as they were judging the new standards. One of the auditors said:

I've got *one* client who is interested in the annual accounts. Because that client does a lot of public contracts and therefore uses it a lot. They are very interested in how things are reflected in the annual accounts, and how their key ratios are affected. Other clients are not at all interested in what the annual accounts look like. However, they might be interested in tax effects and in their economic output.

Another aspect which was also important to the professionals as they were judging the new standards in relation to the need for accounting information was to weigh the need for analysing companies based on their annual accounts. Such analysis is often performed by auditors in order to evaluate their clients' financial status:

In small companies, the bottom line is very dependent on the owner's salary and such things. That's a major impact on the result. So therefore, one usually... or at least I try to compare the gross margin in order to see what

it looks like and how it goes. It will be hard to make such analyses on companies applying K2.

Since reporting in accordance with the simplified standard K2 means less information in the annual accounts, it would become difficult to analyse companies which apply that particular standard. This was not so much a matter of accounting quality or technical expertise, but rather one of the level of information provided by the annual accounts depending on the different standards. In other words, a widespread use of the simplified standard K2 would make it difficult for professionals to perform different types of analyses, such as comparisons or competitive analysis between different companies. It would also be difficult to make company valuations, in case of for example an upcoming transfer or sale of business. One of the auditors said:

How are they doing compared to competitors regarding prices and margins? And if you want to analyse for buying or selling companies... You're supposed to get a pretty good insight when you read an annual account, and be able to compare it with others. That's been the purpose of the annual accounts.

Thus, when judging the new standards, the professionals had to assess and try to foresee their clients' but also their own need for accounting information. Just as when the accounting professionals considered the standards during the interpreting phase, they had to keep in mind what the future might hold for their clients as they were assessing the need for accounting information to provide their clients with a suitable solution which was also relatively persistent over time. A lower level of information was perceived as problematic from a professional point of view as it would result in less insight into the companies. However, it was also problematic from a commercial point of view since it would limit the ability for the accounting firms to perform and provide advisory services.

### **Efficiency**

The professionals' discussions regarding accounting quality and the need for accounting information was very much related to their professional values. However, as they were judging the new standards, they also started to reflect on more commercially related aspects, such as in what way the new standards might have an effect on the internal *efficiency* within their

local offices. According to the professionals, it is difficult to fully charge the smaller clients for actual time spent on the assignments. Since small clients are generally price-sensitive, the professionals often have to write off some of their time before billing them. In other words, while a more efficient work approach could possibly result in time savings for the professionals, these time savings were not likely to affect the small clients' fees. The reason for this was explained by one of the respondents:

The fee is pretty tight on these companies already.

But even though an improved efficiency within the accounting firms might not result in lower fees for clients, it would be advantageous for the professionals as individuals to be able to charge all time spent on assignments since they are internally and individually evaluated by their billing rate. A more standardized way of working could improve the internal efficiency, according to the respondents.

I think we can become very efficient, because then we'll all do it in the same way. Then it won't be "when I'm working on this I'll do it like that, and when I'm working on that I'll do it like this". Then the approach becomes more consistent. I think that it would be an advantage!

There was clearly a need for the professionals to find a more standardized and efficient way of working with small clients. And at this point, they also started to realize that a widespread and dominant use of one of the two standards could contribute to efficiency gains. As one respondent said:

Regarding the small companies, one could choose K2 straight across in order to get a flow in it. It might lead to clarity when preparing the accounts and clarity when auditing, and hopefully that could automate certain processes.

Another thing which was also speaking for K2 was the extent of the standards as such. One respondent explained:

It's a pretty small standard that can be learned by heart. There won't be many changes, interpretations, or particular things all the time. Instead, you can learn that this applies, and then we can produce larger volumes when we get a way of working saying that this is how we deal with small companies.

Over time, as the professionals had looked into the new standards in detail, a more positive view of the simplified standard K2 started to emerge amongst them. They found that its high degree of standardization was beneficial for their own work, and from a professional point of view, it is easier to have expert knowledge in a succinct standard like K2. Yet, an extended use of K2 could also lead to efficiency gains since a more uniform work approach would enable the professionals to perform accounting services in a much more efficient way. One of the accounting consultants said:

K2 is intended for the accounting consultants and for the industry in order for us to produce accounting services like in a factory. Everybody will do exactly the same and according to the standard. End of discussion!

And, interestingly enough, over time the professionals gradually started to lean more and more towards recommending most of their small clients to choose K2 when and if possible. While it was not possible for them to consider the efficiency aspect during the interpreting phase as uncertainty undermined the idea of efficiency, the professionals were now able to weigh in on more commercial aspects as their uncertainty had subsided. The scope of the standard, the potential internal efficiency improvements within the accounting firms, and the small clients' low need for accounting information outweighed the fact that accounting in accordance with K2 would lead to less information in the annual accounts. But while the professionals certainly weighed in on the commercial aspects in the form of possible internal efficiency gains for their own part, the professional aspects of accounting quality and accounting information were still serving as cornerstones in their discussions as they were judging the new standards.

### **6.2.2 Judging with a focus on 'how'**

As we have seen, the choice of standard was gradually becoming clearer to the professionals as they judged the standards in detail. But how did they handle their work with the new K-standards during this second phase? Well, as the K-standards were completed and about to become mandatory, there was no longer room for a problematizing approach, that is, it was no longer possible for the professionals to just wait and see. Unlike during the interpreting phase where the respondents were rather open in their discussions as they were trying to grasp the overall concept of the K-standards, they gradually started to handle the new standards in a more

hands-on way. In other words, their discussions went from being quite open and rather problematizing to being more focused. As will be further elaborated on below, the professionals were at this stage focused on *filtrating* amongst their different ideas for how to handle the new standards, *evaluating* the new standards in detail, and *justifying* their recommended choice of standard.

### **Filtration**

As the professionals *filtrated* amongst their different ideas for how to handle their work with the new standards, their sharing of information amongst each other started to increase. Unlike during the interpreting phase, when the respondents were cautiously trying to comprehend the standards on a general level, they now began to focus more on the details of the standards and on the more technical aspects, that is, how to apply them. The collective sharing of information was a way for the professionals to create a common understanding of the new standards within the local offices. In fact, they felt that it is their professional responsibility to do so.

We'll help and support each other.

I feel a big responsibility to make sure that I'm updated and that I know what applies so that I can support my colleagues, both upwards and downwards.

Clearly, the professionals are used to helping and supporting each other within the local offices. As they gradually started to judge the new standards by looking into the details of them, the *filtrating* of ideas on how to handle their work mainly occurred when the professionals were discussing with each other.

I'll probably ask someone in the first place. And then if we come to the conclusion that we don't really know this, well then I'll read some. And then maybe I'll ask around again.

If I know that there's someone who knows this, then I'll ask this person first instead of reading, for better or for worse... That's how I've always done it.

Since the K-standards were to change the previous accounting practices for small limited companies, the extent and complexity of the process meant that it was not only convenient, but in fact also necessary, for the professionals to share their knowledge amongst each other. In this way, the

professionals collectively and continuously filtrated the standards and the different options and ideas on how to handle them. As the professionals are used to this sharing of information, a lot of the filtration occurred spontaneously and informally as well as during organized staff meetings within the different departments.

You need to read, but then we talk a lot.

You get a little moral support when you discuss.

While the filtration of the new standards constantly occurred and recurred during this phase, it was at its most intense when individuals came back from a course and shared the information with their colleagues. Also, managers started to gradually appoint some of the accounting consultants to start transitioning a few of the smallest clients into the simplified standard K2. By starting the transition and by sharing their knowledge on how to implement K2, these accounting consultants became catalysts within the process.

We've appointed one or two so far who are appropriate to start the projects by converting clients. So, they will start testing it on a few clients. And then, they'll be fronting the process and participate in spreading it to the whole office.

Yet, the filtration of the ideas on how to handle the new standards was still very much a collective effort amongst all of the professionals within the offices. As professionals, it was important to reach a shared understanding of the proper way to act before advising clients on the choice of standard in order to ensure that the right choice was being made.

### **Evaluation**

As the professionals were filtrating amongst the different ideas on how to handle the new standards, they also started to *evaluate* the standards in detail. While the filtrating of ideas was handled collectively, the evaluation was instead handled more individually within each assignment team. Again, each client manager is responsible for their own clients, and they have the responsibility to decide on how to advise their clients. This meant that just like when considering the standards during the interpreting phase, each

assignment team had to go through their clients individually and evaluate the standards based on the accounting of each individual client.

