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Does greater user representation lead to more user focused standards? An empirical investigation of IASB’s approach to standard setting

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Abstract

The International Accounting Standards Board (IASB) has faced calls to act in the interest of users of financial statements given the perception of the greater influence exerted by preparers and professional accounting firm stakeholders. In response, the IASB has, over more than a decade, sought to increase user centricity, adapting its people and processes to more fully engage the views of users. We report on our empirical analysis from the standard setter’s perspective of user engagement which is a research objective not documented in the prior literature. Our results draw on interviews conducted with 31 IASB representatives, comprised of 26 staff and 5 Board members representing approximately 60% of IASB’s non-support staff as well as publically available archival data. We deploy the Griffiths (1960) citizenship participation framework in reporting on the procedural rigor directed at user utility, to assess IASB’s attempt to enhance its perceived relevance (existential enhancement) as a standard setting body. We explain how a “clash” between new user centric practices and the extant practices led to challenges for the IASB in factoring the views of, and acting in the interest of users, as demanded by regulatory authorities. We discuss some of the tensions this has made evident in IASB’s objective to function as an effective standard setter. Conceptually, our paper clarifies how more embedded representation modes per Griffith (1960) elicited greater user feedback, but that tensions arose in relation to the IASB’s broader objectives to more directly serve users’ interests. Functionally, we offer a more nuanced appreciation for why the IASB might not unilaterally seek to be “user-focused” in the interests of both users and other stakeholders, and in doing so, serve the longer term objectives of accounting standard setting.
Does greater user representation lead to more user focused standards? An empirical investigation of IASB’s approach to standard setting

Introduction

“The International Financial Reporting Standards (IFRS) Foundation’s role in governing global accounting... has been severely criticized by MEPs, for poor governance structures, a lack of transparency and its “close links to the accounting industry”. "1

The Telegraph, 15 March 2014

The International Financial Reporting Standards (IFRS) organization’s mandate as the global accounting standard setter through its standard setting arm, the International Accounting Standards Board (IASB), has faced scrutiny over the past 15 years over its primary focus on preparers (companies) and professional firms rather than on the users of accounting information. European Union representatives and UK members of parliament have raised the specter of cutting funding to the Foundation:

"The release of these EU funding streams will therefore only be forthcoming upon sufficient reform to prevent conflicts of interest, which will bring about much-needed trust and scrutiny on how these highly influential public bodies operate."

Sharon Bowles MP, Chair, European Economic Affairs Committee

Accounting standard setting bodies seek to advance accounting standards to guide the preparation of financial statements in order to aid users to make decisions (Brown, 1981; Hussein and Ketz, 1991; Johnson and Solomons, 1984; Sundem, 2002; Sutton, 1984, Whittington, 2008). However, researchers have shown concern that there exists scope for standard setting to favor preparers and professional accounting firms, over users of financial statements (analysts and investors) (Botzem and Quack, 2009; Camfferman and Zeff, 2007; Wallace, 1990) and evidence exists that users of accounting information traditionally engage with standard setters to a much lesser degree than preparers of accounting information (Harding and McKinnon, 1997; Carrington, 1973; Rahman, 1991; Durocher et al. 2007). Given recent research evidencing the presence of internal lobbying within the IASB and its impact on standard setting processes (Dye and Sunder, 2001; Jorissen et al., 2013; Morley, 2016; Pelger, 2016), we seek to better understand how the IASB seeks feedback from users, and to balance this against the needs of preparers and the accounting profession. A specific challenge faces standard setting bodies. How might they extract sufficient representation from user groups (given that they exist primarily to furnish information for this group) when they currently receive little or nil feedback.

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1 Member of the European Parliament (MEP)
2 http://www.telegraph.co.uk/journalists/louise-armitstead/10700745/IFRS-could-be-stripped-of-accountancy-watchdog-role.html
3 ibid
from them in the standard setting process? Further, the IASB is a private standard setter functioning as a subsidiary of the IFRS foundation (Pelger and Spiel, 2017), and funded from a variety of sources both public and private. How it deals with users of standards while being influenced by a complex array of funding channels beyond users is crucial. This issue is central to the existence of the IASB, and speaks to the very relevance of standard setters (Bushman and Piotroski, 2006; Madsen, 2011; Sunder, 2010; Young, 2006; Waterhouse, 1982) amidst external questioning of the IASB’s raison d’être.

Existing research has considered the users perspective by conceptually and empirically assessing user antecedent motivations for engaging or not engaging in standard setting (Durocher, et al. 2007; Pelger and Spiel, 2017; Young 2006). Other studies have investigated their internal processes (Fogarty, 1993; Morley, 2016) surrounding the relevance of standard setting for international harmonization and their implications for users (Chua and Taylor, 2008; Zeff, 2012; Botzem and Dobusch, 2012), how users scope and concerns are simplified by standard setters in order to facilitate standard setting as an activity (Cortese et al. , 2010; Young, 2006), and finally, how the requirements of standard setters in domains outside the IASB (e.g. American FASB) affect the user focus applied by the IASB (Leung and Verriest, 2015; Franzen and Weißenberger, 2015).

We offer an empirical analysis from the reverse, being the standard setter perspective of user engagement, currently less documented in the literatures. We conducted a study of the workings of IASB technical staff and Board members, interviewing approximately 60% of their staff across all levels of the IASB (excluding support staff). We supplemented these interviews with archival evidence sourced from the 2010-2016 IFRS Foundation annual reports (summarized in Appendix A), and other publically sourced information relating to IFRS Foundation funding sources, and Board member professional backgrounds. Using the Griffiths (1960) citizenship participation framework for charting user engagement, we first analyze how the IASB invested into user centric practices by enhancing its user outreach efforts (procedural rigor), emphasizing user relevance in their internal standard setting deliberations (user utility) while engaging in strategic hires to externally communicate its relevance as a standard setter (existential enhancement). Per the Griffiths (1960) citizenship representation model, we show how descriptive representations (individual users), and ascriptive representations (representatives from user groups) characterize the IASB’s pursuit for procedural rigor, while symbolic representations (IASB staff and Board members attempting to cognize the needs of users) characterize the focus on user utility. Finally, existential enhancement is evidenced predominantly through the representation of interests style, driven by more user centric hires at the most senior levels of management within the firm. However, this does not necessarily mean the recruitment of users themselves. Instead, key individuals who have simultaneously acted as or on behalf of users, preparers and the accounting profession are selected, in contrast to what were previously preparers and/or members of the accounting profession alone. In theorizing the above explanations, we mobilize archival data evidencing the IASB’s focus gravitating towards a professional accounting firm and preparer focus, especially post the 2008 Lehmann Brothers collapse, and we link this to the broader accountability claims of regulatory stakeholders. The move towards individuals from a wider range of organizations influencing the Board between 2010-2015 speaks in favor of a stronger user perspective while calling into question frequent discussions in the literature referring to the preparer-user divide. To this end, we attempt to cognize the user and preparer/professional firm divide in a more sophisticated fashion, by
revealing the full spectrum of Board member backgrounds in the IASB from 2001-2016 (Table 3). This reveals a more nuanced view of the emphasis of the Board – highlighting the reduction in emphasis on members from professional accounting firms and the stabilization of preparer members, but a growth in members with past regulatory experience. This might not directly favor users in a traditional sense (investors and analysts), but exerts a more user centric view than might be the case if preparers and professional firms alone dominated the Board. While our qualitative evidence speaks to the IASB’s efforts to diversify its outreach to capture the views of users through internal measures and external outreach efforts, our archival evidence paints how they have sought to do so in ways that might uphold their technical proficiency while maintaining user relevance in ways other than populating the IASB with users.

We proceed to explain how these attempts to become more user centric through deeper user representation did not guarantee the incorporation of user oriented standards by citing three theoretical tensions limiting the wholesale incorporation of the user viewpoint brought about by the higher levels of user representation (Camfferman and Zeff, 2007), which have not been outlined in accounting research to date. The first tension is “requesting user feedback vs. resisting influence”, where the IASB sought user feedback, actively stressing their importance, but were at pains not to be perceived as guaranteeing the incorporation of a user perspective, as it could not be seen to be biasing any one stakeholder – though its intention was to better incorporate the user view. The second tension is “uninformed user demands vs. paternalistic resistance”, where the IASB claimed to, at times, protect users from themselves, in that users did not completely appreciate the consequences of their requests to the standard setter, and that acting in the interest of the user occasionally required decisions appearing contrary to user expectations. The third tension is “user interest vs. public interest”, where regulators coercing the IASB often cite the term “public” in their characterization of the IASB’s influence, while the IASB specifically creates standards to satisfy “user” interests, a band encompassing analysts and investors, and which is therefore narrower than the “public” interest. These tensions have not been analysed from the standard setter’s viewpoint, in prior accounting research.

We contribute to extant literatures as follows. First, our empirical evidence builds on the concerns identified by Young (2006), Camfferman and Zeff (2007), and Botzem and Quack (2009), but offers a view from the standard setter’s perspective, using the Griffiths (1960) representation model to characterize the challenges to being user centric, and the modes of representation adopted to overcome this challenge.

Second, we explain how it is that accounting standard setters (IASB) seek to incorporate the views of users, clarifying the more nuanced way in which standard setters have to reflect on user’s perceptions of their legitimacy (Durocher, et al 2007), while attempting to apply their “trade” as standard setters. This explanation has not been put forward in prior research.

Third, Durocher et al. (2007) developed an explanatory theory for understanding the absence of participation of users in the standard setting process adopted by the AcSB (The Canadian Accounting Standards Board). They developed and empirically tested a model of users’ participation based on Canadian users of financial statements. Durocher et al. (2007) suggest that:

“...users participation in the standard setting process is driven by their perceptions of its characteristics. For this study, we... (were) basing our model on user perceptions at a specific
We question one such taken for granted consideration – that greater user representation unambiguously leads to greater user focused standards. Our three tensions identified provide plausible rationales outside of preparer and professional firm bias for clarifying why user preferences may not be incorporated into the standards developed.

Finally, we advance the Griffiths (1960) representation framework itself, clarifying how in an accounting standards setting context, *descriptive representations* and *ascriptive representations* are first used by institutions (IFRS/IASB) prior to the more embedded *symbolic representations* and *representation of interests* representation modes. The ordering of the representation modes sequential ordering of the different representations was not put forward by Griffiths (1960), and are explained by our findings in relation to governance by accounting regulators.

The remainder of the paper is structured as follows. We first explain our rationale for assuming the absence of a user centric approach, as has been widely acknowledged in research to date. We subsequently explain the Griffiths (1960) senses of representation framework and its relevance to capturing user engagement in the IASB, to explain how the IASB has progressed in its seeking of user representation. We then describe IFRS, and its association to the IASB. Following this is a description of our research method. In our findings and discussion section, we explain the greater user representation sought by the IASB, and link them to the pursuit for “procedural rigor”, “user utility” and “existential enhancement”. We then discuss the three tensions that arise, diminishing the link between greater user engagement and the development of user centric standards. We finish with our conclusions and suggestions for future research.

