A Structural Examination of the International Accounting Standards Board's (IASB) Governance Network

Patricia A. Goedl, CPA, Ph.D.
Associate Professor
University of Cincinnati
Clermont College
4200 Clermont College Drive, Batavia, OH 45103
United States

Abstract

Although the International Accounting Standards Board's (IASB) governance network—the web of organizations responsible for international accounting regulation—was restructured in 2013 to address international concerns regarding independence from vested interests, it is theorized that the restructuring of the physical organizational structure did not necessarily change the underlying structural embeddedness of the IASB's governance network. A longitudinal study examining the structural properties of the reorganized network verses the properties of the former network examined in Goedl (2012) was completed building on Laughlin's (1991) framework on the effect of environmental disturbances on organizational transitions and transformations. It was found that although the organizational structure of the IASB's current governance network appears to be vastly different from the previous network, the recently reorganized governance network exhibits nearly identical structural properties as the governance network defined in Goedl (2012). In particular, a robust relational tie to the professional perspectives of banking was found in both networks. If it is accepted that in response to a disturbance networks can appear changed but not truly changed in a fundamental way, then it must be accepted that this underlying network is inextricably connected to due process, accountability, transparency, and stakeholder influence within the IASB and that the existence of such a stable underlying networks requires further understanding, research, and monitoring.

Keywords: IASB governance network, International Accounting Regulation, International Financial Accounting Standards, International Accounting Standards Board, IASB due process, Social network theory

1. Introduction

"Whilst the importance of accounting regulations in the internationalization of policy regimes is now almost a cliché, many studies at the international level tend to focus upon one particular 'international' institution or standard: much less attention is given to the polycentric, network or co-ordinated character of 'regulation work' and the complex of relations between national agencies." Cooper and Robson, 2006, p. 431.

The magnitude of legitimizing a single set of global accounting standards requires accounting researchers to critically examine the transnational standard-setting governance network responsible for global accounting regulation. The organization legitimatized—by both national and global interests—to establish global accounting regulations is the International Accounting Standards Board (IASB). The IASB promulgates International Financial Reporting Standards (IFRS) that have been required or permitted by 120 countries including Argentina, Australia, Brazil, Canada, France, Germany, Japan, Italy, Mexico, Republic of Korea, Russia, Saudi Arabia, South Africa, Turkey, United Kingdom, and the United States (IFRS Foundation, 2013a).

The potentialities of setting globally binding accounting regulations are innumerable. Accordingly, there are the broad consequences to stakeholder influence on the IASB, which is a non-governmental, private regulatory body responsible for promulgating globally binding financial regulation. Accounting regulations can be used to serve particular interests by issuing certain guidance, or to serve competing interests by issuing contrary guidance (Kothari & Lester, 2012).

Such judgments are problematic; however, since what constitutes fair, representative, and equitable guidance is far from straightforward (Perry & Nölke, 2006). Moreover, non-governmental, private regulatory networks may lack many of the traditional forms of bureaucratic controls and procedural safeguards such as accountability, oversight, participation in the standard setting process, and transparency (Gallhofer & Haslam, 2007; Goedl, 2012; Kingsbury, Krisch, & Stewart, 2005; Perry & Nölke, 2005; Richardson, 2009). As a result, stakeholder influence within the regulatory body can convey broad power and great consequences. One of the greatest consequences of excessive influence in regulatory processes are far reaching financial catastrophes, such as the US crisis in 2008, which Kothari and Lester (2012) attributed, in part, to "questionable banking practices" and "the role of fair value accounting standards" (p. 335). Kothari and Lester's observation coupled with recent findings that banking interests are embedded within the IASB governance network (e.g. Annisette, 2004; Goedl, 2012; Perry & Nölke, 2005) should be, at the very least, concerning.