We will within each team, accounting consultant and auditor, discuss and agree up on what's best.

Now, as the professionals evaluated the new standards, they were trying to assess how the standards were to affect the previous layout and appearance of each client's annual accounts. As we have seen during the interpreting phase, the professionals were striving for a low deviation between the previous and new standards. And as they were evaluating the K-standards, they found that K2 was the standard which would alter little compared to previous annual accounts. Two of the respondents said:

For the large part of the clientele, the differences will be so incredibly small compared to what's previously been applied.

For the kind of clients that we have, I don't think there are many who will notice that there's a difference.

But even though few of the small companies are using their annual accounts to communicate information to stakeholders, there are examples of small companies who do. Thus, the professionals had to evaluate the standards, as well as provide clients with advice based on each client's individual need. At this point, the professionals also tried to evaluate if using a simplified standard would affect their clients' fees. Again, the profit margins are described as tight when it comes to these smaller clients. However, advising clients to choose the simplified standard K2 might result in them expecting lower fees.

It's argued that it should be simplifying, and then of course if it is simplifying it should get a little easier and a little less expensive if you use K2. So I think that they (the clients) might expect that...

Over time, as the professionals went through the process of evaluating the standards and filtrating different ideas on how to handle them, a shared understanding gradually started to emerge amongst them. As they judged the new standards, they increasingly started to see K2 as the preferred choice of standard for smaller companies if and when possible. Recommending one

standard which would suit the majority of small companies was preferable, as it could contribute to efficiency gains by enabling a more standardized work approach (as has been discussed above). However, the use of one standard also meant that it would be easier for the professionals to provide more homogenous advice to small limited companies as a group. Two of the respondents said:

I talked to XX (one of the auditors) who thinks that we should choose K2 first and foremost and as much as possible. And for those who have to apply K3, we'll choose that.

I think that I'll only use K2. We just talked about this before, and I found that the clients that I work with, they'll choose K2. It feels quite nice actually, because K3 feels more complicated, I think. K2 actually feels like it should be easier.

As the professionals had filtrated amongst the different ideas and evaluated the new standards in detail, K2 gradually became their preferred and main choice of standard. And as the choice of standard was now clear to them, they were clearly relieved as they were now no longer in a state of uncertainty. After going through the process of interpreting and judging the new standards, the choice of standard now seemed quite clear to them.

For the ones which we prepare the annual accounts for, there is no alternative. It is crystal clear that it'll be K2, at least for my clients.

I think that we'll use K2 on most of the clientele.

I realized that this (K2) is actually good... and that it's probably what suits most clients best.

The professionals' perception of the new standards had clearly shifted and changed during the course of the process. One of the respondents said:

I think it's quite peculiar how I now see the choice of K2 as given... It's turned like this (flips the hand over). So the attitude has changed!

However, the choice of recommending K2 was a bit problematic to the professionals since BFN intended K3 to be the main financial accounting standard for small limited companies. The choice of recommending K2 to as many small clients as possible meant that the professionals, contrary to

BFN's intentions, made the simplified standard K2 the main standard for small companies. Yet again, since choosing K2 meant a possibility of switching to K3 if needed, the professionals argued that the simplified standard K2 was intended to serve as a starting point.

K3 is the main accounting standard, and K2 is the simplified option so to speak. Many seem to think that it's the other way around.

K2 is supposed to be the simplified standard, and then one can transition to K3 if necessary. So it feels like its set from the start that K2 is the standard you're supposed to prefer.

### **Justification**

After the professionals had decided on recommending the simplified standard K2 to small companies if and when possible, they felt a need to underpin their choice and *justify* their recommendation. One important aspect which was used by the professionals in order to justify their choice of standard was the small companies' low need for, and interest in, accounting information.

I am convinced that at least 90% of my clients want to make their annual accounts as simple as possible, because they themselves are the only reader of the annual account. They see the annual account as a necessity that must be submitted in order to be registered at the Companies Registration Office, and then they don't care the least about it.

Business administration to them... Accounting is just a necessity! That's nothing they want to be involved in. They just want to do what their business is about, so they're probably not even interested in knowing that there are new standards. They don't care the least! I think that they just want it to be as smooth as possible.

As the time for the implementation of the new standards came closer, it became increasingly clear to the professionals how indifferent the small clients are when it comes to making decisions on accounting matters. And even though the professionals were already set on this, it now became even more apparent.

The clients don't care at all. They don't care what the standard is called!  
We're the accounting professionals – Fix it!

One feels that they don't really care that much about this. It's unfortunate, but...

Obviously, the smaller companies expected the accounting professionals to decide on the choice of standard. Now, the accounting professionals' overall conclusion when judging the new standards was that since K2 was meeting their clients' needs, the standard was considered to be good enough:

My clients are small. I cannot see... No, I feel that it is quite simple. I'll recommend K2 to all of them, mainly because of their size, but also because it will be easier.

It's up to us to decide, and we'll make the choice based on our understanding of the market's needs, and also somewhat based on our own needs. We might feel that it would be good to have these disclosures, but it might not be good enough for someone to be willing to pay for it.

Yet, some of the professionals feared that a general justification of K2 within the field could generate problems and lead to other accounting professionals not weighing all possible effects of converting a client to the standard. The expected efficiency benefits and the desire to avoid having to work with multiple standards simultaneously might lead to professionals in small accounting firms making hasty and automatic decisions regarding the choice of standard. Two of the professionals said:

If one's to fear something, I can imagine that those who are producing the annual accounts are thinking it through for themselves for perhaps one minute. And then it's already quite clear that it doesn't matter if they choose K2. I don't think that there will be any discussion. I don't! It'll probably just result in an annual account... like this. Now we've applied K2 so now it looks like this.

In their world, it's more about making the production easy. They don't think about whether there is something particular in this standard that'll have an effect. They bought a piece of software - K2. Then they're all set!

But one thing which was rather problematic for the professionals when they were trying to justify their choice of standard, was the question of whether K2 really fulfilled the concept of the true and fair view. This was an important and recurring question throughout the process. This issue had been publicly debated and questioned, and it certainly contributed to the professionals' cautiousness during the interpreting phase. Yet, as the professionals judged the standards in detail, their views gradually shifted. Over time, the professionals became increasingly accustomed to the idea of following the standard as being equivalent to fulfilling the true and fair view even though it was obviously not fully consistent with their previous professional values.

The true and fair view now is to follow the rules. So XX (board member of BFN) says anyway...

K2's very rules-based, and very much like do this and that's it. Then you can think what you want about generally accepted accounting principles and true and fair view.

Right or wrong, but generally accepted accounting principles for small companies, that's K2 now as I see it.

Clearly, the prevailing opinions and beliefs regarding the true and fair view shifted and changed over time, as ideas emerged amongst the professionals throughout the course of the process.

In sum, it was a complicated task for the accounting professionals to judge the new standards. While they needed to filtrate amongst several different ideas on how to handle their own work with the new standards, they also needed to evaluate the possible effects of implementing them. While the professionals were driven by their professional values, these values enabled as well as constrained their actions. As professionals, they see it as their responsibility to provide clients with appropriate advice and appropriate solutions. And due to the particular nature of their relationship to small companies, the accounting professionals were expected to decide on the choice of standard for them.

But judging the standards based on professional values was time consuming, as this important decision had to be made on an individual level by the autonomous professionals. Within each assignment team, the professionals

evaluated the possible effects of the new standards on each individual client's annual accounts. As they did so, the aspect of accounting quality was of great importance. Interestingly however, this aspect was not connected to the standard as such, but to their professional values and their technical expertise. In relation to this, the professionals also judged the standards based on the clients' need for accounting information and the possibility of efficiency improvements within the accounting firms. Importantly though, the professional aspects were the main focus in the professionals discussions as they judged the new standards. Over time, as the professionals filtrated the ideas on how to handle the new standards and evaluated the standards in detail in order to find a suitable solution, a shared understanding slowly started to emerge amongst them as a result of the process. Gradually, their uncertainties regarding the appropriate way of acting started to subside. And as the choice of standard was becoming clear to them, they progressively started to market the preferred choice of standard to the small limited companies.