*Standard setters and the “user” centric approach*

In response to coercive external pressures, and the plausible intention to construct user relevant standards, accounting standard setters have long lamented the lack of user participation in the standard setting process. Carrington (1973) included as part of his critique of the accounting process, a lack of involvement of users in accounting standard setting. Who are accounting users? The IFRS Foundation define principal users of general purpose financial accounting as “*existing and potential investors, lenders and other creditors*” (OB2, IASB 2010). This is a tighter definition of user than that advanced by Harding and McKinnon (1997), who define users of accounting information as investment analysts, shareholders creditors, employees, regulatory agencies, consumers and special interest groups. They specifically acknowledge the lack of representation offered by this group to standard setting:

> “While users are directly affected by accounting standards, they have little direct representation in their formulation. Consequently, there have been continued calls over the years for greater user involvement in the standard-setting process” p.55.

Indeed, Young (2006) citing Spiller (1964), and Pelger (2016) suggest that little effort is expended on genuinely interacting with users in standard setting, leading to a broader questioning of the usefulness of accounting practice itself. Studies have sought to understand why users might not interact as actively with standard setters, and what standards setters might
do to gauge their interest. We contribute to this stream of research by advancing subtler rationales for a holistic and strong user-centric approach adopted by the IASB.

Senses of Representation and the IASB

The senses of representation framework (Griffiths, 1960) theoretically defines alternative ways by which a large group of constituents can have their views represented by individuals (Fagence, 1977). The framework has its’ roots in construction and development social science, with a focus on the citizenship participation literatures (Pitkin, 1967; Niskanen, 1971; Fiedler et al. 1971). These studies were originally conducted to better understand how political systems sought participation from constituents, and the different types of representation that might carry that participation. Four senses of representation are provided by Griffiths (1960). These include the *descriptive, ascriptive, symbolic and representation of interests* representations.

The *descriptive* representation mode can be related to a sample or specimen of a group being given an active voice within a system. Here, an individual completely represents others by first, being one of them, and is then selected to be transposed into an environment where their voice as an outsider in an organization, ensuring the interests of the broader group are guarded and at the very least heard by decision makers. It is important that in this setting, the individual is not the decision maker, but an external contributory sharing highly aligned (if not congruent) characteristics with a target group, who is afforded a voice in a forum normally not accessed by that group (Mansbridge, 1999). This form of representation is not necessarily ideal, with normative theorists such as Pennock (1979) elegantly arguing that “No one would argue that morons should be represented by morons”!

Ascriptive representation exists when the target group is bound by the decisions taken on its behalf by a subject matter expert who acts as an adviser/advocate. A simple example provided by Fagence (1977) in explaining the “ascriptive” mode is that of a lawyer acting on behalf of a client, in a courtroom as spokesperson. It is also possible that ascriptive representative bears greater access to target institutions by virtue of their organization and collective influence (Carpini et al. 2004). The client (target group) is bound by the actions of the lawyer, who acts in the strongest possible terms as advocates for this group. A representative of a professional body who deals with the IASB on behalf of a group of stakeholders (analysts/investors/accountants) can be regarded an ascriptive representative.

Symbolic representation exists when an individual does not necessarily live, experiences or shares in the actual community of the target group, but commits to have that group in mind when making a decision (Fagence, 1977). Here, the individual might be a knowledge expert in that target group, or has engaged in efforts to better understand the values of the group, but is not actually a member of that group (Griffiths, 1960). The key difference between the symbolic and ascriptive modes is that the target group is further removed from the representative in the “symbolic” mode than in the “ascriptive” mode. The decision making body might select any individual to imagine the concerns of the target group in the “symbolic” mode, while the target group typically selects the representative in the “ascriptive” mode. This mode of representation is often considered as being less representative than the descriptive mode, though it is often more
rational and logical in its orientation, owing to a weaker attachment to the target group (not actually one of “them”) (Pitkin, 1967).

Finally, the “representation of interests” form of representation is arguably considered the most embedded from a decision making perspective. Here, a general representative of the client has senior and internal direct decision making capability surrounding the welfare of the client. By and large, this representative will advocate for the client, and on a wide range of matters for which they might not be experts. Fagence (1977) describes this form of representation by linking it to the idea of a member of parliament representing her constituents. Here, the member might act in many areas of interest to her constituents, but might also hold personal views or areas of interest which may be outside the sphere of concern of the community for which the candidate represents (Carpini, et al. 2004). A fundamental difference between this mode and the others is the senior decision making capability of the representative, and their existence within the system. The first three representation systems (Descriptive, Symbolic, Ascriptive) are related to but ultimately external to the decision making process.

Representatives can therefore be one of four types; an individual outsider selected from the community itself (descriptive), an expert advocating for that community on their request (ascriptive), an individuals in a firm or an outsider who attempts to think deeply about the community’s concerns (symbolic) whether in that community or not, or a senior internal decision maker in the process who comes from the community and shares in their concerns, and will generally decision make in their favor internally within the organizational system but also decision make on a broader range of issues than what they were put in place for (e.g. an IASB Board Member with a user background).

The IFRS Foundation and the IASB

The IFRS Foundation “is an independent, not-for profit organization working in the public interest” whose “mission is to develop a single set of high quality, understandable, enforceable and globally accepted” set of accounting standards (IFRS Foundation 2015a). In essence, the IFRS Foundation provides organizational support for the IASB. Already evidencing the membership of numerous countries, it is rapidly growing its membership, with nearly 120 countries requiring or permitting the use of IFRSs (IFRS Foundation 2015b).

The IASB is the “independent standard-setting body” which sits within the IFRS Foundation (IFRS Foundation 2015a). It acts as a key policy maker, identifying accounting standards that are adopted within a majority of countries. To this extent, it conducts a strong consultative process in developing these standards, owing to the very broad community of preparers, professional firms and users that it ultimately affects.

The formal process conducted by the IASB in generating a standard is publically available, but we briefly summarize the process as follows: The IASB initially conducts research around a topic of interest who standard setters might request clarification on. If there is scope for a possible future standard, a discussion paper is drafted and released to the public for consultation. Comments are sought, reviewed and collated, and a proposal is made incorporating these

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4 See for example the Who we are and what we do (IFRS Foundation 2015b).
comments to the extent possible for the generation of an exposure draft. Upon being approved by the Board, the exposure draft is released and comments are sought. Having incorporated and debated the feedback from all responding parties, the standard is published. Finally, a post-implementation review is conducted to assess the implementation of the standard in member jurisdictions, with any uptake issues addressed by the review team.

The senses of representation framework is a plausible theoretical lens to study the adoption of these standards, as its’ antecedent conditions relate to our investigation of the IASB’s pursuit of users representation. First, the IASB adopts multiple approaches to seek user involvement, and this aligns to the frameworks assumption of multiple representations. Also, the citizenship planning origins of the framework (Griffiths, 1960; Sanoff, 2000) assumes that the community stakeholder has significant influence on the decision maker (governmental planning bodies), but for whom a majority sought no engagement till a building was constructed and noticed, by which time no remedy was possible. Similarly, accounting standard setters, as policy makers, exist for users. If users see less or no relevance in accounting information, and do not engage in the standard setting process, accounting standard setters might create standards that dissatisfy users, which then creates greater disillusionment, leading to a possible (though unlikely) scenario that accounting ceases to exist (Young, 2006; 2003) or that companies cease adopting IASB standards. This risk is particularly greater for the IASB than nation specific standard setters, as the very relevance of the IASB as a body able to factor the cross-national opinions of a varied range of users has been called into question (Burlaud and Colasse, 2011, Zeff, 2012). Further, the enforcement of its legal obligations only occurs through member bodies at a national level. This reduces the direct threat arising from non-compliance with IASB standards. The IASB thus has even greater incentive to deploy a wide net to seek representation however feasible, to produce standards relevant to users. Overall, we see strong alignment between the Griffiths (1960) representation framework and the regulatory standard setting context we investigated.

Research Method

The study was conducted using an in-depth case method with a co-author who was a full time employee of the IASB for six months. This co-author assumed the role of a full time academic fellow, employed and working in the IASB. 32 interviews were conducted with 31 IASB representatives, comprised of 26 staff and 5 Board members (one respondent was interviewed twice). These interviews were conducted by two of the three authors, and averaged 41 minutes, with a maximum of 63 minutes and a minimum of 29 minutes. The third author has ongoing links with the IASB, and is familiar with the workings of senior staff within the IASB, having been invited to observe and speak in trustee meetings of IFRS (the parent and oversight body of the IASB). Following is the breakdown of our interviewees, into staff by rank and percentage of the total population within the IASB at their level. We have considered all operational levels, but excluded administrative and other ancillary staff.

<table>
<thead>
<tr>
<th>Category</th>
<th>Interviewees</th>
<th>Total personnel in category</th>
<th>Percent of category interviewed</th>
</tr>
</thead>
<tbody>
<tr>
<td>IASB Member</td>
<td>5</td>
<td>16</td>
<td>31%</td>
</tr>
<tr>
<td>Directors</td>
<td>4</td>
<td>5</td>
<td>80%</td>
</tr>
<tr>
<td>Principal</td>
<td>4</td>
<td>4</td>
<td>100%</td>
</tr>
<tr>
<td>Senior Technical Manager</td>
<td>5</td>
<td>6</td>
<td>83%</td>
</tr>
<tr>
<td>Technical Manager</td>
<td>5</td>
<td>8</td>
<td>63%</td>
</tr>
<tr>
<td>Assistant Technical Manager</td>
<td>2</td>
<td>3</td>
<td>67%</td>
</tr>
<tr>
<td>Technical Associate</td>
<td>3</td>
<td>5</td>
<td>60%</td>
</tr>
<tr>
<td>Investor Liaison staff</td>
<td>3</td>
<td>3</td>
<td>100%</td>
</tr>
<tr>
<td>Overall Participation</td>
<td>31</td>
<td>50</td>
<td>62%*</td>
</tr>
</tbody>
</table>

Table 1: IASB respondent interview rank and percentage of staff population (2013)
*Support staff not included in our count.

We sought to elicit views from staff at multiple levels of the IASB, in order to identify a more complete capture of the different ways by which user views are captured. Consequently, as evidenced in Table 1, staff from all levels of the IASB were targeted for interviewing. Beyond this initial focus on discretionarily capturing multiple users at different levels, the selection of staff was undertaken with no focus on any one specific issue, and with no intended bias in the selection of any staff. We also acknowledge that three staff declined requests to be interviewed, owing to their being overseas, or being away from the office on projects for extended periods of time.