This paper answers that call by examining the complex web of organizations involved in international accounting regulation. This web of organizations involved with international accounting regulation is accepted as the IASB governance network first defined in Goedl (2012). Since this network is not static, the IASB's governance network is expressly redefined herein based on hierarchical ties of authority and includes the IFRS Foundation Monitoring Board (hereafter Monitoring Board), IFRS Foundation, IASB, IFRS Interpretations Committee, and the IFRS Advisory Council (IFRS Foundation, 2013). In the next section, the IFRS governance network is discussed in more detail.

In the third and fourth sections, a theoretical framework capable of studying the evolving IASB governance network is constructed and the specific research questions are presented. It is posited that regardless of explicit reorganization efforts, the IASB governance network will exhibit structural embeddedness as measured by intra-organizational relational ties within the network and that the individual members of the IASB governance network will have more professional affiliation ties to banking than any professional prospective other than accounting. Tucker's (2013) incorporation of social network theory into Laughlin's (1991) framework on the effect of environmental disturbances on organizational transitions and transformations provides a 'balanced-thinking' theoretical perspective coupled with the powerful methodological tools necessary to conceive of the relational context of the individuals and to understand the action of the network (Gallhofer, et al., 2013; Granovetter, 1995). In the final sections, a discussion of the results is presented and a discussion of implications is offered. This research contributes insights into the relatively unexplored governance network that underlies the processes through which international accounting regulations are promulgated. Additionally, a rare longitudinal perspective of the governance network is provided.

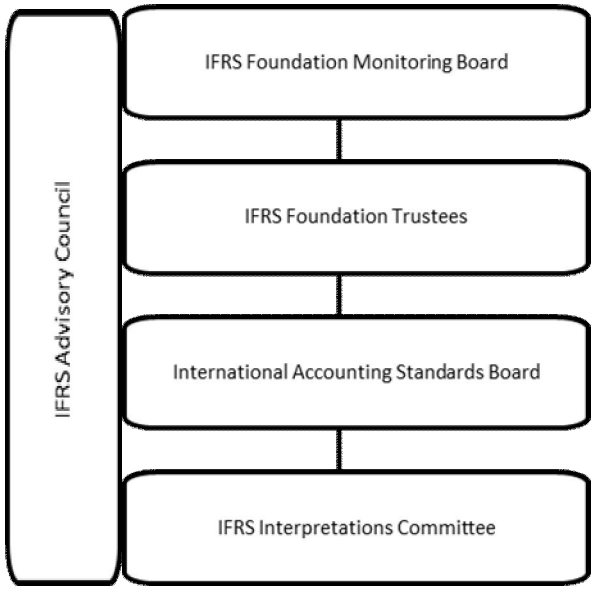
2. The IASB's Governance Network

Cooper and Robson (2006), suggest that in the complex process of accounting regulation, "research is needed into how actors make sense of, and operationalize, what they believe to be their interests" (p. 426). They further suggest, "…it is now scarcely possible to discuss seriously, for example, the work of the IASB, IFAC, ASB, FASB, IOSCO or the EU in the field of accounting regulations without considering the complex web of alliances, agreements and accords that now exists between these agencies on various accounting and auditing matters" (p. 431). Although the IASB officially promulgates international financial reporting standards (IFRS), the IASB functions as a small part of a much broader network theoretically defined as the IASB's governance network (Goedl, 2012). The underlying structure of the IASB's governance network is formally defined within its organizing constitution and consists of, in part, its highest organizational components—the IFRS Foundation and the Monitoring Board. It is evident, based on documented ties of authority that these organizations defined as the IASB's governance network form a hierarchical structure and constitute a regulatory network.

The IASB's governance network, however, is not a fixed structure. This governance network has evolved significantly over the last decade mainly via constitutional amendments approved by the Foundation Trustees or members of the respective monitoring organizational board. The most recent revisions to the IFRS Foundation's (2013) Constitution were in response to a large scale governance review conducted by the Monitoring Board (IFRS Foundation Monitoring Board, 2012) coupled with a strategic review project conducted by the IFRS Foundation (2012) Trustees. The revisions were, in large part, intended to address international concerns over governance, transparency, participation, and accountability.