### **6.3 Phase 3: Marketing**

A highly interesting aspect in the empirical material relates to how the uncertainty that the professionals felt during the initial interpreting phase, and which later gradually decreased during the judging phase, seemed to have almost ceased in this latter part of the process. While they later on in the judging phase started to feel that the choice of standard was rather given, they were now feeling rather confident about their choice. After they had interpreted and judged the standards, there were no longer any doubts. In fact, the professionals now felt that the choice of K2 was such a given that it basically had been the obvious alternative all along. After careful consideration, first and foremost based on their professional values, they had now come to the conclusion that K2 was the most suitable standard for the majority of the small limited companies.

To me it's been pretty clear that most companies belong in K2, of the ones that we have here. They belong in K2. There are exceptional cases where they don't.

#### **6.3.1 Marketing with a focus on 'what'**

As the respondents now started to prepare their argumentation, they were mainly focusing on *three* different viewpoints, namely the *suitability* of the

new standard, how the standard was *deviating* from the previous standards, and the difference in *complexity* between the two K-standards.

### **Suitability**

One of the aspects which the professionals were focusing on as they now started to market the new standards in general and K2 in particular was to argue for the *suitability* of the standard. As the professionals were now certain of their choice of standard and how to handle the transition, they were focused on preparing their argumentation for, but also against, the new standards. That is, while they prepared their argumentation for K2 as the most suitable choice, they were also preparing arguments against K3. And interestingly enough, there were examples of professionals trying to fit companies into K2 rather than using K3, even when it would have been justified given the entries in the accounts. One of the auditors explained:

I've got one client who has capitalized costs for research and development which might become a bit tricky. But still, I'll argue that; "Guys, with this stuff you'll have to use K3. It sounds like the plague and torment! Can you possibly consider to get rid of them?" I'll rather try to adjust the company to fit into K2 than to choose K3.

### **Deviation**

The argumentation regarding the new standards' suitability (or unsuitability) was also related to another viewpoint, namely how the new standards were *deviating* from the previous ones. Again, the respondents were during the interpreting phase trying to grasp the overall concept of the K-project by discussing how the new standards were deviating from the previous ones. And, as they evaluated the new standards during the judging phase, they were discussing how these deviations might have an effect on the appearance of the annual accounts. Now, as they had reached the common conclusion that K2 was the standard they were to recommend to as many of the smaller companies as possible, their discussions regarding the new standards deviations were instead focused on how to present the new standard to their clients.

A low deviation in the annual accounts was desired by the accounting professionals. In fact, minor changes in the appearance of the annual accounts were seen as a sign of high suitability. Preferably, clients should

not be affected by or even notice the difference after transitioning to the new standards. Also, from the professionals' point of view, little or no difference in the annual accounts would mean fewer discussions with clients when marketing the new standard.

So, for this kind of client ... there isn't that much to inform about other than that it's a new standard and that we're converting to it now. And they won't notice anything.

The other annual account which I've looked at, there'll be some discrepancies. So, then we'll have to discuss it with the client.

Thus, in case of the new standard causing significant effects on the appearance of the annual accounts, the professionals had to discuss the new standards in detail with their clients. Again, due to the special relationship between the professionals and the small limited companies, the professionals were expected to decide and advise their clients on the best and most suitable choice of standard. Due to this, the professionals felt that it would be somewhat awkward if they were to discuss accounting matters in a more technical sense with these clients. Hence, the professionals wanted to avoid this if possible. One of the professionals explained:

It feels a little... a little awkward because you don't really know how to discuss this with clients. To me it's obvious that you and you and you should choose K2. But I think it's a little difficult to discuss this with clients because they haven't been involved in deciding what the annual accounts look like now, and then to explain that "yes, well you're in a group that will naturally fall into K2 because...". The clients don't understand this, and then you've ended up in discussions that lead you nowhere.

### **Complexity**

While reflecting on the new standards' suitability and deviation, the respondents were also reflecting on the *complexity* of the K- standards. As discussed during the interpreting phase, the respondents were initially problematizing the new standards' complexity versus simplicity as they were trying to grasp the content of the K-standards. At this point, as the professionals were progressively starting to approach their clients regarding the choice of standard, they were now focused on preparing their arguments for why the majority of their clients were to choose K2. As we have seen

from the discussion above, this also involved making arguments against K3. The standard K3 was clearly perceived as being complex.

The previous practice is very close to K2... But it will become more difficult with K3.

K3 feels so complicated! K2 actually feels like it should make things easier.

Again, the professionals knew right from the very start of the process that the small companies expected them to judge the new standards and recommend the best choice. But even though they knew that these clients were to trust in their expertise and advice, it was still important for them as professionals to carefully prepare their arguments before marketing their advice on the choice of standard.

If I were to argue for it (K3), then they would choose it.

If one were to present some fine arguments, then they would accept K3.

As the professionals preferred the simplified standard K2, they wanted as many clients as possible to choose this particular standard. This was partially due to commercial reasons, but also due to professional reasons as it was easier to maintain expert knowledge in a succinct standard like K2. But since a possible improvement of the efficiency within the accounting firms was less likely to have an effect on the smaller clients' fees, the professionals wanted to avoid any expectations of decreasing fees. Hence, the professionals did not want to present K2 as simplifying. Instead, they built their argumentation on K3 being high in complexity.

Then you'll have to present that if we choose K3, then they must be good at forecasting cost and the whole bit with the successive completion method, which we haven't had now. So, that's possible to use as an argument for K2.

Note that the argument against K3 in the quote above is based on the standard being too complex for the client, not for the accounting professionals. Clearly, even though most of the respondents were feeling somewhat anxious about possibly having to apply K3, as professionals, they were careful not to reveal their uncertainty in front of their clients. Instead, they emphasized their professional and technical expertise.

### 6.3.2 Marketing with a focus on 'how'

Apparently, as the accounting professionals gradually began to market the new standards to the small limited companies, it was utterly important for them how and in what way they were presenting the new standards. But how did the professionals manage their work with marketing the choice of standard during this last phase? Well, as it turned out, and as will be further elaborated on below, the professionals were at this stage focused on whether to *proclaim* or to *propose* the standard to their clients.

#### Proclaiming

As the professionals gradually began to market their advice to their clients, how they did so depended on the size of the client. For the smaller clients who outsource their administration, the choice of standard was being *proclaimed* by the professionals, that is, the choice of standard was portrayed as given. As we have seen, small companies generally have neither the knowledge nor the interest in making decisions regarding their accounting practices. One of the respondents said:

The smaller clients, they hire us to take care of everything for them. We get to more or less decide which standard to apply. As long as you get it right and it gets correct! They don't have any opinion on whether they should have K2 or K3, or what that means. They want to know what we think and then we'll decide. It shouldn't be like that, but that's how it is!

The professionals knew that the small companies (which generally outsource their administration to the accounting firms) were not to ask any questions regarding the recommendation on which standard to choose. But even though marketing the choice of standard was more of a formality in relation to this type of clients, the professionals still made sure that these clients gave their formal consent before they converted them to the new standard.

I'll try to explain to them what it means, and then they'll just say "you know what this is about" and then it's decided.

We will present a finished proposal based on what we think.

Most clients have no idea, and they'll just say yes.

Even though it was important for the professionals to make sure that it was their clients who were making the formal decision on the choice of standard, the smallest clients were as we have seen expected to follow their recommendations without questioning it. One of the respondents said:

I won't be choosing for them in such a way that I will just suddenly make changes in their annual accounts. That I won't do. But I will probably say "It's just as well that we choose K2 for this, right".

Two of the accounting consultants who started to transition some of the smallest companies to K2 confirmed that these clients, in accordance with their previous expectations, accepted the proclaimed standard without any discussion.

Well, it was like... Um, it was maybe a bit like... we decided what they were going to have.

It was truly like that! "Well, what do you think? Yeah, ok. If you say K2, we'll choose K2."

### **Proposing**

For the clients who were a bit larger and had some competence and interest in accounting matters, however, the professionals were instead *proposing* the standard by putting forward a recommendation. In contrast with the smallest companies, the proposal was then to be discussed with these larger clients before being formally agreed upon. The largest of the small companies were also expected to be questioning the proposal before approving it, which might be a bit challenging for the professionals. Some of the respondents said:

They'll listen to what we have to say, and then they'll question it a bit. I'll expect them to do that! So there you have the difference between the smaller and the larger companies.

They'll have some thoughts about it, and they'll ask a bit more. So in these cases, we're serving more as advisors.

There are some that are well informed! And it will be exciting to see what they'll come up with. But then it's a bit of fun because they understand this.