Given the lack of research on standard setter approaches to seeking user representations, and the overall pursuit for legitimacy from the same, we contend that the field study method is appropriate for obtaining a rich and detailed understanding of the phenomena (Yin, 2009). The in-depth case method allows for a richer description of information, yielding deeper insights that better inform future research on the assumptions underlying the phenomena investigated. The ability to tacitly locate and understand the views put forth by interviewees was controlled for by our participant observer author, who developed a strong understanding of the nature of processes in the setting and developed a proximity to the field. Further, the author observed other participant activities, frequently interacted with them in and out of formal work settings, developing better understandings of their work.

We conducted semi-structured interviews of the above staff. We pre-prepared a list of questions, but asked others depending on the focus initiated by staff on the questions themselves as the interview progressed. The following questions were asked of all interviewees:

1. Please explain your role in the IASB
2. How long have you been employed at the IASB?
3. Please explain your background prior to commencing employment at the IASB.
4. How do you think the IASB fares in seeking user views in the standard setting process?
5. Why and how are user views incorporated into the standards themselves?
6. Finally, do you have any other points you’d like to add before we close the interview?

All other questions were built upon the responses of interviewees to these initial questions. Wider questions followed principally between questions four and six. At all times, we framed
questions as broadly and neutrally as possible. The only exception to this was when employees themselves expressed a view. Here, we cognitively framed the question similarly to the interviewer (as per Eisenhardt, 1989). For example, if an interviewee’s response to Question 3 was “I don’t think we seek out users very well”, we might proceed with “Why don’t you think seek out users very well?”

Data was collected through archival document analysis, interview data and in-depth field observations in the setting. In analyzing the data, we adopted the Eisenhardt (1989) method for conducting case research. We obtained the data, read through them chronologically, self-reflecting on the growth in our idea developments. We highlighted areas which we subsequently identified as individual themes, and subsequently re-arranged them by selecting common themes. Equally, we acknowledged differences in interview opinions and classed them for further clarification where relevant.

Overall, we broadly found most respondents within the same levels to generally respond similarly to our questions. There is of course natural variation in the findings, but the different types of representation and tensions in the development of user focused standards represent issues we found to be present across multiple respondents in the sample. The user focused tensions in our Discussion section also speak to the alternative perspectives put forward by staff regarding novel rationales for their considering but not including user views into internal standard discussions.

Findings

In response to the persistent questioning of its transparency, conflicts of interest, and alignment to the accounting profession over users from government and regulatory sources, the IASB sought to modify its practices, focusing on a more user centric outreach process, engaging in the development of standards that might be seen as relevant to users and finally, addressing the broader claim that the IASB was a legitimate international standard setting institution. In the following sections, we describe the intended focus of the IASB surrounding three key areas we explain as being key from our findings – procedural rigor, user utility and existential enhancement.

We first start with a description of the extent to which the IASB is concerned with regulatory coercion that questions its existence and legitimacy as a standard setter. We then explain the processes deployed by the IASB to raise user centricity in response. Following this, we explain the continuing struggles faced by staff in eliciting user engagement, notwithstanding these changes, and introduce three tensions that cause the IASB to struggle in its attempts to more fully incorporate user centricity into the standard setting process. Our findings section, integrates archival evidence associated with the comments made by interviewees, to enhance external validation.

Regulatory pressures

At a macro-political level, questions continue to be asked of the role of the IFRS Foundation and its subsidiary IASB, and the possibility that a single political maneuver might cause the disbanding of the operation of the IASB as an international standard setter, or diminish its
legitimacy substantially. Respondent 27 argued that these concerns have gained momentum since the global financial crisis of 2008-09.

“...the crisis has raised criticisms, some are saying – IFRS’s (international accounting standards) are shown to be false and you discuss... if you look at the European Union, there’s just been issued a report... (by the_) former finance minister of Belgium. ... about how Europe organizes itself to influence international standards... we were concerned that maybe would this lead to a pushing back against the use of IFRS in the EU...”

Respondent 25 explained that the IASB was frequently concerned at the prospect of its very structure being de-constructed owing to regulatory pressure, such as those imposed by the European Union (EU):

“I think just generally with the European Union, it seems like they’re still figuring out their relationship with the IASB and ...I think as long as that relationship is in flux of terms of how that endorsement process works and what bodies there are that do the endorsement process that’s going to be risky for the IASB too.

The overall perceived acceptance by users of IFRS and the IASB as a standard setter is key to their existence. Macro-political decisions play a significant role in shaping such perceptions, and we found IASB Board members and Trustee representatives to be quite cognizant of these risks. Indeed, the IASB sought to implement an investor outreach plan in 2010 to better seek out the views of investors. It appeared aware of the need to evidence the international relevance of the IASB as providing standards helpful for users in an increasingly globalized world economy. We proceed to describe how the IASB claims to have emphasized this user centric perspective in its practices.

Table 2a shows the total funding received by IFRS between 2002 and 2016, from accounting firms versus all contributions. While Table 2a reveals that funding received by IFRS from professional accounting firms has increased in the last decade and a half in absolute dollar terms, Table 2b shows that it has also increased in percentage. However, the total funding base itself has substantially increased, and professional accounting firms, at their highest (2016), funded 32% of total external financing obtained (Table 2b). This chart provides impetus for the argument that other stakeholders beyond professional accounting firms (such as users) hold influence in the standards debate. This represents the dominant funding base from which IFRS conducts its operations and has increased markedly since its inception (as the IASC). Data collated from public records, from 2002 to 2016 evidences this significant increase. We also acknowledge that when convergence negotiations between the IASB and FASB ended, funding from U.S. stakeholders to the IFRS Foundation dropped markedly. The IFRS Foundation subsequently received greater professional accounting firms funding from outside North America to cover this loss, thereby explaining the slight percentage increase in 2015-16.
Table 2a: Total external funding source – IASC/IFRS: 2002-2016

Table 2b: Annual professional accounting firm contributions as a percentage of total contributions.

Procedural Rigor

The repeated calls for transparency and a more concerted focus on user requirements by regulators drove the IASB to place strong emphasis on adopting a proactive approach to user
feedback. The IASB was determined to engage these less participatory user groups, in seeking more user feedback – members saw this as directly impacting the legitimacy of the institution (Respondent 29).

“The other very, very important aspect of what we do to ensure our legitimacy is all our work in the context of outreach, so consultation and representation. So having said what I said about the independence of the board, for example, it is still very important that we, as a global organization, develop that product that is indeed globally accepted”

Part of the challenge associated to doing so was to reach users who were not aware of the potential impact of a potential future standard on their practices. Respondent 12 commented:

“Well, yes. So we are doing outreach work for everyone actually...we want to encourage other people as well. So those people who might not even know that they will be in the scope of the standard. We want to engage the people who, not necessarily, are coming to us, like actively all the time. We want to make sure that everybody will be aware of what we are doing and how it will affect them”

This view was seconded by Respondent 31, who specifically related the importance placed by the IASB on ensuring that users saw the IASB as facilitating a process that allowed investors to have their views heard.

“I think the IASB would like investors to feel like one, they are supposed to be an important part of the process, and that they can come talk to us and they are heard, that’s what I think we would like them to see us. We’d like them to think they have a part in the process”

It was therefore important to the IASB that users found their outreach process as valid and comprehensive, and open to considering their concerns. They saw this as key to their very existence as a standard setter, given the fundamental questioning of its legitimacy. Hans Hoogervorst, Chair of the IASB, acknowledged the narrower skillset of the Board in its earlier establishment period, and emphasized the need for a broader range of views to be marshalled as captured in the 2011 IFRS Foundation Annual Report (Appendix A):

“wider IFRS community... most of the first Board and many of the technical staff came from the small group of independent national standard-setters whose work was the foundation for the first set of IFRSs.” (pp. 25 – 26)

“On 26 July 2011 the IASB launched its first formal public agenda consultation ... The IASB sought input on the strategic direction and overall balance of the work plan from the IFRS Advisory Council, investors and a broad range of interested parties.” (p. 31).

The standard setting framework, from agenda setting to discussion paper and exposure draft debates and deliberations, and finally the approval of a standard as well as post implementation reviews, sought to emphasize to users that their concerns were being addressed at multiple stages of the process, and that the IASB sought to identify these concerns in order to address their needs. To this end, a procedural rigor was consistently noted as strongly emphasized to users by
IASB staff. Indeed, the IASB established a Due Process Handbook, specifically outlining the measures taken to seek consultation and feedback from a range of stakeholders.

Board members, though not actively dealing in the day-to-day sourcing of user opinions to the same extent as technical staff, interacted with individual users as sourced and invited by technical staff to IASB outreach events. Respondent 31 explained that while most of the actual outreach is organized and sourced by technical staff, the Board members retained reasonable involvement in the communications with users. IFRS trustees, however, never involved themselves in the technical processes, including outreach, of the IASB.

"Definitely the detailed work is done by staff but... the Board Members go out to these meetings as well. The Board Members have a lot of detailed discussions with investors... You know, the goodwill, the IASB or the IFRS Foundation goodwill, from a political level or a policy level, the trustees deal with that, because they are not supposed to be involved in the technical stuff... definitely, they (Board members) definitely get involved.... The Board is a lot more involved in the Outreach now (than in the past).

Respondent 26 explained that the IASB has been making efforts to get better at sourcing user feedback, specifically explaining their efforts to seek opinions from users on the topical leases exposure draft:

"We actively have been over time trying to improve - we have for years, of course, quite rightly not telling lies been quite public and open because we really want to dig people out of the woodwork, if they're there, and say, look, it's so difficult for us to get out the investor and analyst community. We're here, we want to engage with you, if anybody is interested, get to us. But I think we now have allocated more resources to actually try and do that... "

He added:

"On leases, we’ve been fantastically lucky over the last six weeks. I think I have met with something like 100 investors and analysts, hard core, don't know much about accounting, doing analysis type people. We’ve been very lucky, it's taken a lot of effort and time - and by the way, we have a whole line up. We're speaking to some Australian analysts in two week's time. We're speaking to another load of London analysts. This is before we get to Hong Kong and Tokyo which we're also covering. We haven't even done the US yet”

Further, in attempting to incorporate the views of users, Respondent 4 specifically alluded to instances where Board members with user backgrounds were actively asked to lead debates with input that influenced draft documents that went up to the Board, which then caused significant consternation amongst preparers in the Board – notwithstanding this, the intention appeared to be the insertion of greater influence of user needs into the process, well before the voting of standards:

"We have one example - where we actually asked the users on our board to define the disclosure requirements and they did and they had input to a paper....That went to the board and the preparers (on the board) blew up completely and we had to defer the discussion for another

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month while the preparers sat down with the users (on the board) and they negotiated between them to come back to the Board.”