The current structure of the IASB's governance network is expressly defined by the IFRS Foundation's (2013) Constitution based on hierarchical ties of authority as including the IFRS Foundation Monitoring Board (hereafter Monitoring Board), IFRS Foundation, IASB, and the IFRS Interpretations Committee. Also included is the IFRS Advisory Council, which serves in an advisory capacity to the other organizational levels as illustrated in Figure 1 below. Since identifiable ties of authority—decision making, monitoring, voting or other such powers—as well as advisory influence are sharply defined, it is argued that the presence of such ties merits inclusion into the governance network (Jones, Hesterly, & Borgatti, 1997).

Figure 1: Organizational structure of the IASB



It seems evident that as regulatory convergence became more of a reality the *intention* of the IASB governance network was to increase its legitimacy by addressing concerns about governance, transparency, participation, and accountability (IFRS Foundation, 2012; IFRS Foundation Monitoring Board, 2012). To this point, the U.S. Securities and Exchange Commission (2012) also commented in its final staff report on incorporating IFRS into U.S. GAAP, *"the Staff believes, based on its monitoring, that IASB members decide on the resolution of issues in projects based on the technical merits and overall usefulness for investors and other users of financial statements, and the Staff is not aware of instances in which IASB members has not acted in the public interest or have failed to exercise independence of judgment in setting IFRS" (p. 36).*

It is not argued herein that the IASB's governance network is intentionally designed to usurp public interests *per se*[1]. It is argued, however, that the IASB governance network was intentionally and rationally created as a financial regulatory network, which gives rise to theoretical implications ranging from serving particular interests to safeguarding and coordinating particular exchanges (Büthe & Mattli, 2011; Goedl, 2012; Jones et al., 1997; Mattli & Büthe, 2005a, 2005b; Perry & Nölke, 2005; Rowley, 1997). Furthermore, the IASB's claim that it serves public interest is, at the very least, suspect or as Gallhofer and Haslam (2007) critiques, "…interests influential in accounting/professional regulation…uneasily translate into the public interest" (p. 636).

3. Theoretical Framework

The *structural* changes of the IASB's governance network—formerly the International Accounting Standard Committee (IASC)—is thoroughly documented (cf. Botzem & Quack, 2009; Camfferman & Zeff, 2007).

[1]Gallhofer and Haslam's (2007) critique presents compelling points on the official verses unofficial intentions of the IASB. Research suggests that the IASB's governance network structure was intentionally conceived and that convergence was forced on nations—usually developing economies—by supranational organizations such as the World Bank and International Monetary Fund (IMF) to standardize national financial economies requiring the adoption of international financial reporting standards in debt covenants, lending agreements, and other financial aid requirements, e.g., Graham and Neu, 2003; Neu, et al., 2006; Neu, et al., 2010; Perry & Nölke, 2005; Richardson, 2009.

More interesting than formal organizational structure, however, are changes to what Laughlin (1991) deems the IASB's governance network's design archetype and interpretative scheme—progressively more intangible network aspects respectively. Laughlin (1991) envisions organizations or networks as, "an amalgum of 'interpretive schemes', 'design archetypes' and 'sub-systems,'" further that the former two less intangible dimensions (design archetypes and interpretive schemes) "give direction, meaning, significance, nature and interconnection to the more tangible elements" (p. 211). The design archetypes are the organization structure, decision processes and communication systems within the network. The interpretive schemes consist of culture—beliefs, values, and norms—, mission—purpose and broad programmes for direction of action—, and paradigms—the 'metarules' that underpin and give direction to the lower levels (p. 213).[2]

Laughlin (1991) posits that organizations tend toward a state of inertia so that organization change is predicated on some sort of disturbance—synonymous with kick or jolt—within the organization. A disturbance/kick/jolt results from an external event(s) and precipitates the process of change within the organization, which is accomplished via a theoretically defined 'pathway'. Laughlin defines the four alternative pathways to change as 'rebuttal', 'reorientation', 'colonization', and 'evolution'. The end result of this change is what Laughlin deems organizational transitions or transformations. Perhaps the paradigm change of the IASB to so-called fair-value accounting and the significant increase in financial sector actors noted by Perry and Nölke (2005) and Goedl (2012) may represent 'colonization' of the IASB governance network by financial sector interests.[3] Laughlin (1991) describes this as,