Since this category of clients is a bit larger and generally has some competence and interest in accounting issues, it was clear that the accounting professionals needed to discuss the new standards in a more detailed and technical sense and also present both standards. As one of the respondents said:

You have to discuss it with the clients in the middle layer, because I think that's the clients you're supposed to have proper meetings with. I mean, you're supposed to inform everyone of course, but... With them, you really need to sit down.

Regarding the very few clients for whom K3 was considered, the accounting professionals used a template which enabled them to analyse the effects that the standard might have on the annual accounts. By using this template, the respondents were able to analyse the effects of the standard before proposing and discussing the choice with the client. One of the auditors tells about this:

We have something called a template for screening. One can present briefly what the effects will be of a transition... if one chooses K3 then.

Thus, how the professionals were marketing the new standards was highly dependent on the size of the company. The simplified standard K2 was, as we have seen, the professionals' preferred choice of standard which they were recommending to as many clients as possible. And as the professionals gradually began to market the new standards, it was apparent that they were expected to make their recommendation on which standard to choose. Due to the complexity of the process, and because of the special relationship between the professionals and the small limited companies, none of the clients had made the choice of standard on their own. Despite the long process, they had waited for the professionals' advice.

There's no one who makes the choice on their own! No, there's not! And that's not surprising either.

At this point, as the professionals increasingly started to market the new standards, they estimated that the vast majority of their clients were to choose K2 in accordance with their recommendations:

Surely 95% of our clients will choose K2.

I would say that 90-98%... will apply K2.

In sum, while interpreting and judging the new standards was a complicated and onerous task for the professionals, marketing the standards was fairly easy. Once the professionals' uncertainties regarding the appropriate way of acting started to subside as they had interpreted and judged the standards, they were able to market the preferred choice of standard to their clients. As they did so, they were proclaiming K2 to the vast majority of their clients, and the smallest clients accepted their recommendation without any further discussions. For clients who were a bit larger and had some competence and interest in accounting matters, the professionals instead proposed K2. The proposition was then discussed before being accepted.

Either way, it was clear that the accounting professionals had a lot of power in the choice of standard, as their interpretation and judging of the new standards formed the basis for how the standards were marketed to their clients. And since the choice of a standard was a complex matter, all their clients (regardless of size) were waiting for the accounting professionals to give their advice on which standard to choose. Hence, the choice of standard was truly in the hands of the accounting professionals.

#### **6.4 Modelling of the accounting professionals' reactions and actions**

As suggested above (see Section 2.6 and 3.5), studying the accounting professionals from the perspective of institutional logics means emphasizing their actions, that is, how they interpret their realities, how they react and act upon things, and how they establish their practices. Also, it means emphasizing what underlies such actions in the form of logics and how such logics work. One important purpose of this thesis is to generate a micro-oriented and processual modelling of the studied process which may be used in order to describe how accounting professionals influence and shape accounting practices in small limited companies. After having conducted this empirical study of the K-project, my main findings related to the professionals' way of reacting and acting may be summarized as follows:

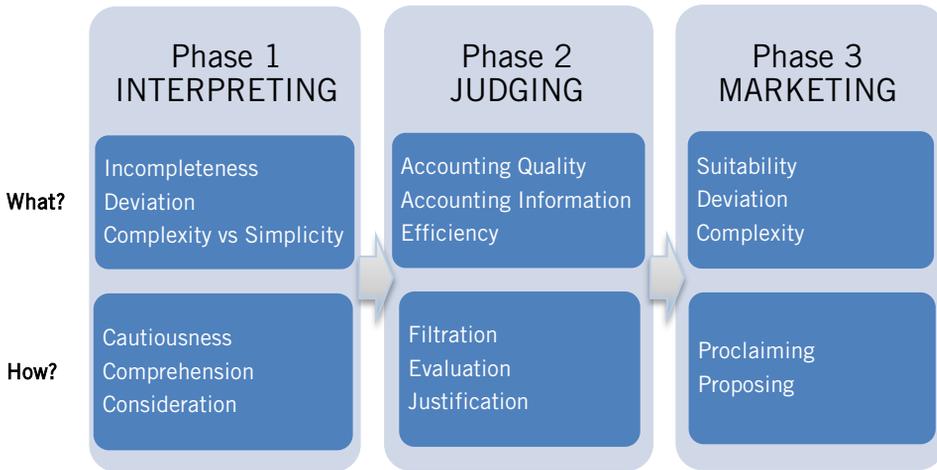


Figure 2 The accounting professionals' reactions and actions

As suggested in Figure 2, the accounting professionals' work with the K-project may be characterized as taking place in three different but overlapping phases. During the initial phase (referred to as 'Interpreting'), the accounting professionals tried to grasp the overall concept of the new standards and gain an understanding of the conditions for transitioning to them. In doing so, the professionals tried to understand how and in what way the new standards were deviating from each other and from the previous standards and the degree of complexity and/or simplicity that they would entail. However, it was a complicated task for the accounting professionals which brought a lot of uncertainty. In their role as professionals, they needed to interpret the content and implications of the new standards before making any recommendations to clients regarding which standard to choose. Being driven by their professional role and their status as experts in relation to small limited companies, their actions were influenced by a logic of professional appropriateness. Hence, they acted with cautiousness as they tried to comprehend and consider the new standards.

As the project evolved, however, the accounting professionals reached a second phase (referred to as 'Judging') in which they started to look into the details of the new standards in order to judge their effect on accounting

quality. During this phase, the professionals also discussed the small limited companies' need for accounting information, as well as how and if the new standards might affect their internal efficiency within the accounting firms. With a main focus on professional aspects, they filtrated amongst the different ideas on how to handle the work with the new standards in relation to their clients, and they evaluated the possible effects of implementing either K2 or K3. And as their uncertainty gradually subsided, they were also weighing the more commercial aspect of efficiency. But as professionals, it was first and foremost important for them to provide clients with trustworthy advice when recommending the choice of standard. And as the preferred choice was becoming increasingly clear to them, they started to justify it.

During the third and last phase (referred to as 'Marketing') the accounting professionals' uncertainty had subsided, and they started to focus on the suitability of the preferred standard – K2. They were building arguments for K2 as it meant a low deviation in the annual accounts compared to previous standards, and against K3 as it was high in complexity. Thereafter, they proclaimed the standard to the smallest companies and proposed it to the larger of the small companies. Importantly however, is that even though the choice of standard seemed rather given once the professionals started to market it, it was based on the views and understandings which emerged over time and as a result of the process.

## 7 Conclusions and contributions

*This chapter is devoted to presenting the conclusions and contributions of this thesis. In the first two sections of the chapter, I will present my conclusions regarding the two empirical research questions of how the accounting professionals influenced and shaped accounting practices in small limited companies during their work with the K-project, and why the accounting professionals reacted and acted the way they did during this process. Thereafter, I will return to the overall research question of how co-existing and potentially conflicting institutional logics enable and constrain accounting professionals in practice and over time and discuss my conclusions in relation to the extant literature. The chapter is concluded by some suggestions for future research.*

### 7.1 Conclusions

Arguably, in studying how accounting professionals, as a form of intermediary between the standard-setter and the clients, dealt with the K-project, I have generated a number of empirical insights related to *how* and *why* the accounting professionals were involved in influencing and shaping the accounting practices of their clients.

Overall, these insights were summarized in Section 6.4, where it was suggested that it may be useful to see the accounting professionals' direct influence on their clients as a form of marketing of solutions (cf. the marketing phase) which is preceded by long processes through which such solutions are constructed (cf. the interpreting and judging phase). And importantly, it was shown that this processual 'pattern' could be understood in terms of accounting professionals reproducing mainly a professional logic as they dealt with the K-project. Below, I will bring out what I see as the main conclusions that can be drawn from the observed empirical pattern and how it has been interpreted in this thesis.

#### 7.1.1 How accounting professionals influence and shape accounting practices

If we start out with the final phase, that is, when the accounting professionals ended up in marketing a particular solution, my findings suggest that making a choice between different standards that affect and alter the existing accounting practices is a complicated task. In order to make such a decision, an in-depth understanding of financial accounting

and its regulations is needed since a number of different aspects must be taken into account. This is an in-depth understanding that small limited companies seem to lack, at least according to the accounting professionals. As a matter of fact, these companies are described by the accounting professionals as being rather uninterested in accounting matters and in what is going on in the accounting field. As a result, small limited companies are generally not able to familiarize themselves with changes in accounting regulations or the effects that such changes might bring about. Consequently, these companies are typically seen as unable to make decisions regarding their accounting practices.