Following from the above, technical staff developed a varied range of strategies for interacting with users. Many adopted unorthodox techniques for balancing the views of users. Respondent 3 took the unusual step of driving a forum where users, preparers and professional firms came together, in order that both parties understood the views of the other, and increasing the possibility of compromise in discussions relating to a standard. This was done in order that parties might appreciate the transparency and understandability of all other constituent views in the process being balanced by the IASB (procedural legitimacy):

“One really interesting thing we did… and we've never done this before, is we held a workshop, a disclosure workshop, and there was a few other issues that we discussed but that was one of them. We brought the preparers and the users together at the same table, so that - because it was quite difficult as messengers going between the two bodies - so we brought them together to talk about those specific viewpoints and tried to get some agreement on alternatives or ways in which we can get the users' information but alleviate some of the costs or the concerns of the preparers.”

Respondent 3 noted also:

“...that users, given the fact that (they) are representatives of their organization, don't necessarily always feel comfortable submitting a formal comment letter. So the IASB places quite a strong emphasis on seeking relationships with investors. I think a few examples of that would be having an investor liaison and - you might have seen (investor liaison) quite actively receiving those relationships. Then also recently recruiting and investor fellow, I'm sure will also be very helpful. Particularly when I've done outreach in the past, I think I've only been involved with the investors (users).”

Respondent 17 observed also:

Of course, there's also a sense of outreach with preparers because they come to us. But I sense the IASB focuses generally quite heavily on pursuing them (users) and making sure that we receive feedback and if there isn't sufficient feedback, the board won't make a decision until they get a good understanding of what users of financial statements think about..."
Some technical staff simply collated phone numbers and called users from their personal and professional networks, specifically alluding to the fact that they had an imbalance in feedback - much from preparers and professional firms, but little from users. Therefore, the staff set out to reach any user possible, in order to solicit alternative opinions. Respondent 8 explained:

“I did a lot - there's different mechanisms. ...I did a lot of discussion with analysts, investors, just because we were looking at - we had a lot of feedback from preparers on the agenda consultation. We didn't have much feedback from the users. So I did a lot of phone calls to get some feedback from users on that because usually, for our comment letter and answer, we get more feedback from preparers and accounting organizations. So sometimes we need to do a bit more to get them (users) to speak to us...”

Respondent 18 conceded that users often commented less than preparers and professional firms, but also acknowledged that the balancing of all their views could not be judged simply based on the volume of comment letters, rather the quality of the arguments:

“I guess it isn't the quantity, it's the quality of what's being said. But I think if that were the case, that we would get on the phone and try to talk to the one that doesn't seem as backed up but try to figure out why they're saying what they're saying and if there is a valid background for that”

Respondent 17 specifically alluded to the same program, stressing a broader approach where the views of users were initially sought in the outreach phase, and once their ideas were collated, technical staff act as communicators of the user viewpoints when discussing issues with preparers.

“For this phase of outreach that we're doing on the exposure draft, the approach is to speak to a lot of users and investors, analysts and that kind of thing first to get their views and so that when we do outreach with the preparers later in the period, we can go to them and say, this is what users have told us that they need”

In seeking user feedback, many respondents claimed to source their prior employers when seeking user views. Some respondents, who had previously worked with financial reporting groups such as the European Financial Reporting Advisory Group (EFRAG), Chartered Financial Analyst (CFA) body or investment banks such as Goldman Sachs and JP Morgan, explained how they might contact their former employers to seek their views. Others explained how they maintained contacts with individuals who attended IASB user outreach events, eventually developing networks through these events. It was clear that IASB staff mobilized their personal networks in addition to their formal outreach events, to seek out the views of users. However, we found no evidence that these views were necessarily biased in favor of these networks. Instead, IASB staff appeared interested in obtaining as wide a range of views as possible, to develop discussion papers that allowed for wide debate by Board members.

The projection of a strong due process in seeking user feedback across the standard setting process shows parallels the procedural rigor implemented by the IASB in relation to its purported aim to set user centric standards. Respondent 31 explained that this process sought to obtain the views of individual users, who might be reached through personal networks or “cold calls”.
Further, the IASB maintained contact with a range of groups that represented users. Indeed, the very definition of procedural legitimacy involved the seeking out of individual users themselves or representatives of larger collections of users via user groups. To this extent, the seeking for procedural rigor dominantly required the IASB seeking out descriptive representation (individual users) and ascriptive representation (representatives of user groups).

The intent behind these processes was to seek information from users and also educate users on how the IASB might affect them. As explained by respondent 31:

“Part of it is... to offer value to the organization or certain analysts... we'll be happy to give you some information to educate you on these standards that are coming out.. we'd also like time to tell you about these standards.

A lot of it is through people we already know... the user board members have contacts in the past, we have talked to in the past., are there colleagues who might want to talk to us.... or representatives of the board... We do try to offer the value to them (users), so they think that they might benefit... We're trying to offer a benefit, from an education perspective...”

To this extent, the procedural rigor embarked upon by the IASB contributes to the possibility that users of financial information better understand how the standards produced by the IASB actually affect them. This helps users better understand the utility and impact in the standards developed.

User Utility

Having engaged in an extensive outreach process to collate the views of users, the IASB subsequently had to incorporate their views into their internal standard setting debates. To facilitate this, and in addition to the descriptive (individual users) and ascriptive (user representative) outreach efforts that help the IASB better understand what is valuable to users, IASB staff themselves were encouraged to think like the user, in order to enhance the development of internal documents for the Board’s consideration. This focus specifically gained impetus in 2009-10, post the global economic slowdown in 2008-09 following the Lehmann collapse and associated regulator concern that accounting standards were not sufficiently impacting user decision making in positive ways (Wallace, 2008), but the origins of the user emphasis arguably began as early as 2004. We provide a detailed outline of the user outreach initiatives implemented by the IASB in Appendix A, from 2010 to 2016 as gleaned from the IFRS Foundation Annual Reports. The 2010 annual report reveals efforts by the IFRS Foundation to enhance due process by widening stakeholder engagement in 2004, followed by the approval of an “outreach program” in 2007. Subsequently, in 2010, the IASB developed and announced a dedicated Investor Liaison Program involving the appointment of an investor

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7 The IASB maintained a list of user groups representing a broader set of users, dominantly investors and analysts. While this list remains fluid, the main user groups contacted as explained by the investor liaison officer was the Chartered Financial Analyst Institute (CFA), Corporate Reporting User Framework (CRUF), the IMA Corporate Reporting Advisory Group, the Securities Analysts Association of Japan (SAAJ), European Federation of Financial Analysts Society (EFFAS), UAC (Canada), Capital Markets Assessment Corp. (CMAC) within the IASB, and European Financial Reporting Advisory Group (EFRAG)
liaison manager and the identification of individual outreach managers for each project (standards based discussions).

The Trustee Chairman of the Due Process Oversight Committee in IFRS Foundation specifically stated in the 2010 IFRS Foundation annual report:

“Lastly, the DPOC agreed to assist the IASB in enhancing its outreach activities, particularly those targeted at the investor community and prudential supervisors. In accordance with this objective, in April 2010 the IASB appointed its first dedicated investor liaison manager, to co-ordinate the IASB’s interaction with members of the investor community and to seek higher levels of investor participation in the standard-setting process. The IASB has continued to deepen its involvement with prudential supervisors through an enhanced technical dialogue.” (p. 11)

The basic tension between preparers and users was thought to relate to the fact that preparers generally wanted to keep their disclosure efforts to a minimum, while users wanted as much as the standards could give, when asked or when submitting a comment later. This subsequently led to challenges for IASB staff when summarizing comment letters into reports for consideration by the Board, as users were less forthcoming with their views, causing staff to have to reflect on and provide a balanced view- to figuratively place oneself in the user’s mind. As explained by Respondent 3:

“Sometimes it presents some challenges, like for example, (there) has been an issue... because the views of users and preparers are quite polarized. Preparers want less, users want more... So it's our job to try to - we have to present both of those views to the board. But because the views are so polarized, we - the staff - actually try to do some more work to try and reconcile those views because otherwise it can be quite a challenge for the board because how do they reconcile them. So we did quite a bit - that was sort of a more unusual case - but we did quite a bit to try and get a better understanding of the real basis for those two diverging views.

Frequently, IASB staff and Board members who were interviewed alluded to the importance of understanding the user’s needs and imagining the concerns of users. This reflected the symbolic representation type, and was ubiquitously found in our discussions with IASB staff. The importance of symbolic representation was made more pertinent by the lack of involvement of users in the standard setting process.

Another example of the greater influence of users into the debate above was the identification of key user industry bodies into more formal advisory roles in the IASB. For example, as outlined in the 2012 IFRS Foundation Annual Report (Appendix A), the Capital Markets Advisory Committee was appointed as an advisor to the IASB, directly raising its reach and access to IASB standard setting personnel, Board members and the process more broadly. In 2014, formal cooperation agreements were formalized with two other user bodies - the International Integrated Reporting Council (IIRC) and the International Valuation Standards Council (IVSC). Finally, in December 2014, the Investors in Financial Reporting Program was launched, involving the formal participation of 14 major investment firms (as at 2015). These stronger collaborations appear to more formally identify the IASB’s focus on user views and its incorporation into the standard setting process. As briefly introduced in Appendix A, a novel strategy conceived in
2016 was the more active use of social media to engage a wider range of stakeholder participation in the standard setting process, though this had not been formally developed as at 2016.

One strategy adopted by the IASB to enhance user centric standards was to source technical staff from a varied range of backgrounds, in order that the IASB might interact with them and better understand the needs of users internally. One investor liaison staff was a former investment analyst, who held training sessions with staff, informing them of what users in practice require, and also clarified the needs of users with other staff in informal work settings. It was also more likely that users might relate to this staff member, during the outreach process. While the dominant backgrounds of staff remain those of preparers and professional firms (with emphasis on Big 4 backgrounds), other staff suggested that their employment related to their prior experience from user backgrounds aided their employment prospects in the IASB. Respondent 2 specifically commented on his varied work experience that secured his employment:

“So I wasn't specializing in a particular industry. I did pretty much everything and not just audit. I did corporate finance, I did consulting, I did lots of other things. It was the breadth, I think, and when we talked about what our role is, we said that it was quite a broad role and you needed multifaceted sort of staff.”

Respondent 30 specifically came to the IASB from an analyst background, and explained the importance of IASB staff and Board members thinking like a user, better understanding the “mindset” of a user:

“I think you sort of bring in an appreciation and an understanding of the mindset of the reader of financial statements who will often be doing the work in a very sort of time pressured environment. They are looking for conclusions, so they will very often rely on rules of thumb heuristics, that kind of thing. Therefore the conclusions that they jump to from just consuming a small amount of financial reporting information can - probably to the outsider - seem quite aggressive and I guess it's quite experiential in terms of how they go about acquiring a trust or a belief in their own capabilities in that area.”