"…one could also envisage change in the 'colonization' mode being chosen*, when what Laughlin (1987: 485) calls 'positive' inner colonization is occurring (i.e. where the colonizing challenges to the interpretive schemes were welcome, or in some sense deemed to be for the 'good of the organization'). However, the possibility of (negative, unwelcome or destructive) colonization always indicates how unpredictable and sometime seemingly uncontrollable the change progress is" (p. 220).*

An interesting point to Laughlin's (1991) organizational amalgam is that both the interpretive scheme and the design archetype are, "*created* and *sustained* by the past and/or current organizational participants" (p. 211, emphasis added). Accordingly, it is posited that the IASB governance network was also created and sustained regardless of the *structural* changes made for the *public* interest in recent revisions to the IFRS Foundation's (2013) Constitution. One way to envision this argument is to look past ostensive structural change—committee structures, lines of authority, etc.—and examine the underlying design archetype and interpretative schemes for it is the latter that creates the purpose, mission, coherence and values which underlie, and have influence in, the processes of promulgating IFRS. Or, if the network keeps or replaces members with similar interpretative schemes the committee will *tend* toward the same perspective regardless if it has more or less members or if it reports to one or the other in the hierarchy. To illustrate, if a committee's members are stanch adherents of a particular political stance the tendencies of the committee will likely be the same regardless of moderate structural changes. For this reason, the focus herein is on the professional perspectives of the individual actors within the network that contribute to the underlying design archetype and interpretative schemes of the network (Laughlin, 1991).

[3] Although Laughlin's (1991) framework has been applied in various research endeavors to analyze change[4], on the whole, "…these studies demonstrate the inherently structuralist position typically adopted in research utilizing this framework and (arguably) underpinning the framework itself" (Tucker, 2013, p. 245). As a stand-alone theory, Laughlin (1991) acknowledged as much explicitly stating that the theory is capable of addressing *what* occurred and not necessarily the *how* and *why* these pathways are followed and change occurred.

[2] Laughlin (1991) qualifies that, "these all important interpretative schemes are often difficult to articulate, let alone understand" (p. 212). He explains that ultimately these concepts are linguistic 'props' for 'invisible elements' citing the work of Smith (1982) and Morgan (1986). Laughlin accepted the above words or 'titles' drawing on the literature of Levy (1986) to define his concept of interpretive schemes, which are also accepted herein.

[3] Although the actual transformation is not examined here, the study would be an interesting application of Laughlin's (1991) framework.

[4] See Tucker (2013) for a comprehensive, not exhaustive, review of the application of Laughlin's framework.

To systematically examine the *how* and *why*, social network theory supplies, "various methods and tools that provide sophisticated quantitative measure, metrics and algorithms for calculating and describing the shape, structure, and dynamics of networks" (Tucker, 2013, p. 243). Tucker (2013) couples Laughlin's (1991) framework with social network theory creating a framework of organizational change in which, "…the dynamic processes invoked in response to environmental disturbances are capable of being operationalized, generalized and tested" (p. 242). Laughlin (1991) proposes that within a given organizational network the response to any disturbance is enacted via the interactions among people, which are facilitated by relational social ties between the individual actors within the organization or network. Accordingly, social network theory is primarily concerned with analyzing these relational social ties within an organization or network (Tucker). Inasmuch, it is argued herein that social network theory represents a good fit within Laughlin's (1991) framework.

Although Tucker (2013) presents a cohesive coupling of Laughlin's (2001) framework on organizational transitions and transformations with social network theory, and select social network metrics and algorithms are briefly discussed, the selection of a particular social network method is indeed beyond the scope of Tucker's (2013) work. Tucker, however, recommends examining the structural embeddedness of the governance network.