Related to this, my findings suggest that accounting professionals serve as information providers in relation to small limited companies by providing them with information on accounting-related issues. Importantly however, this is not just a matter of forwarding information. Rather, since small limited companies generally lack knowledge and interest in accounting matters, the professionals need to filtrate the information in order to make it general and brief before presenting it to their clients. Accordingly, even though accounting professionals are formally not decision makers, they still influence and shape accounting practices by serving as information providers in relation to small companies.

In light of this, a *first* conclusion is that:

*Accounting professionals influence and shape accounting practices by providing filtrated information to small limited companies.*

As suggested by the reasoning underlying the first conclusion, the relationship between accounting professionals and small companies is characterized by a form of information asymmetry. Since accounting professionals serve as information providers in relation to these companies, they have the ability to decide on which information to provide as well as when to provide it. Also, in filtrating the information before providing it, the accounting professionals also influence and shape the information given.

Importantly however, and as suggested by the concepts developed to describe the third phase of the process (i.e. the marketing phase) the accounting professionals do not only shape the information provided, but

are also deeply involved in shaping the choice between standards. Again, during the process underlying this thesis, that is, the choice between K2 and K3, the accounting firms informed the small companies about the new standards once all standards had been released, which was about two years before the new standards had to be implemented. At that point, the information provided was very general and brief. And even though accounting professionals are formally not decision makers in these companies, it was mutually assumed by them and their clients that they were to advise on the appropriate choice of standard. By informing about the standards, the professionals initiated the upcoming choice. And in a sense, this also gave them control of the process as it became clear to the small companies that expert knowledge was needed in order to make the choice of standard.

Related to this, a *second* conclusion is:

*Accounting professionals influence and shape accounting practices by proposing or proclaiming suitable solutions to their clients.*

As suggested by this second conclusion, accounting professionals are not to be seen as neutral information providers in relation to their clients as they influence and shape the accounting practices of small limited companies by marketing solutions which they find suitable. And depending on the small limited companies' degree of knowledge and interest in accounting matters, accounting professionals market their solutions by either proposing or proclaiming them. That is, if accounting professionals expect a client to pose some questions regarding their suggested solution, they will propose the solution and the client will agree to it after a short discussion. But, if accounting professionals expect no questions, they will simply proclaim the solution and the clients will agree. Consequently, accounting professionals influence accounting practices by marketing a solution which they find suitable.

A final interesting aspect of the marketing phase relates to how seemingly self-evident and neatly packaged a solution may seem once it is final. Again, and as was shown in detail in Chapter 6, the professionals gradually started to market their advice once there were no hesitations or doubts amongst them regarding what was the most suitable choice of standard for small

limited companies. In this case, it was the simplified and rules-based standard K2 which was presented as the suitable solution.

As suggested by the analyses of the empirical material, the professionals wanted a homogeneous solution that would suit small companies with very few exceptions. This is because they wanted to provide clear and consistent advice to these companies as a group, but also, since a dominant use of one standard would lead to internal efficiency gains among the accounting professionals by enabling a more standardized and unified work approach. Thus, instead of marketing several alternative solutions for their clients to choose from and decide upon, they marketed one pre-packaged solution which clients formally approved. In other words, accounting professionals do not bring several possible options to the table for clients to decide upon. Instead, they market one definite solution. In the case of K2 and K3, they did so by presenting arguments for the preferred standard, but also against the alternative standard. The small limited companies then agreed to the pre-packaged solution which was marketed by the accounting professionals, namely the simplified and rules-based standard K2.

Related to this, a *third* conclusion is:

*When advising clients on important decisions regarding their accounting practices, accounting professionals market definite and pre-packaged solutions.*

In fact, my findings suggest that since accounting professionals influence and shape accounting practices by serving as information providers to small limited companies and by marketing solutions which they find suitable, it is of utmost importance that they come up with a definite and pre-packaged solution before marketing it to their clients. Importantly however, the marketing of such solutions is preceded by a long and complex process, during which different ideas and options are evaluated and filtrated in order for the accounting professionals to make their judgments (cf. the judging phase). These judgments cannot be made until they have an overall understanding of the issue as such. In order to gain such an understanding, the professionals interpret and construct several different ideas and possible solutions (cf. the interpreting phase).

Hence, even though the final decision was considered rather given once the professionals started to market K2 as the preferred solution, the choice of standard was based on views and understandings which emerged over time as a result of the process of interpreting and judging the standards. It should be noted though, that this was not a linear process during which one clarity led to the other. Instead, the process of making this choice was more ‘circulatory’ as the professionals’ views and perceptions of the new standards shifted back and forth over time.

In fact, judging the standards in detail, as well as filtrating and evaluating the several different ideas and options for how to handle the work with the new standards, proved to be highly complex. Yet, the phase of judging was preceded by an initial and even longer phase, during which the professionals interpreted the new standards in order to grasp the overall concept of them. The professionals’ discussions during that phase were rather open as they saw various possible options for how to handle the new standards. However, the scale and the complexity of the K-project, in combination with the many uncertainties involved in it, made the professionals very cautious and hesitant. Thus, what appears as clear decisions once the accounting professionals market their advice to their clients, are in fact preceded by long and complex processes, during which decisions emerge over time, behind the scenes, and far out of sight of the accounting professionals’ clients.

This brings us to the *fourth* conclusion of this thesis:

*Decisions on pre-packaged solutions are preceded by long and complex processes among accounting professionals, during which they interpret and judge the various aspects and implications of a decision before marketing their advice.*

As suggested by this fourth conclusion, my findings show that while accounting professionals influence and shape accounting practices in certain ways, the decisions they make prior to marketing their advice are not predetermined or given. Rather, their decisions are preceded by long and complex processes.

In sum, the conclusions of this thesis reveal that accounting professionals influence and shape accounting practices by providing filtrated information,

by proposing or proclaiming suitable solutions to their clients, and by marketing definite and pre-packaged solutions. The conclusions of this thesis also show that accounting professionals go through long and complex processes before marketing their advice to clients.

### **7.1.2 Why accounting professionals react and act the way do**

While the four conclusions presented above regarding *how* accounting professionals influence and shape accounting practices in small limited companies are grounded in the pattern of reactions and actions among accounting professionals in the empirical study, my analyses have also sought to understand *why* this pattern could be observed. Overall, these analyses suggest that an explanation as to *why* accounting professionals react and act the way they do during this type of processes is that:

*Accounting professionals are enabled and constrained by the professional logic.*

While the extant literature has already identified various aspects of what it means to be influenced by a professional logic, it was clear that in the particular case underlying this study, the professional logic was linked to the particular relationship between the accounting professionals and their clients (i.e. the small limited companies). This was a relationship in which being a professional revolved around being an expert, one who acts with certainty and provides well-informed and trustworthy advice.

As suggested in the empirical material, living up to the expectations associated with being such an expert meant that the professionals had to deal with multiple integrated institutional elements. One such important element was related to expert skills. The premise is that since accounting professionals were the ones who had expert skills in the application of accounting standards, laws, and in tax regulations, they were expected to provide their clients with a clear solution regarding the choice of standard. This solution had to be suitable for the particular circumstances of each client, meaning that the professionals had to consider their various settings.

Another important element was related to providing definite solutions. In fact, once the solution was marketed to the client, it had to be final, and it had to be right. Thus, there was no room for the professionals to make any mistakes when making this important decision.

A third important institutional element was related to the perceived need to consider how the new standards would affect the amount and quality of the accounting information. That is, it was clear that when considering the different standards, the accounting professionals tried to defend traditional values associated with financial accounting as an institution, such as providing stakeholders with information that is relevant and reliable.

Taken together, these different elements raised a number of ‘expectations’ on the accounting professionals, expectations which may arguably be used as a way of understanding particular parts and phases of the process under study, such as why they provided filtrated information, proposed and proclaimed suitable solutions, and pre-packaged these solutions before marketing them to clients (cf. the first three conclusions related to the ‘how’-question in Section 7.1.1). For example, when it comes to the providence of filtrated information, the accounting professionals were due to their expertise and the information asymmetry expected to give their clients general and brief information. Filtration then, points to how being an expert is not simply about forwarding information but also about providing information that is processed and tailor-made based on the specifics of each client.