The importance of maintaining a user centric view was also emphasized by the strategic hiring of Board members. This importance was therefore not restricted to technical staff. Respondent 10, a Board Member, specifically alluded to the IASB appointing him owing to their wish to diversify their functional background beyond professional accounting firms (accounting specialists, per quote below). Citing his in-depth industry experience as the reason for his selection:

“They were worried because there was a guy here retiring and they were worried that there were too many specialists in accounting and too little business experience. So they decided that they should try to find a person, a candidate, for the vacancy here that would be more of a business person.”
This view was echoed by respondent 23, another Board Member, who directly identified that appropriate prospective Board Members were not appointed owing to their lack of fit with the balance sought by the Board:

“Well, what we try to do through the appointment process of the board is balance geography and experience and try to get a board that's got a reasonable geographical balance and a reasonable experience. So we've got four users I think on the board, analysts and the like. We try to keep that balance. It's very hard because you do the appointments one by one and people rotate off at all different times and you get somebody who's really, really good but doesn't meet either your geographical or you experience criteria and sometimes you have to say, you'd be a terrific board member but we really need somebody like this at the moment.”

To this extent, user utility was also characterized by the representation of interests form of representation. By increasing the number of user Board members, the IASB sought to increase the voting power of users represented in the Board itself, increasing the likelihood that standards might lead to disclosures that enhanced the value of information for users, hence the perceived utility of standards to users, placating the coercive threats of regulators regarding its existence.

Overall, we observe that almost all interviewees explicitly argued for user utility as the driving reason for standard setting, and sought to communicate this to users in the standard setting process. This was not limited to IASB technical staff, but included Board members in their face-to-face meetings with individual users or representatives of user groups.

Existential Enhancement

To what extent is the IASB regarded as an effective standard setter in corporate society? The IASB frequently engaged in explaining the importance of an international standard setter for the current reality of an increasingly global economy, especially given the direct threats to its existence imposed by regulators (Pelger and Spiel, 2017). Notwithstanding this, external parties in the public domain openly criticize the structural tension between a private organization such as the IFRS Foundation creating the IASB as an international standard setter—a body with a global public governance regulatory role. Respondent 7, a Board member, explained that the IASB’s initial development almost a decade ago was easier than it is at present, as the finer aspects of accounting are more difficult to explain to users - the respondent went on to say that the next ten years for the IASB will be more difficult than the first ten:

“Probably it was easier to do standard setting in the first years because moving from a position of zero to the first plateau which I described, there was a lot of benefits perceived by the people. There was no challenging of this idea. So it was easier to move. But we already, at the time, had some projects that were moving to the next level… and which had to be dropped… there was some mixed reactions… (people were saying) You want to bring us to a very, very exotic – we don’t want that and we had to stop this project…The first ten years are quite happy always and after ten years usually there is some tension… things developing in Europe at the moment which are quite interesting to follow from a political standpoint.”

We also note that the professional firm/preparer versus user divide is arguably too simplistic to capture the full breadth of Board member skill variation over time. Consequently, we supply a
table summarizing the backgrounds of all sitting IASB members since 2001 (Table 3), as extracted from publically available information sources. We categorise backgrounds into five main types - professional accounting firms, companies (preparers in a traditional sense), users, regulators (prior standard setter), regulator (other – including securities institutes and other regulators) and academia⁸. This table provides relevant insights into the changing composition of skillsets relating to IASB members over time, strongly signaling the emphasis towards users in a more indirect way, as opposed to the more direct sourcing of directors from investor/analyst backgrounds. The strong presence of prior standard setter regulator and securities institute regulators offer a more neutral focus to user based standard setting, emphasizing a user view in a more balanced way. There is a substantial reduction in Board members with professional firm backgrounds between 2009 and 2013, following the collapse of global capital markets in 2008. We also observe a stabilization of the frequency of Board members from preparer (company) backgrounds, having initially reduced from 2006 to 2009, but subsequently increasing from 2009 to 2013, thus returning to its 2006 levels. A preference for a plurality of the user definition beyond analysts and investors was in evidence. The “users” definition itself, (buy-side, sell-side analysts/investors) does not show significant change, but the stabilization in companies (preparers), decline in professional accounting firm and increase in regulation backgrounds evidences a stronger focus towards users more indirectly – via regulators in addition to a decline in professional firms who represent a majority of preparers. Of note is the gradual increase in prior regulatory experience of Board members (Table 3), to a level higher than any of the remaining four categories, especially after the appointment of Chairman Hoogervorst in July 2011.

⁸ Board members can possess multiple backgrounds – for example, they might have worked in a company, professional accounting firm and then a regulator or standard setter. Therefore, the sum total of backgrounds at any one point in time can add to greater than 100%.
Table 3: IASB Member Background. Note: Reg_Other refers to roles in national securities institutes/exchanges and central banks.

The emphasis on public sector interactions was emphasized by respondent 29 who explained that in her senior role as a representative of the IFRS Trustees regularly dealing with IASB Board members, that the IASB not only serves the private sector, but must also operate within a public sector environment:

“...because we work basically in a public sector, because we are an international organization serving countries, in a way. Because we provide a framework that is an integral part of every functioning modern economy, we need to be legitimate and we need to show that our processes are robust. That they follow good governance, good processes... So that tension between needing to provide a private sector product in a public sector context is quite challenging and us being the private sector organization and not part of any country or any bureaucracy, we're just a private sector organization, sometimes challenges our organization because people always pick on us, on our governance and our structure, on the legitimacy of our decisions. So we need to play in that very delicate tension”

Further emphasizing the importance of this regulatory background, IASB Board members and IFRS Trustees overseeing the IASB Board were active at a political level, debating the relevance of the IASB as a relevant standard setter. This role extended to the IASB’s communications with users. By raising the importance of their accounting standards released to the relevance perceived by users, the IASB sought to cement their acceptability amongst the user diaspora. This sought to extend the structural legitimacy of the IASB. We note the importance of Board
members from prior standard setting and securities institute/exchange backgrounds, or central banks, from a user perspective. More recent definitions of users by IFRS broadly allow for standard setters and regulators as types of users (though users of financial statements are dominantly assumed as being analysts and investors). From this perspective, Board members might be argued as possessing a more user centric view, based on their previous employment backgrounds as shown in Table 3.

Respondent 27 argued that the IASB cannot exist without the acceptance of its’ members at a national level, and therefore must set up a structure with key roles played by all representatives from as broad a range of their member nations as is feasible, for reasons relating to perceptions of independence:

So you could say that there is a legitimacy through particular jurisdictions saying, we will accept IFRS as our standards, with or without an endorsement mechanism. So we’ve now got over 100 jurisdictions following, either for a particular category of companies, usually listed companies, or for all companies. Now that, of course, places big responsibility on this organization (IASB). Because accountants become controversial. To say, okay, what gives the organization and its standards legitimacy. So, one, was trying to sort of say it's through the unusual but independent structure of the organization we've set up”

A senior Board member similarly explained that the impact of the IASB as a standard setter is somewhat curtailed owing to the difficulty faced by a private organization in seeking to receive the full cooperation of government regulators at a national level, causing the IASB to think about ways in which the it might communicate with regulators to placate their concerns.

“So we’ve got no power to ensure proper implementation but we can help and in our strategy there's a number of strands. There's education for a start as you're well aware of. That should be a big help. We want to also work much more closely with the regulators and we want the regulators to work much more closely with each other. So... we're starting to work with their committee number one, I think they call it now. Which is the one that discusses implementation issues ... and there's some confidentiality things that caused us a problem where they won't tell us everything that's going on and for good reasons probably.

Overall, and at a strategic level, Board members and IFRS Trustees act to manage the relevance of the IASB at a macro-political level. While IASB staff do not directly impact this determination, the presence of a prudent and transparent process enhances the perception that the IASB is pursuing its role in a judicious fashion, enhancing its prospects of remaining a global standard setter. This notion of existential expansion draws some parallel to the idea of structural legitimacy as discussed in Suchmann (1995) and Durocher et al. (2007).

Theoretical tensions

Notwithstanding the above measures undertaken by the IASB, we identified challenges arising from the “clash” between different approaches embedded in the IASB, as influenced and imitated from traditional accountant professions over the past decade and a half (Camfferman and Zeff, 2007). There was resistance to the push for a weighting of user views over preparer views that have pressured the IASB since its inception, as signaled by key regulatory stakeholders through their threats of funding withdrawal of the IASB. Many of these
explanations have not been elucidated in extant research, as will be outlined below. We proceed to explain three sources of tensions between both perspectives.

**Theoretical tension – Requesting Feedback vs. Resisting Influence**

Durocher et al (2007) argued that influence is granted when a constituent perceives that its contributions carry a greater weighting than others in a deliberation. We found such a view to have been actively dissuaded by many IASB technical staff, who were not comfortable with the prospect of users perceiving that they would be given more credence owing to the scarcity of their opinion. Extant approaches in the IASB, crafted from the original national standard setter representatives from two decades past, required a balancing of preparer and user views, and more broadly the balanced concerns of all stakeholders throughout the standard setting process. Respondent 31 explained that:

“We’d like them (users) to think they’ve a part in the process, I don’t know if influencing is the right word, I mean I know there are a lot of groups that influence the IASB, but you know, to the extent that other groups influence... but we want them to be part of our stakeholder process.”

Much of this revolved around the tension between our procedural rigor rationale countervailing the outwardly inclination to bias one user over another. IASB staff frequently alluded to “good” standard setting practice requiring independence, and all parties, preparers or users, were given a fair hearing based on the quality of the arguments presented. To this extent, the IASB did not wish for any party to provide feedback with the expectation that their feedback will be enacted as required by the stakeholder, leading to the perception of their having a relatively higher influence over the process than other stakeholders. Similar comments were made by Respondent 29 concerning the same.

“Then on the other hand, as part of being independent we want to create this process where the final outcome is genuinely independent and we're not, say, overly influenced by users at the same time not overly influenced by preparers. So it's almost like we want investors to be involved and we want to factor their opinions but not necessarily promise them something, as a final outcome.”

Respondent 14 alluded to the challenges arising from balancing different stakeholder needs, and the impossible nature of “balance” – to some extent, all are somewhat dissatisfied. For this reason, there was some leaning towards weighting user opinions, but only to the extent that the burden on preparer costs in not excessive.