3.1 Structural embeddedness

The concept of structural embeddedness has gained wide acceptance since Granovetter's (1985) groundbreaking application of embeddedness to economic sociology (Krippner& Alvarez, 2007). Granovetter (1985) rejects the neoclassical economic 'undersocialized' view—actors act as individuals outside of a social context—as well as the 'oversocialized' view—actors mindlessly adhere to norms and behaviors of the social groups in which they happen to belong. He succinctly argues that an individual actor's attempt to action is embedded within a concrete, ongoing social network. In fact, he envisions embeddedness as so central to economic action that, "the behavior and institutions to be analyzed are so constrained by ongoing social relations that to construe them as independent is a grievous misunderstanding" (p. 482). Furthermore, Granovetter explicitly theorizes that most behavior—social networks, culture, politics and religion—is embedded in networks of interpersonal relations and not just economic behavior (also see Granovetter, 2005). Granovetter's (1985) concept of embeddedness has been applied to explain a wide variety of behavior across multiple disciplines including accounting. Examples of particular interest herein include Goedl's (2012) exploratory study of the IASB's governance network, Perry and Nölke's (2005) examination of the fair value paradigm in international accounting standard setting, and Richardson's (2009) study of the inter connectedness of Canadian and international accounting regulatory networks. The view that individual action is embedded within the networks in which such behavior takes place is widely accepted in accounting research (cf. Graham & New, 2003; Hopwood, 1990; Laughlin, 1991; Broadbent & Laughlin, 2005; Tucker, 2013). Of course the concept of structural embeddedness is not without limitations; however, such limitations are far from theoretically insurmountable.[5]

4. Research Statements

As previously mentioned, the IFRS Foundation (2013) approved significant revisions to the constitution governing the IASB. These revisions were in response to concurrent reviews of the IASB's governance structure by the IFRS Foundation (2012) and the Monitoring Board (2012). Although the IASB governance network has purportedly evolved to address international concerns regarding independence from vested interests, it is theorized herein that the underlying mechanisms of structural embeddedness are still employed within the network. When particular professional perspectives are embedded within a rationally constructed network one must conceive of the relational context of the individuals to understand the action of the network (Granovetter, 1995; Jones, et al., 1997; Rowley, 1997). Goedl (2012) found that the IASB's governance network forms a definable hierarchy that exhibits qualities of structural embeddedness. Banking interests were more embedded within the governance network than any other professional, academic, or social group. These findings are supported by Perry and Nölke's (2006) conclusion that political influences on the IASB have morphed from those of business to those of finance, as well as their previous findings in which Perry and Nölke (2005) used social network analysis to examine the various committees of the IASB and the European Financial Reporting Advisory Group.

[5] See Krippner and Alvarez (2007) for a comprehensive review of the concept of embeddedness with particular emphasis on the subfield of economic sociology.

In particular, they found that, "…financial sector actors wield substantially more influence than other categories of business actors within the governance of international accounting standard setting" (p. 1). Furthermore, they noted a robust investment banking subcategory, which was reproduced by Goedl. Interestingly, Perry and Nölke (2005) also found, "public actors have retreated and broad social constituencies are not represented at all" (p. 17), also confirmed by Goedl.

Research Statement 1: Will the recently reorganized IASB governance network exhibit structural embeddedness as measured by intra-organizational relational ties within the network?

Research Statement 2: Will the individual members of the IASB governance network have more professional affiliation ties to banking than the other professional affiliation attributes?

Research Statement 3: Will the current IASB governance network exhibit a relatively stable pattern of interrelationships and professional ties?