Related to this, the professional logic also allows us to understand why the professionals propose and proclaim their solutions. In fact, and as suggested above, being a professional was not just about being an informant, but also about coming up with normative suggestions as to which choice to make. These suggestions, according to the expert role, were expected to be adjusted to the particular circumstances of each client, and hence, sometimes resulted in proposals and sometimes in proclamations.

Finally, expectations concerning simplicity and clarity of the provided solution and the fact that there was no room for mistakes (as the choice was to some extent irreversible) can be seen as underlying the provision of the pre-packaged solution. The premise is that as an expert, you are not to share with your client all the preparatory work that is and has been going on behind the scenes, but rather provide them with what is needed to make the formal decision.

To some extent, the specifications associated with being an accounting professional may not only be used for understanding particular phases of

the process, but also how they ‘add up’ to the long and complex process of constructing the particular solutions that they marketed to their clients. The premise is that when confronted with a project like the K-project—which in itself was surrounded with a number of uncertainties (see Section 6.1)—and the type of institutional expectations associated with being an accounting expert, it was clear right from the start that there could and would not be any simple or fast solutions. Rather, the complex and elongated interpreting phase can be seen as a direct manifestation of the professionals just trying to come to grips with the new standards in various ways, as they knew that in their role as experts they had to be able to provide a clear, definite, and trustworthy message to their clients. Importantly however, while the interpreting phase was arguably highly important in the sense that it allowed the professionals to construct the standards in a way that would maintain their role as experts (i.e. as individuals who provide clear and trustworthy solutions), this phase could not go on indefinitely. Rather, as the K-project involved a choice between different standards, it was not only about filtrating and packaging so as to be able to provide a clear message on a particular standard, but also about taking a stance between different standards. Hence, moving from interpreting to judging, and from judging to marketing, can be seen from the point of view of individuals reproducing particular expectations associated with being an accounting professional.

Arguably though, the complex and elongated character of the process under study was not only about the accounting professionals trying to maintain their role as experts. Rather, my findings also point to another interesting aspect of the reproduction of a professional logic, namely that even though a particular logic may raise certain expectations, these may be rather general and abstract without providing any clear guidelines for how to act. In fact, in the current case it was clear that the reactions and actions of the professionals were professionally oriented throughout the different phases of the process. However, it was equally clear that the logic provided no clear-cut answers regarding the appropriate way of acting. Thus, while the professional logic clearly enabled and constrained the professionals, it provided no straightforward solutions for how to act.

Related to this, a *second* conclusion is:

*Accounting professionals go through long and complex processes before making important decisions since the effects of institutional logics are not deterministic.*

Again, the professional logic obviously served as an overall guide for the accounting professionals, but the logic was not determining their actions. As suggested above, one important aspect of this relates to the fact that the professional logic is not homogeneous in the sense that it consists of or provides one clear message to the professionals. Rather, this particular logic consists of multiple and integrated elements, which in themselves may be seen as providing guidelines which are to a varying extent unclear. Apart from such potential unclarity in particular elements, there may also be inconsistencies in the messages provided by different elements, thereby creating tensions within the professional logic itself (such as where you feel obliged to provide a clear and definite solution to your clients while the need to consider the consequences of such a solution for the accounting quality prevents you from doing so).

Arguably, taken together, these aspects make the logic indeterminate. In the case of K2 and K3, the absence of a logics-based message from the field level and organizational level further reinforced this indeterminacy, as it meant that the individual professionals rather autonomously had to decide on how to handle the work with the new standards. Thus, being influenced by a single and dominant logic does not necessarily make things easier, as the logic still needs to be interpreted and reinterpreted based on the particular circumstances. In the current case, this could be seen to be the case since even though the professionals were clearly influenced by the professional logic, their views shifted and changed back and forth throughout the process, and the choice of standard was based on views emerging over time.

## **7.2 Contributions**

Taken together, the conclusions presented above suggest a number of contributions to our understanding of how multiple and co-existing institutional logics are present in the practices of accounting professionals, and how the presence of such institutional logics enable and constrain them.

These contributions cover three main areas, namely how to describe institutionally oriented reactions and actions among accounting professionals (see Section 7.2.1), how to understand the type of institutional logics that enable and constrain them (see Section 7.2.2), and how such logics affect the actions of accounting professionals (see Section 7.2.3). The figure below (Figure 3) summarizes these contributions through contrasting my main findings with those in the extant literature.

Key contributions	Previous results	Results in this study
Concepts for describing institutionally oriented reactions and actions among accounting professionals	Concepts developed for describing tactics and strategies for responding to institutional logics.	Processually oriented concepts for describing how accounting professionals react and act based on a particular logic.
Institutional logics and accounting professionals	<p>Accounting professionals face two different institutional logics: the professional logic and the commercial logic.</p> <p>A shift from the professional logic towards the commercial logic, especially among accounting professionals within larger accounting firms.</p> <p>Accounting professionals draw on elements of different logics as from a toolkit depending on what is found applicable.</p>	<p>No evidence of two separate and conflicting logics co-existing among accounting professionals.</p> <p>The professional logic prevails. Commercial aspects are handled in accordance with professional values.</p> <p>The professional logic consists of multiple and integrated elements, but these are not consciously activated. Instead, they are continuously and rather unconsciously interpreted and reinterpreted.</p>

<p>How institutional logics enable and constrain accounting professionals</p>	<p>The important role of the field level and organizational level for defining and redefining institutional logics.</p> <p>Multiple and co-existing institutional logics generate tension and thereby constrain accounting professionals.</p> <p>The characteristics of an organization make it more sensitive to certain logics than to others.</p>	<p>The important role of the individual level. Autonomous professionals interpret and reinterpret an institutional logic without the field level or organizational level defining or redefining it.</p> <p>A single logic may generate tensions within itself and thereby constrain accounting professionals, this even though it is predominant and not in conflict with other logics.</p> <p>The characteristics of the logic as such are of great importance. The professional logic creates inertia as it needs to be continuously interpreted and reinterpreted in order to ensure the proper way of acting.</p>
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Figure 3 Key contributions

### 7.2.1 Concepts describing institutionally oriented reactions and actions

If we start out with the upper part of Figure 3, a first contribution of this thesis relates to the concepts developed to describe how accounting professionals react and act based on a particular institutional logic. Indeed, such concepts have to some extent already been developed in the extant literature. For example, as a response to institutional logics, Pache and Santos (2013a) suggested that individuals and organizations may use different tactics and strategies to *ignore*, *defy*, *resist*, or *comply with* such logics. In a similar manner, it has been suggested that institutional logics may be *incorporated* by individuals and organizations, or that practices may be *altered* as institutional logics are transformed (Lander et al., 2013), or that organizations may develop hybridized practices as a response to institutional complexity (Greenwood et al., 2011). Importantly however,

apart from concepts describing these types of tactics and strategies, the extant literature has not really developed more micro-oriented or processual concepts for describing different types of institutionally oriented reactions and actions.

One important purpose of this thesis has been to generate such *descriptive concepts* so that we may not only grasp the kind of logic(s) that enable and constrain accounting professionals, but also describe in more detail how they react and act in certain ways when guided by particular logics. The concepts developed to this end were described in detail in Chapter 6 (see Figure 2).

When considered separately, many of these concepts are neither new nor particularly surprising given the context of the study. That is, given that the study is about accounting professionals, and given what is already known from the extant literature regarding the role and the function of these professionals, it might seem rather expected that accounting professionals are, for example, *proclaiming* or *proposing* their solution once they are *marketing* it to their clients. And considering that being an accounting professional means expectations of providing clients with trustworthy and suitable advice, it is perhaps not that surprising that the professionals built their arguments for the preferred standards based on its *suitability* and its low *deviation* from the previous standards, or that they built arguments against the alternative standard based on its high *complexity*.

If we also take into account that the empirical study underlying this thesis is about making choices, it is not that surprising that a large and important part of the accounting professionals' work was to *judge* the new standards by *filtrating* amongst different options and ideas for how to handle the new standards and *evaluating* the possible effects of them. And considering that they in their role as accounting professionals were expected to provide their clients with a definite and pre-packaged solution, it is perhaps not that surprising that the professionals *justified* their choice before presenting it to their clients.