“I have a favorite expression about standard setting, the job of the standard setter is to make everybody slightly unhappy. If you've made everybody slightly unhappy, you've probably done your job well. If somebody's happy and somebody's really unhappy then you've got it wrong... I think you have to balance the interest. To some extent there probably ought to be some sort of bias towards the users because ultimately that's who we are there for. But we can't go too far because ultimately you're imposing costs on business that might not be justified”

The tension between wholly following the wishes of the user “...we can't go too far...” highlights its conjoint responsibility for its preparer and user stakeholders. Existing standard processes adapted from those of national standard setters and brought about by the strong
involvement of the accounting profession required a measure of balancing of cost versus benefit, acknowledging the needs of both preparers and users. Extant practices did not allow for the complete acquiescence to user feedback. User based influence was therefore not actively sought by the IASB, though the IASB processes often led to user concerns being heard, and potentially proving influential.

*Theoretical tension - Uninformed user demands vs. standard setter paternalistic resistance*

The IASB derives relevance as an institution by providing standards that aid users to engage in decision making. This rationale defines the very reason for the IASB’s existence. However, the IASB, on many occasions, found it necessary to curb the informational requests of users owing to an embedded paternalistic view that users were reasonably uninformed of the full ramifications arising from their information disclosure requests, from a cost benefit perspective or a knowledge perspective. This approach that can largely be attributed to the accounting professions’ influence on the IASB driving such an approach, causing IASB staff to justify their decisions contrary to user feedback, to the user’s lack of understanding of accounting concepts. Respondent 16 concertedly argued that user needs ultimately mattered, but their lack of understanding of accounting knowledge had to be considered by technical staffs when preparing summary reports, as a tool for protecting users from more knowledgeable preparers, often aligned with professional firms:

“I think a lot of the time people will hear what they want to hear. So if you believe some of the answers are right, you'll place a lot more weight on what someone says. So I’ve heard a couple of times when we've heard users say this is really important to them. Then, well, we have to fix this because ultimately they're the ones using these financial statements. Yet in other cases, you'll hear that the users will say, we just want to know what the cash number is. We're like, well, you don't know what's good for you, we're going to help you here because we don't want to do that.”

This view also manifested from a cost-benefit perspective, where the embedded notion of users as uninformed in the consequences of accounting practice from a collective of staff from accounting preparer backgrounds translated to a perception of their lack of understanding of the resource intensiveness of information preparation. Respondent 20 echoed similar sentiments to the above two but from a cost-benefit perspective of the preparation of the numbers, which is ultimately passed on by preparers to users. This required some education on the users’ part desiring more information but often complaining about the volume of information presented:

“That's why I think it's good that we're concentrating more on talking to users specifically because, as you mentioned earlier, generally the immediate reaction is users want more and more information but they'll often ask for it without seeing what the cost is to them. I think it's important that we educate them as to what information really is important that we need to focus on. Materiality comes into that as well in that people are - you'll be aware - a lot of people are now complaining, there's too much information in financial statements. It's like, yeah. So you tell us what's really important and everything that's not, then becomes immaterial and just needs”
Other IASB staff commented that technical staff also considered some users to lack an understanding of the limited utility of some of their informational demands.

Respondent 5 echoed the sentiment from preparers who have long held concerns over users not understanding the true costs they ultimately bring upon themselves by having preparers raise the level or detail of disclosure. Balancing the long held concern of preparers surrounding disclosure costs and “protecting” users against exorbitant future costs as a means of acting in their favor, appeared a pertinent and recurring argument:

“They also tend to feel that the users underestimate the difficulty of producing it as well. So that’s always been a very thorny issue. Whereas the users tend to assume automatically that the information exists and the preparers just don’t want to make it available. They also tend to think it’s self-evident that it’s going to be useful.”

Table 3 reveals how the IASB arguably sought to maintain a level of technical proficiency at the Board level while also increasingly integrating the view of the user into the standard setting process at the Board level. The increasing focus on Board members with regulator backgrounds, as opposed to preparer and professional accounting firm backgrounds, evidences the move away from preparers to a more balanced Board member base. This is not a clear shift to a user focus, but represents a move towards a user centric view that does not negate the technical expertise required to identify deeper accounting issues implicit in the setting of the standards.

**Theoretical Tension - User Interest vs. Public Interest**

The IASB, largely owing to the early influence of the accounting professions on its core operations and the translation of staff from national standard setting bodies to its own operations, largely adopts a capital markets focus to their definition of the user (analysts and investors). Regulator threats concerning the viability of the IASB, however, focus on the grave consequences arising from it acting as a body that affects the broader public, as evidenced by the use of the term “public interest”. The tension between the “public interest” (including both users and the general public) and the IASB’s definition of interest as focusing on the “user” as gleaned from its translation from national standard setter bodies and the focus of the accounting profession on listed firms in capital markets causes misunderstanding. While IASB staff attempt to think in the mind of the user (symbolic representation) in order to validate user needs, it is the role of a standard setter to act in the public interest. To what extent does there exist alignment between the user interest and the public interest? We found that the IASB distinguished between user interests and the public interest – a distinction not borne out in Durocher et al. (2007), who primarily linked the public interest to the users’ interest. While most respondents frequently alluded to the “user interests” terminology, none discussed the public interest. When questioned on this distinction, Respondent 31 mentioned that:

“I guess at the end of the day the financial statements are written to help investors make capital market allocation decisions. From that respect it’s public interest... I’m not sure if we’re trying to get to the public interest thing through that whole capital market discussion if you’re
allocating monies to capital markets you’re benefitting the public at large and investors are the ones helping do that…”

Similar comments were echoed by other respondents, who similarly expressed reservations that the interests of the public aligned to user interests, and importantly, did not consider that users viewed the IASB favorably because the IASB acted in the public’s interest. The divide between user and public interest compromises the IASB’s ability to placate the views of regulators, and be seen as an institution performing its function (from an external regulator perspective).

Finally, we acknowledge that other tensions might exist in the delivery of standards that do not maximize the interests of IASB users which have been acknowledged in the literature, but not evidenced in our qualitative data set. For example, IFRS 8 is widely known to have addressed the concerns of the FASB owing to the well documented convergence efforts made by IASB to align with the FASB (Franzen and Weißenberger, 2015). This convergence imperative is often acknowledged as having affected the user focus of IFRS 8, to the point where a post-implementation review of the standard was called for soon after the IFRS 8 issue “… amid significant concerns regarding adoption of the management approach…” (p. 80; Nichols, et al (2012)). We also acknowledge that users from different regions might be differentially interested in certain standards, and that the IASB cannot satisfy all users everywhere, to the extent that the needs of users might be opposing and disparate.

Discussion

Our interview findings coupled with a longitudinal analysis of archival information relating to the IASB’s funding sources (Table 2a, Table 2b), Board Member employment backgrounds (Table 3) and a summary of its user relevant initiatives since 2009 (Appendix A) reveal insights surrounding the impact of user centric initiatives as plausibly driven by external regulator pressures, but also an identified need by the IASB to remain relevant to a wider stakeholder base. These also highlight the continuing struggles faced by the IASB to translate this user engagement into more user centric standards. Our discussion is split into a clarification of the user centric representations driven by regulators, and the subsequent tensions between extant approaches within the IASB that mitigated the development of user focused standards for rationales other than preparer bias often popularly cited in the literatures (Durocher, et al, 2007).

The externally imposed pressures by regulators such as the EU, and U.S. regulators repeatedly and publicly call into question the mandate of the IASB as an institution. This pressure drove its user centricity. Three rationales - procedural rigor, user utility and existential enhancement are found to be pursued by the IASB from users, and they are related. We note how \textit{procedural rigor affects user utility}. The rigorous standard setting process adopted by the IASB, and significant transparency for external parties to view the standard setting debate, defined the procedural rigor sought by the IASB from users. By partaking in these processes, users are more likely to understand the value of the IASB to their own work environments, facilitating the generation of exchange legitimacy. Finally, staff and Board members emphasized that the aggregate growth in perception of user utility amongst users for the IASB serves to reinforce the role of the IASB as a value adding standard setter in the public forum, placating the coercive institutional pressure by influencing political debate surrounding the location of an international
standard setter as a socially acceptable institution (*existential enhancement*). This sequencing of procedural rigor, user utility and existential enhancement is expressed in Figure 1.

From a user engagement perspective, the greater user centricity manifested in greater *procedural rigor* via descriptive representations from users, per the Griffiths (1960). By holding unorthodox forums to bring preparers and users together, giving users anonymity in providing feedback and hiring key personnel to maintain contact with users, there appeared a genuine concern within the IASB that users needed to more actively partake in the process and their views needed to be incorporated into the standards being put forward for voting. To this extent, the descriptive mode of representation appears strongly correlated to the *procedural rigor* rationale, as it is through the outreach process that individual users were sought.

Similarly, the *ascriptive* representation form was evidenced when noting IASB staff seeking feedback from representatives of user groups. These groups broadly represented a larger sample of users, but on average, engaged more sophisticatedly than any individual user contacted by or contacting the IASB. It is notable that they were still not as large or well organized as the substantially funded, sophisticated dominantly accounting preparer and professional firm groups, as mentioned by some technical staff. The ascriptive form of representation, like the *descriptive* form, was often sought to frame the broad focus of reports by IASB staff, and subsequent to their generation, verification from the same user groups. The main difference between the descriptive and ascriptive form of representation was the organization of the outcome, and that ascriptive users provided formal comment letters to the IASB that were placed in the public domain, while individual users did not in order to preserve their anonymity. Notwithstanding this, the procedural rigor attribute was enhanced through descriptive and ascriptive user representation.

Symbolic representation is evidenced by the way a majority of staff (many from professional firms, traditionally more aligned to their client company (preparer) perspective) attempted to imagine the needs of users in standard setting, when less feedback was forthcoming. Senior technical staff emphasized the care needed to actively reflect on and anticipate the difficulties encountered by users. IASB staff also actively sought to minimize their translation concerns, through outreach activities designed to solicit the opinions of users and better able themselves to proxy their interests. To this extent, it might be argued that the IASB sought for users to know that their staff were attempting to cognize the reality of their work environments, reconciling their accounting disclosure needs into the standard setting process, therefore allowing users to perceive *user utility* in the IASB.

Further, steps taken by technical staff to question users in the outreach process before preparers, allows for these staff to defend the concerns of users, when negotiating with preparers. Here, again, technical staff might not be the typical user, especially if they come from preparer backgrounds (as most do), but their ability to empathize with the concerns of users and act on their behalf strongly aligns to the symbolic representation form, contributing to *user utility*.

Finally, the “representation of interests” form of representation was evidenced through the active decision by the IFRS trustees to incorporate Board members from less preparer centric backgrounds to those with hybrid skillsets, incorporating regulatory (capital markets and standard setting), preparer, professional firm and academic perspectives, facilitating the diversity of decision making voices at the upper echelons of the IASB closer to the user by being more balanced, without directly appointing users as a majority of members. Indeed, the IASB had
only marginally increased the number of members with user relevant backgrounds on the Board (Table 3), but the growth in backgrounded members at the expense of preparers (professional firms) is clearly observed, especially in the last 3-4 years. This enhances the exchange legitimacy perception of the IASB. Users who perceive the IASB as having a “broad church” of member experiences beyond company (preparer) and professional firms, conceivably regard disclosures as containing information that is more relevant.