5. Data collection and research design

The IASB's governance network is accepted as defined in the IFRS Foundation's (2013a) Constitution as including the IFRS Foundation Monitoring Board (hereafter Monitoring Board), IFRS Foundation, IASB, IFRS Interpretations Committee, and the IFRS Advisory Council. The network was examined as of July 2014. In the case that a board member term ended in July, the former member as well as the incoming member was included in the network. The network included 113 organizational seats or actors. Specifically, 16 members of the IASB Board; 22 members of the IASB foundation; 5 organizational members of the Monitoring Board; 17 members from the IFRS Interpretations Committee; 53 members of the IFRS Advisory Committee. Given that the 5 organization members of the Monitoring Board are organizational seats and not necessarily individual actors these seats were removed from the individual actor database. The individual actors (N = 108) included specifically named individual board members and organizational observer members listed above. This list of individual actors was then used to construct 2 datasets.

Data collection for both datasets was completed during a comprehensive review of publically available data.[6]These data were recorded via a systematic examination of the following source data: (a) bylaws; (b) incorporation articles; (c) annual financial reports; (d) formal committee memberships; (e) ad hoc committee memberships; (f) select meeting minutes; (g) select reports; (h) selected press releases, communiqués or other administrative documents; and (i) non-administrative documentation.

The foundation of $dataset_1$ was constructed from the list of individual actors (N = 108). $Dataset_1$is an asymmetric matrix with the rows representing individual actors and the columns representing the affiliation variables defined as the organizations within the ISAB's governance network. $Dataset_1$ is theoretically defined as an affiliation network. The set of actors were measured against a set of events or organizations to which the set of actors belong (Wasserman & Faust, 1999). Affiliation networks are expressly formulated to quantify the extent to which a subset of actors interact or overlap with other actors or its structural embeddedness (Jones et al., 1997; Wasserman & Faust, 1999). In this respect, affiliation networks emphasize the duality between actors and events (Borgatti & Everett, 1989; Burt, 1976, 1987; Wasserman & Faust, 1999). A recordable event for $dataset_1$was defined as an actor's concurrent or previous board memberships, employment, committee memberships, appointed positions, or otherwise documented official tie with any specific organization within the governance network. Data analysis for $dataset_1$ measures the actor's affiliation variable—co-membership or structural embeddedness—to the organizations within the network. In social network analysis, a network's inter connectedness or structural embeddedness is commonly described in terms of its density.

$Dataset_2$ (N = 108) is an asymmetric matrix measuring the composition attribute of professional affiliations. The attribute of professional affiliation was coded into six professional perspectives. The professional perspectives were categorized as, (a) national regulatory agency, (b) public accounting industry, (c) banking industry, (d) academia, and (e) business, and (f) other. A recordable event for $dataset_2$ was defined as an actor's concurrent or previous employment, board membership, committee memberships, or appointed positions in any of the aforementioned professional fields.

[6] The majority of the publically available data will be retrieved from Internet sources such as organizational websites.

$Dataset_2$ was analyzed as attribute data for the individual actors within the network. Accordingly, analysis of such data does not require social network methodology. Instead traditional descriptive methods were sufficient to isolate the professional perspectives of individual actors within the network.

6. Results

6.1 Research Statement 1: Will the recently reorganized IASB governance network exhibit structural embeddedness as measured by intra-organizational relational ties within the network?

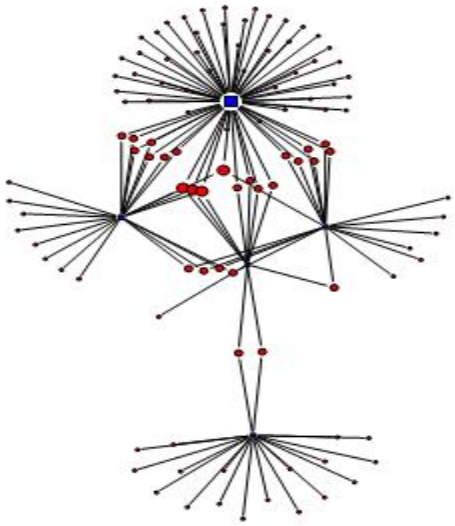
$Dataset_1$ was constructed as a 2-mode, affiliation network. The degree and density of $Dataset_1$ was examined using NetMinder4 (Cryam, 2014) software. In social network theory, degree refers to the number of ties within the network. The mean number of ties, standard deviation from the mean, as well as the minimum and maximum number of ties was computed. As shown in Table 1 below, the mean number of ties between the individual actors within the IASB's governance network was 1.302 with a standard deviation of 0.535.