Taken together though, these concepts arguably contribute to the literature through 'putting into words' how accounting professionals reacted and acted during the studied process. In a rather detailed and processual way, the concepts show how accounting professionals handle their work 'behind

the scenes' as they filtrate and evaluate the standards based on *accounting quality* and *information*, as well as aspects related to their own *efficiency*. Moreover, the concepts open up the 'black box' of the practices and functioning of accounting professionals, as they reveal how a great part of the accounting professionals work during a process of change is spent on *interpreting* the content and implications of a certain choice. That is, they show how a lot of effort goes into making various *considerations* when trying to understand the changes, even in those areas where they consider themselves and are expected by others to be the experts. Again, the concepts point to how the professionals were feeling very uncertain regarding the appropriate way to act, and they spent a lot of their time on just trying to *comprehend* and *consider* the various options at hand. As the new standards were *incomplete*, it was impossible for the professionals to determine the *complexity/simplicity* of them, and how they *deviated* from each other and from the previous standards. Thus, great uncertainties, in combination with the institutional expectations associated with being an expert, may lead to professionals acting with great *cautiousness*.

In sum, the concepts generated through the empirical study constitute a first contribution in the sense that they may be used to describe reactions and actions among accounting professionals. It should be noted, however, that the contribution lies not so much in the individual concepts as such. Rather, it is when taken together that they provide further processual insights into what it means to act in accordance with particular logics among accounting professionals. In other words, I have managed to describe the nature of the process where institutional logics are at play.

### **7.2.2 Institutional logics and accounting professionals**

Moving on to the middle part of Figure 3, a second contribution of this thesis relates not to the particular concepts developed in order to describe how accounting professionals react and act, but rather to the logics underlying such reactions and actions. Again, the literature on institutional logics generally describe accounting professionals as facing two different logics: the professional logic which brings focus on public interest and technical expertise, and the commercial logic which brings focus on client interest and the increase of internal revenues (see e.g. Greenwood et al., 2011). And according to the literature, any presence of multiple logics might cause conflicting institutional demands (see e.g. Lander et al., 2013) and

generate tensions through ambiguity and contradictions (Owen-Smith & Powell, 2008).

Importantly though, and in line with what has previously been suggested by Carrington et al. (2013), the findings of this thesis show little evidence of these two logics functioning as two higher-order constructs among accounting professionals. Rather, the accounting professionals were strongly influenced by the professional logic, and commercial aspects were handled in accordance with professional values. Thus, this thesis contributes to the literature by showing that when it comes to institutional logics and accounting professionals, the professional logic is predominant and overarching, and the commercial logic does not exist independently of, but is rather subordinated to, and integrated within the professional logic. This is somewhat in line with what has previously been suggested by Spence and Carter (2014) who claimed that accounting professionals are facing different variations of the professional logic (according to them, a technical-professional logic and a commercial-professional logic).

Related to this, the literature on institutional logics is mostly based on the assumption that there has been a shift within the accounting field, from the professional logic to the commercial logic (see e.g. Barrett & Gendron, 2006; Lander et al., 2013; Thornton et al., 2005). This shift is claimed to primarily have occurred among the accounting professionals working in the larger accounting firms (see e.g. Cooper & Robson, 2006; Greenwood & Suddaby, 2006; Suddaby et al., 2009), and even to such extent that the professional logic is now considered to be of secondary importance (Spence & Carter, 2014). Arguably, in using a micro-oriented and processual perspective, the findings of this thesis have revealed that no such shift seemed to have occurred among the accounting professionals under study working in larger accounting firms. In this case, the professional logic was clearly linked to the relationship between the accounting professionals and their clients. Thus, the size of the accounting firm seemed to be of less importance in this case.

The presence of the professional logic was in the case of K2 and K3 particularly clear during the first phase of the process, namely the interpretation phase, during which the professionals felt an overwhelming uncertainty as they tried to form an understanding of the new standards. It was also clearly present during the phases of judging and marketing. The

commercial aspects of the process were consistently handled in the light of professionalism and without compromising professional values. Again, this suggests that commercial aspects are not separated from but integrated as an element within the professional logic. Consequently, and in contrast with the extant literature which commonly suggests that accounting professionals are highly influenced by the commercial logic, the results of this thesis show no evidence of limited professionalism among accounting professionals.

As is also suggested in the middle part of Figure 3, it has been argued within the extant literature that accounting professionals might pick and choose their responses to the professional logic and the commercial logic as from a toolkit depending on the situation and depending on what is found applicable (see Lander et al., 2013; Thornton et al., 2012). Arguably though, such a view builds on the premise that institutional logics are completely visible and knowable to the individual. It also builds on the premise that different elements within a logic might be separated and evaluated separately. Thus, individuals are assumed to be able to assess not only what is applicable in a certain situation but also the consequences of applying different available and alternative logics.

In contrast, the results of this thesis suggest that institutional logics are not completely visible and knowable to the individual professional. The different elements of a logic are not easily separated and assessed and should therefore not be seen as something which is consciously activated. As individuals are not always able to assess what is applicable in a certain situation, they are consequently not able to distinguish the various alternatives or assess their consequences. Instead, the findings of this thesis show that among accounting professionals, the professional logic is continuously and unconsciously interpreted and reinterpreted as the professionals balance their role, their relationship to clients, aspects of accounting quality, and their internal efficiency.

### **7.2.3 How institutional logics enable and constrain accounting professionals**

Moving on to the lower part of Figure 3, a third contribution of this thesis relates to the way in which institutional logics enable and constrain accounting professionals. The extant literature is mostly based on the assumption that logics affect individuals in a downward direction, and the

field level and organizational level are claimed to be of great importance. For example, professional associations at the field level are suggested to define and redefine institutional logics, thereby establishing the role of the accounting professionals as well as the proper way for them to be organized (Greenwood et al., 2002). At an organizational level, accounting firms are suggested to affect the ways in which their employees respond to different logics by accentuating one or the other of the professional logic and the commercial logic when setting up organizational parameters (Gendron, 2002). Also, the literature provides somewhat different images of how logics—at different levels—affect the individual professional. That is, while logics are described as overarching guidelines for social behaviour (Greenwood & Suddaby, 2006; Meyer & Höllerer, 2014), logics are described as guiding but also constraining actors (Thornton & Ocasio, 1999) by challenging the values and beliefs which are considered to be appropriate.

Arguably, this thesis contributes to the literature by showing that the professional logic was highly influential on the individuals, even though the logic was not defined at the field level or the organizational level. Importantly, however, in using a micro-oriented perspective, the findings of this thesis reveal that the professional logic did not provide the individuals with clear-cut answers for how to react or act. Rather, it was a case of the individual professional making continuous and rather open-ended interpretations of the professional logic, without the field or the organizational level first defining the logic.

Related to this, another topic within the extant literature relates to how the co-existence of the professional and commercial logic generates tensions and thereby constrain accounting professionals (see e.g. Greenwood et al., 2011; Malsch & Gendron, 2013). Multiple and co-existing institutional logics are said to generate tensions through their diversity (see e.g. Owen-Smith & Powell, 2008), and such tension can be difficult for actors to handle. For example, co-existing logics are said to cause ambiguity among actors regarding the proper application of practices (Lounsbury, 2008).

Again, the findings of this thesis show little evidence of two separate conflicting institutional logics co-existing among accounting professionals. Despite this though, I find plenty of evidence of tensions and inertia in the accounting professionals' work during the studied process. This is

particularly interesting as it suggests the possibility of an institutional logic generating tensions within itself. In the case of K2 and K3, the accounting professionals needed to consider various albeit professional elements in order to balance their own role. This in itself generated tensions. And importantly, such tensions can constrain professionals even when a logic is predominant and not in conflict with other logics.

### **7.3 Suggestions for the future**

Arguably, while the results of this thesis have added important insights to the literature, more research is needed on institutional logics and accounting professionals. One area worthy of further research relates to the micro-oriented descriptive concepts developed in this thesis. While these concepts portray the logic(s) at play and describe in processual terms how the professionals react and act when guided by particular logics, it remains to be seen whether these concepts are also useful in other contexts and under other conditions. That is, it remains to be seen whether the concepts developed through this study were tied to the specific context and the specific circumstances during the K-project, or if they might prove useful when studying accounting professionals in their daily work and/or during other types of processes.

Moreover, while the current thesis has also contributed to the literature by revealing that the professional logic prevails among the accounting professionals and by showing that the professional logic consists of multiple and integrated elements which are not consciously activated, more research is needed regarding this, mainly for two reasons. First, the professional logic was not easily separated and assessed by the individuals in the particular case underlying this study, and hence, it was not possible for them to consciously activate the logic. However, this does not exclude the possibility of other types of logics being consciously activated in other contexts and under other circumstances. Importantly though, and as has been shown through this study, the literature's previous assumption of logics as being consciously activated as from a toolkit depending on what is found applicable must be regarded as a highly simplistic view of logics. Second, further research is also needed on the professional logic as such, as this could shed more light on this multifaceted logic's different elements and the ways in which these are integrated.