Further, more voting power for users and balanced, multi-skilled board members on the IASB similarly has a representation of interest effect that drives user perception of their viability as an institution, and therefore drives their existential enhancement. First, the very existence of Board members with a vote forces the need for balance in the way Board member debates are shaped. This effect also bears political ramifications, with the IASB wanting to be seen as a more heterogeneous standard setting body from a stakeholder perspective, not unduly influenced by preparers, a concern expressed by many respondents interviewed. The increase in user Board members was thus a significant step in advocating the user perspective at the final voting stage, aiding the existential enhancement of the IASB as perceived by users as well as powerful governmental bodies at a national and cross-national level (e.g. European Union).

Overall, the four representation perspectives advocated by Griffiths (1960) cohesively tackle the attainment of different types of user centricity as discussed in Durocher et al. (2007) when reflecting on the legitimacy underlying IASB pursuits. Figure 1 shows this relationship between the four senses, the different user centricity types and related tensions that result. The link between procedural rigor, user utility and existential enhancement was emphasized by IASB analysts:

“Because we don’t have any real authority or mandate, we need to maintain that robustness of the process in order to be accountable ... and to give people that comfort that we’re not going to do anything without going through some kind of rigorous process to give people the opportunity to voice any concerns they might have... once that’s set up, we need to be able to produce the information that they find, users find useful, and out of that process, so that out of that, we need to come full circle ... if we can solve that, then definitely, the big picture things should sort itself out – if we’ve got a robust process, we’re meeting users expectations and needs, then that should flow into demand for IFRS’s (standards)”

IASB technical staff

Theoretical Tensions

Notwithstanding the above user centric behaviors, the IASB continues to be criticized for its inability to act in the interests of users, as evidenced from standards released. We clarify three tensions driving this clash. First, staffs were uncomfortable with guaranteeing users that their feedback would be incorporated into the final standards set. Their concerns rose from the need to be unbiased, evaluating the concerns of users and preparers on their merits, as opposed to a blind acquiescence to user demands. Second, standard setters saw users as important, but lacking sufficient knowledge of accounting and an awareness of the cost benefit implications underlying their requests. This view largely stems from an accounting profession centric view of standards, where those with technical expertise and knowledge of information cost implications seek to make decisions on behalf of less informed counterparties. This further contributed to the standards not culminating in user centricity viewed as ideal by users and regulators. Staff within
the IASB saw their responsibility as one of protecting users from themselves, and considered this as in the users’ interest, though not appearing as such.

Finally, the pressures imposed by regulators were motivated by the IASB having to act in the public interest, incorporating a broader view of users to be one with greater potentiality and breadth, incorporating the general public. The IASB, by contrast, in taking the capital markets definition of users, largely focused on analysts and investors, with a natural bias for larger listed firms. This entrenched view of a “user” is arguably a traditionally adapted notion from national standard setter, and a by-product of an accounting profession centric view of the “user”.

The findings from our study provide a more nuanced explanation for how a user centricity focus leads to greater representation (per the Griffiths (1960) framework) and the consequent tensions that mitigate the development of user focused standards. We explain why standard setting institutions might, as a policy, authentically seek to not appear as user centric as external stakeholders might require them to be, contributing to the debate on user engagement in the standard setting process (Durocher, et al 2007; Camfferman and Zeff, 2007).

![Figure 1: User Centricity, Representation modes and Tensions framework](image)

We find empirical evidence which allows for the concerns identified by Young (2014, 2006), but further elaborates on the efforts taken by accounting standard setters (IASB) to incorporate the views of users. By empirically evidencing what the IASB is undertaking to reach users, we provide additional empirical evidence from an alternative perspective to the Durocher et al. (2007) efforts to better understand how users might be motivated to participate in the standard setting process. We also put forward, via archival longitudinal data analysis, that the resourcing influence of preparers is not as significant as might be expected. Table 2b reveals that since 2002, and at most, the Big 4 accounting firms (dominant preparers) provide 34.3 % of the IASB’s total funding (in 2009), but this has declined to be approximately 31.8% in 2016. This speaks to a gradually diminishing economic argument for professional accounting firms, who often speak in favor of their clients (mainly preparers). Such a view has been less forthcoming in research to date.
Also, research using only archival data from standard setters have argued that Board members generally vote down lines influenced by their backgrounds, political or functional (Allen and Ramanna, 2013). We find that the IASB actively adopts strategies to balance the views of users with preparers at a Board level, notwithstanding the majority preparer background of most members, with respondents seeking to vote on argument, not prior influence. Evidence was provided by respondents of Board members from countries that opposed certain standards, voting for the same standard. The representation of interests evidenced through the more varied IASB Board thus provides an alternative conceptual perspective which acts both as a counterpoint and a possible remedy to the background influence perspective proposed by Allen and Ramanna (2013). It also helps clarify rationales for the internal lobbying processes within the IASB, put forward by Morley (2016).

Prior research has suggested that the IASB has struggled to seek out the views of users in the standard setting process (Young, 2006), and possibly limited the objective of reporting even from a user perspective (to user valuation as per Pelger, 2016). Further studies have explained how standard setters focus on only technical accounting concepts, excluding the legal ramifications of their standard setting for users (Young, 2013). Indeed, prior research has comprehensively highlighted the way in which the IASB might have attempted to loosen definitions of key terms such as “reliability” by replacing these terms with broader definitions that might obfuscate and confuse users (amongst a range of other stakeholders), while setting a platform for standard setters to apply more market focused definitions to accounting practices (Erb and Pelger, 2015). Studies have equally identified pursuits by users themselves as being sub-optimal in that they help purify possible breaks in comparability ideals by aligning them to their own individual experiences, thereby rationalizing them in context (Durocher and Gendron, 2011). Therefore, users may be implicated in the weakening of standard setting principles. We acknowledge these concerns, but add to the literature by subscribing authentic reasons for the IASB to supply standards that may not appear to have taken into account user demands, as acknowledged by Young (2006). This more positive tone to a lower user focus implicates weaker user demands similar to Durocher and Gendron (2011), but clarifies a range of tensions that drive the IASB to possibly internally resist these even within their internal standard setting process authentically pursues standards that are ultimately designed to benefit users. These findings advance an additional view to that put forward by Morley (2016), who crafted compelling arguments concerning why internal debates by staff in their construction of documentation for discussion and debate by Board members represented a layer of social process not recognized, and are additional to the external lobbying and Board member debates themselves. We argue that these debates might be more constructive and positive when reflecting on user concerns, even when they appear to neglect user views in the issue of standards.

Our findings allow us to offer some practical recommendations that practitioners and academics might consider when reflecting on the user engagement conundrum prevalent in accounting standard setting globally. We suggest that user relevance in standard setting should not be measured by basic satisfaction ratings of users to the issue of a standard, as might be put forward by user groups such as EFRAG. Instead, the longer term satisfaction of users to a standard should be considered, as this plausibly allows for the longer term assumptions made by the IASB regarding user satisfaction to crystallize amongst users, though they may not be imagined by users in the short run.
We also submit that our findings help standard setters identify more structured, multidimensional approaches to seeking user participation. The Griffiths citizenship participation framework is a useful framework to structure a program for user participation, thereby allowing standard setters to better capture user views in more diverse ways and to do so in an integrated manner.

Finally, we recommend that standard setters reflect on the tensions we identify and communicate these possibilities to users from the outset when interacting with them in the standard setting process, so that users might understand why their views, while robustly courted, requested and considered of significance by standard setters, might not directly find reflection in the standards produced. To this end, we see this research as a valuable information source for standard setters to mobilise discussions with users when disagreement exists, so that more durable relationships between standard setters and users might result. This can only serve to strengthen user participation in the standard setting process in the longer term.

Conclusions

While much is known about users and preparers, and their willingness to engage (or otherwise) with the standard setting process, relatively little evidence exists for the approaches adopted by standard setting bodies to outreach and capture the views of users. We identify three dominant rationales for the IASB seeking the views of users, and link these to the Griffiths (1960) representation framework, to assess how and why the IASB seeks user feedback.

The feedback provided by individual users (Descriptive representation) or user groups (Ascriptive representations) help IASB staff to cognize like a user (symbolic representation) in the standard setting process, many of whom come from non-user backgrounds. This approach, at an operational level, increases the likelihood that the reports read by Board members show balance, and actively court the needs of both preparers and users. As a stronger balancing mechanism, the IASB has focused on increasing its user focus on its Board not by adding users in a direct way, but by broadening the experience set of Board members and a focus on making the Board a rigorous, but less technical and more broadly minded collection of decision makers. To this extent, the representation of interests has been seen as significant in providing balance at a senior level. IASB user board member representation has increased marginally, but the lower prevalence of professional firm skillset, stabilizing of preparer numbers and growth in regulator numbers has highlighted the more indirect pursuit of user centric views being heard at the voting table on the IASB Board.

We also introduce theoretical problematization in evidencing arguments for why other associated user centricity pursuits might not be engaged with by the IASB, and in many instances, actively discouraged. These tensions are with respect to the IASB wanting user feedback but not guaranteeing influence in order to maintain procedural rigor; the IASB distinguishing between user interests and the public interest; and the IASB balancing users’ requests for information with a resistance to allowing whatever they might request, owing to their lack of accounting knowledge. This reflects a neo-paternalistic resistance on the part of IASB in relation to users, not previously discussed in the literature.
The IASB has undergone major transformation in its short existence, and continues to face significant hurdles in the uptake of its standards and reach to a broader number of member countries, especially the USA. In incorporating user representation, it continues to seek balance between maintaining sufficient technical rigor to effectively marshal a coherent set of standards from a governance perspective, while seeking to appease the immediate interests of its user base. Our identification of the IASB’s movement away from largely preparer and professional firm backgrounded board members to those with regulator and academic backgrounds but not necessarily user backgrounds alone (Table 3) evidences the delicate balancing of both. In order to further its growth, the Board and technical staffs contended that it is essential to identify and capture the needs of users for which these standards are set.

We clarify that overall, most board members possess some preparer or professional firm background, but this has been increasingly mingled with regulator and academic backgrounds, lending balance while allowing for technical competence. Also, the representation approaches described above allows for balance to be achieved in the operational “behind the scenes” workings of report setting, and also at the more visible Board member level for voting and more the strategic shaping of decision making on standards.

We interviewed just over half the technical staff in the IASB, and identified wide ranging staff from multiple levels to capture a representative and broad cross-section of IASB staff and member perspectives. To the extent that other technical staff might have adopted different approaches to outreach which we failed to acknowledge, might affect the completeness of our conclusions. We contend, however, and consistent with Yin (2009), that we reached data saturation in the responses grounded in our interviews. The presence of a participant observer author further allowed us to affirm the completeness of our interpretations. We subscribed to a well-accepted definition of users, incorporating investors and analysts, and concede that other users such as creditors and banks might be less represented in our findings. But we contend that we also cover this concern by identifying the need for a broader conceptualization of “users” as a source of one of our tensions (user interest vs. public interest). We concede that we did not focus our study on differences in outreach between more advanced economies and emerging economies. This might be another disconnect experienced by the IASB when designing user focused standards, in that the nascent issues faced in both might be different. Indeed, the presence of Board members from many different countries at the time of our data collection, including parts of Asia and Africa, possibly speaks to IASB’s intention to incorporate these emerging market views into standard setting. This might be an avenue for future research to explore more deeply.

The absence of generalizability in the case approach has been well documented in other empirical case research, and is acknowledged. Being a case study, our views represent those of a single standard setting Board, and therefore differences in the senses of representation in more national standard setting boards might be observed. To this extent, future research that better captures how these national standard setting boards seek outreach from less active stakeholder groups will allow us to better conceptualize the different techniques used by various boards, leading to a better understanding of approaches for reaching a wider set of constituents. Furthermore, research that assesses whether greater user participation impacts the quality of standards set might clarify the effects of some of the tensions we put forward in our study.
References


IFRS Foundation 2015b, *Who we are and what we do*, IFRS Foundation, London.


Appendix A – IFRS User Engagement from 2010-2016 (per IFRS Foundation Annual Reports 2010-16)

2016 IFRS Foundation Annual Report

• Annual report title: “Better Communication in Financial Reporting”
• Michael Prada, Chair of the IFRS Foundation Trustees:
  o “During the coming years we will further develop our network of experts that provide
on technological innovation and its impact and relevance to IFRS Standards.” (p. 6) in
reference to the XBRL Taxonomy, especially important as they note that the way
investors and others consume financial information will evolve
  o Board size reduced to 14 (from 16) to provide “greater flexibility in the geographical
distribution of the Trustees and the Board” (p. 7)
• Hans Hoogervorst, Chair of the International Accounting Standards Board
  o The focus of the early days (from 2001 on) was on improving Standards inherited from
the IASC, and then plugging gaps as required.
  o Going forward, the work plan (2017 – 2021) “Better Communication” has three main
elements:
    1 Primary Financial Statements project
    2 Disclosure initiative
    3 IFRS Taxonomy development
• Additional notes:
  o Improved social media presence
  o Increased support regarding implementation of newly issued standards – more active in
recent years in supporting Standards after issued but before effective.
  o Two pages dedicated to the Investor perspective, which included an interview with
Mitch Reznick, Co-Head of Credit and Head of Credit Research at Hermes Investment
Management.
  o Discusses benefits of the Investors in Financial Reporting programme (established in
2014)

2015 IFRS Foundation Annual Report

• The Monitoring Board issued the Governance Review in 2012
• Michael Prada, Chair of IFRS Foundation Trustees:
  o Notes that they have strengthened relationships with key stakeholder groups around
the world.
  o Explicitly notes that the best example of this is the Investors in Financial Reporting
programme – a “showcase programme” (p. 9)
  o A number of additional buy-side investors and analysts have been added in 2015.
  o The website has also been updated and is a main communication channel
• Strategic priorities 2016 and beyond
  o Ensure IFRS Standards serve the public interest – “Continue to develop investor
outreach, including review of the Investors in Financial Reporting programme” (p. 11)
  o Align external affairs activities with strategic challenges, which will include:
    1 “Launch upgraded website and associated social media platform”
2  “Efficiently and clearly communicate developments”
3  “Provide effective coordination and management of key stakeholder relationships” (p. 12)

- James Quigley, Chair of the Due Process Oversight Committee:
  o They will continue to review the Board’s reporting of the feedback from outreach and fieldwork activities.

- European Commission report on 10 years of IFRS:
  o “investors largely supported the Standards for improving the quality and comparability of financial statements” (p. 35)

- Engaging with investors: the *Investors in Financial Reporting* programme
  o Programme was launched in December 2014
  o As of December 2015 – 14 major investment firms have participated
  o Investor resources ([www.go.ifrs.org/Investor-Centre](http://www.go.ifrs.org/Investor-Centre)) include:
    1  Investor Update
    2  Investor Perspectives
    3  The Essential Series

2014 IFRS Foundation Annual Report

- Michael Prada, Chair of IFRS Foundation Trustees:
  o Noted that the composition of IFRS staff reflects significant diversity (geographic). Also notes staff from academia and practice fellows from the accounting profession. In addition notes that over 60% of staff are female.
  o Formalised co-operation with the International Integrated Reporting Council (IIRC) and International Valuation Standards Council (IVSC).

- Strategic priorities 2015 and beyond:
  o Full and fair consultation (p. 9)
    1  Created Accounting Standards Advisory Forum (ASAF)
    2  Investors in Financial Reporting programme
    3  Collaborative research work with other standard-setters.
    4  Formalised relationships with other organisations (i.e. ESMA, IFAC)
  o Transparency (p. 9)
    1  Summary of investor meetings published on website

- Michale Prada on behalf of Professor Harvey Goldschmid, former Chair of the Due Process Oversight Committee:
  o IFRS Taxonomy Consultative Group members have a geographical and professional mix
  o Examining staff effort to improve reporting of feedback from investors/users.

- Sheila Fraser, Chair of the IFRS Nominating Committee:
  o “When seeking to fill a role we consider the professional balance – those who can bring the appropriate depth of skill and contribute to a cohesive team, and a balance in geography, industry and gender.” (p. 18)

- Hans Hoogervorst, Chair of the International Accounting Standards Board
  o Noted the successful establishment of the *Investors in Financial Reporting* Programme
  o Continuing to maintain dialogue “with all interested parties” (p. 21)
Two full paragraphs on the *Investors in Financial Reporting* Programme and its importance to the IASB

- Investors in Financial Reporting Programme
  o 2 full pages in the annual report
  o “Represents a significant step-change in the level of engagement between accounting standard-setters and members of the buy-side investment community.” (p. 32)
  o 10 participants at launch

2013 IFRS Foundation Annual Report

- Masamichi Kono, Chairman IFRS Foundation Monitoring Board:
  o “The Monitoring Board made important progress in 2013, taking steps to make its governance of the standard-setting process of the IFRS Foundation more inclusive, effective and accountable in the face of a growing global stakeholder base.” (p. 5)
- Michael Prada, Chairman IFRS Foundation Trustees:
  o The Trustees published the updated *Due Process Handbook* with additional information on liaising with investors (see below).
- Section on IASB Advisory Bodies notes the Capital Markets Advisory Committee (CMAC):
  o CMAC is an independent body created with the specific aim of providing the IASB with regular input from investors and other users of financial statements. (p. 30)

2012 IFRS Foundation Annual Report

- The report notes that the IASB launched a dedicated investor liaison programme in 2010 and that the Monitoring Board was established in 2009 to provide enhanced public accountability.
- Michael Prada, Chairman IFRS Foundation Trustees:
  o Notes that the Annual Report theme is “a new chapter”. Goes on to explain that:
    1. First chapter was the start-up phase: 2001 – 2011
    2. Second chapter is consolidating and building on success: 2012+
- The report also notes the opening of the Tokyo office, and that 29 nationalities are represented across 138 staff members.
- A Public Forum held in January 2013 regarding irrelevant disclosures in financial statements
- Technical activities and developments of IFRSs:
  o Respondents to agenda consultation wanted calm after 10 years of continuous change
- Noted the Capital Markets Advisory Committee as an Advisory Body to the IASB.

2011 IFRS Foundation Annual Report

- The report notes that the IASB launched a dedicated investor liaison programme in 2010 and that the Monitoring Board was established in 2009 to provide enhanced public accountability.
- The report also notes that the technical staff and board come from almost 30 countries.
- Michael Prada, Chairman IFRS Foundation Trustees:
  o One of the priorities for 2012 is more formalised interaction with international, regional and national authorities.
- David Sidwell, Trustee Chairman of the Due Process Oversight Committee
Four identified areas to work on – one of which was to increase engagement with the IASB. Even so, “the IASB has significantly increased the extent of the outreach and consultation activities that it undertakes.” (p. 10)

The DPOC will oversee the introduction of procedures to support enhanced dialogue.

- Trustees and Board member details are accompanied by world maps indicating the geographical region they represent.
- Hans Hoogervorst, Chair International Accounting Standards Board
  - Mentions working with investors (amongst others) on pruning irrelevant disclosures
  - Also mentions how to involve the “wider IFRS community... most of the first Board and many of the technical staff came from the small group of independent national standard-setters whose work was the foundation for the first set of IFRSs.” (pp. 25 – 26)

Overview of technical activities in 2011:
- “On 26 July 2011 the IASB launched its first formal public agenda consultation ... The IASB sought input on the strategic direction and overall balance of the work plan from the IFRS Advisory Council, investors and a broad range of interested parties.” (p. 31).
- Paul Cherry, IFRS Advisory Council Chair
  - “I believe that our diversity of backgrounds and experience is a key strength...” (p. 35)
- The IFRS XBRL initiative noted that the team will need to talk to analysts and investors (p. 40).

**2010 IFRS Foundation Annual Report**

- Report notes that:
  - Due Process enhanced to achieve broader stakeholder engagement in 2004.
  - Outreach program approved in 2007
  - Monitoring Board established in 2009 to provide enhanced public accountability
  - IASB launched a dedicated investor liaison program in 2010
- David Sidwell, Trustee Chairman of the Due Process Oversight Committee (DPOC)
  - “Lastly, the DPOC agreed to assist the IASB in enhancing its outreach activities, particularly those targeted at the investor community and prudential supervisors. In accordance with this objective, in April 2010 the IASB appointed its first dedicated investor liaison manager, to co-ordinate the IASB’s interaction with members of the investor community and to seek higher levels of investor participation in the standard-setting process. The IASB has continued to deepen its involvement with prudential supervisors through an enhanced technical dialogue.” (p. 11)
- Sir David Tweedie, Chairman of the IASB:
  - IFRS started with approximately 12 staff, and in 2010 has over 120 from 28 countries
  - Apply a variety of methods to elicit feedback
- Stakeholder participation – 2 full pages in the annual report:
  - Encouraged by the G20
  - Investors a target stakeholder group, and first named.
  - Investor liaison programme launched, comprising appointment of dedicated investor liaison manager, dedicated section on the website, and monthly mailing list to over 5,000 registered users.
  - In addition, dedicated outreach managers appointed for each major project