Furthermore, this thesis has also contributed to the literature by showing the importance of the individual level, pointing to the fact that a lack of 'institutional guidance' from the field and organizational level does not necessarily mean that logics are absent at a micro level. In other words, this thesis has shown that logics might be highly influential at the individual level even though they are not vertically enforced in a downwards direction. Based on this notion, further research could contribute through micro-oriented studies of professionals at the individual level in different types of contexts.

Last but not least, by revealing how accounting professionals work behind the scenes, this thesis has continued to open up the 'black box' of the practices and functioning of accounting professionals. And while these results have shown that the end product delivered by the professionals provides a rather shallow understanding of the ways in which institutional logics might enable and constrain them, and that opening up the box provides a completely different understanding of their reactions and actions, more research is needed on the work accounting professionals perform out of the sight of their clients. Importantly though, this implies a processual perspective as institutional logics are not only present and handled at certain specific time points, and since views and perceptions emerge over time.

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# Appendix A

## Interview guide 1

- What is your opinion of the K-project in general? (The need for new standards, categories, the development process, etc.)
- What type of information have you received (locally) from BFN regarding the project? ('Balans', newsletters, lectures, office meetings, etc.)
- Have you followed the development process? What is your opinion of the process as such? (Point in time, length of the process, referrals etc.)
- What is your opinion of the way in which BFN works? (In general, not only the K-project.)
- Do you think that BFN has been responsive to the industry when developing the new standards?
- What is your opinion of the K2 standard? (Pros, cons, rules-based, simplified etc.)
- Have any of your clients implemented K2 already? Why? Why not?
- What is your opinion of the K3 standard? (Pros, cons, principles-based, extent etc.)
- Which one of the two standards would you choose if you were to choose freely and it did not matter to your clients? Why?
- What is your job function and what type of clients do you have? (Auditing, accounting, consulting, small companies, large enterprises, etc.)
- How do you perceive your professional role as an advisor in this process? (Relation to clients, trust, type of assignment, etc.)
- In what ways have you informed your clients about the new standards? (Oral, meeting, written information, invitation to seminar, etc.)
- What is your advice to clients regarding the choice of standard? Why?
- Do you have a common approach within the firm regarding how to handle the choice between K2 and K3? If so, how did this come about? (Centrally, office manager, locally, within the teams, etc.)

- Do you feel that you all agree on the common approach (locally), or are there any individual/divergent opinions? (Does everyone follow the common approach?) Any examples?
- Have your clients been interested in the new standards?
- In what ways have your clients reacted to the new standards? Pros and cons from their point of view?
- Do you think your clients will follow your advice regarding the choice of standard? Why? Why not?
- How do you think your clients will perceive the transition to the new standards? (Possible effects etc.)

# Appendix B

## Interview guide 2

- What is your opinion of the K-project in general? (The need for new standards, categories, the development process, etc.)
- What is your opinion of the way in which BFN works? (In general, and regarding the K-project.)
- What kind of image would you say BFN has conveyed when it comes to K2? And K3?
- What is your opinion of the K2 standard? (Pros, cons, rules-based, simplified etc.)
- What is your opinion of the K3 standard? (Pros, cons, principles-based, extent etc.)
- Which one of the two standards would you choose if you were to choose freely and it did not matter to your clients? Why?
- How do you think your clients perceive your role and the services that you provide? (Expert role, one step ahead, middle hand, educator, etc.) Can you give any examples?
- How do you perceive your professional role and function? (In relation to clients, in relation to colleagues, etc.) Can you give any examples?
- I know a bit about how the process has evolved so far from previous interviews. In what ways have your work continued during the fall? Who has pursued the issue? Why? (Central directives, local directives, auditors, accounting consultants, courses, dissemination of information, etc.)
- In what ways have you informed your clients about the new standards? (Oral, meeting, written information, invitation to seminar, etc.)
- What is your advice to clients regarding the choice of standard? Why?
- How and in what ways have you discussed the transition to the new standards during the fall? (Centrally, locally, in office meetings, during coffee breaks, during conversations etc.)
- There were some explanations in previous interviews as to why you waited to implement K2, but what would you say is the reason as to why you (as a group) did not implement K2 earlier? And your personal reasons? (Simplicity, time pressure, change fatigue, inertia, etc.)

- Are there things that could have been handled differently in this process in order to facilitate your work with the new standards? (Internal courses, more time to read, central directives etc.)
- I know that you were hosting information seminars for your clients last fall. How have your clients reacted on the new standards? Are they interested? Have the new standards meant any advantages/disadvantages, difficulties/opportunities for them?
- I know that you have just started the transition to the new standards. The clients who have already made the choice of standard, how did they make this choice? Have they made an active choice? Have they chosen to wait? (Trust, responsibility, knowledge, interest, etc.)
- What has determined the choice of standard?

# Appendix C

## Interview guide 3 (respondents with managerial responsibilities)

- What is your opinion of the K-project in general? (The need for new standards, categories, the development process, etc.)
- What are the advantages/disadvantages of K2 and K3 in your opinion?
- In what ways have you informed your clients about the new standards? (Oral, meeting, written information, invitation to seminar, etc.) Strategies? Competitors (large firms and small firms)?
- Do you have a common approach within the firm (centrally) regarding how to handle the choice between K2 and K3? If so, how did this come about? (Centrally, in agreement with other local offices etc.)
- Do you have a common approach within the office (locally) regarding how to handle the choice between K2 and K3? If so, how did this come about? (Locally, managers within the office, within the teams, etc.)
- Do you feel that you all agree on the common approach (locally), or are there any individual/divergent opinions? (Does everyone follow the common approach?) Any examples?
- How do you think your clients will go about making the choice of the standard? Differences depending on the client? What might affect their choice?
- How do you think your clients will perceive the transition to the new standards? (Possible effects etc.)
- Do you have employees who have already applied K2? Why/why not?
- In what ways have the employees been given information/education regarding the new standards? (Courses, internal education, individual reading, etc.)
- What is your view on your role in this process? (Relation to clients, trust, type of assignment, etc.) Competitors?
- Have your clients been interested in the new standards?
- In what ways have your clients reacted to the new standards? Pros and cons from their point of view?

# Appendix D

## Interview guide 4

- In what ways have your work regarding K2 and K3 progressed since 2013?
- Have your clients identified any problems/possibilities or pros/cons regarding the new standards?
- Have your clients had any complaints regarding the new standards? Why? What was that like?
- Have your clients followed your advice regarding the choice of standard? Why? Why not? Any examples?
- What is your role when it comes to 'teaching' clients about accounting?
- To what degree are your clients interested in changes the accounting area such as K2 and K3? Do they have their own opinions regarding accounting issues? If so, regarding what type of issues? Any examples?
- What is your view of clients' knowledge of accounting issues in general, and of K2 and K3 more specifically? What do clients primarily need help with? Can you give examples of what clients usually learn over time?
- To what degree are your clients depending on your services? How dependent are they of you as an individual? What is your take on that? In what ways have your relationship with clients evolved over time?
- In what ways do you share knowledge and experiences amongst yourselves within the office? What are the benefits of doing so? Is it important as you see it? Why or why not? Are there examples of individuals not sharing?
- Are there specific individuals within the firm that have served as driving forces in the transition to K2 and K3? Why these individuals? Have the same individuals been driving forces in other change processes which have occurred over time?
- Is the organizational affiliation (i.e. what firm you work for) of any significance? For you? For your colleagues? Do you think that it might differ depending on which local office you work at? Any examples?
- How important is quality in your profession? For you? Within the firm? Do you ever feel that your image of quality does not match

the firm's image? Any examples? What is quality for you in your profession?

- How important is work efficiency? For you? Within the office? Within the firm? What is efficiency for you in your profession? How do you work to ensure profitability?
- What is your view of your authorization? What does it mean to you?
- Do you think others listen more to you because you are authorized? Colleagues? Clients?
- Are you satisfied with your choice of profession? What do you think are the pros and cons of your profession?
- How important is it to have integrity in your profession? In what situations? Any examples? Do you think that it has shifted or changed over time?
- How important is it to have a high level of knowledge in your profession? Are there any other aspects that are important? Do you think that it has changed over time?



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