Table 1: Distribution of the density of relational ties within $Dataset_1$

MEASURES	VALUE
MEAN	1.302
STD.DEV.	0.535
MIN.	1
MAX.	3

If the IASB governance networks were completely unconnected or devoid of structural embeddedness, the mean network degree would be 1 as the individual actors within the organization are automatically linked to the organizational board on which they serve. This also explains the minimum number of ties as 1. The mean number of ties of 1.302 indicates that the average actor within the network is tied to more than one organization or that the organization is structurally embedded. Further, some individual actors within the governance network had ties to 3 of the organizations within the governance network. These linkages are illustrated graphically in Figure 2 below calculated using Kamada and Kawai's (1988) algorithm for drawing general undirected graphs. An actor with a single connection is depicted as a small node or circle. The node or circle for actors with 2 organizational connections is slightly larger and the largest nodes are actors with 3 organizational connections. Of the 108 actors within the governance network, 24 of the actors had organizational connection to two of the five organizations that constitute the IASB's government network—IFRS Foundation Monitoring Board, IFRS Foundation, IASB, IFRS Interpretations Committee, and the IFRS Advisory Council—and 4 of the actors were connected to 3 organizations within the governance network.

Figure 2: IASB's governance network 2-mode spring map of degree distribution (created with Cryam, 2014)



It is important to note that structural embeddedness among the individual actors as demonstrated above is not expected within this governance network. This may seem counterintuitive since the organizational entities are linked within the governance network by organizational constitutions. However, the theoretical connection between the organizations within a governance network is assumed to stop at the organizational level. The individual actors, as measured herein, are assumed to be independent of each other. Or, the individual members that constitute the organizational boards are assumed to be autonomous members of the specific organization to which they belong. Thus, the detection of ties among the individual actors indicates a level of structural embeddedness that goes beyond the explicit organizational structure and formal links of authority.

6.2 Research Statement 2: Will the individual members of the IASB governance network have more professional affiliation ties to banking than the other professional affiliation attributes?

A total of 150 professional affiliation ties were found among the 108 actors in dataset$_2$. As illustrated in Table 2, the individuals within the IASB's governance network were found to have the largest collective number of professional affiliation ties to national regulatory agencies with 45 ties or 30% of the total ties. The ties to the banking industry ranked a close second with 39 ties or 26% and public accounting ranked third with 30 ties or 20%. A distant fourth, fifth, and sixth were business, academia, and other with 22 ties (14.7%), 12 ties (8%), and 2 ties (1.3%) respectively.

Table 2: Professional ties of the individual actors within the IASB's governance network.

	National Regulatory Agency	Banking	Public Accounting	Business	Academia	Other
IASB Board	9	8	6	3	2	1
IFRS Foundation Trustee	15	14	4	3	8	1
Monitoring Board	4	1	0	0	0	0
IFRS Interpretations Committee	4	2	8	5	1	0
IFRS Advisory Council	13	14	12	11	1	0
Total	*45*	*39*	*30*	*22*	*12*	*2*
Percentage	*30.0%*	*26.0%*	*20.0%*	*14.7%*	*8.0%*	*1.3%*

Although it was posited that the majority of professional affiliation ties would be to the banking industry, clearly a robust professional affiliation to the banking industry—especially when compared to public accounting, academia, and business—was found. It is likely that fewer banking ties were found as an effect of the recent IASB governance network restructuring. Prior to reorganization the network was larger and included organizations such as the Bank of International Settlements and World Bank and individual actors from these organizations were automatically assumed to have a tie to banking by virtue of their affiliation with banking organizations. The current network is smaller with only five organizations and 108 individual actors and does not officially include any banking organizations. For these reasons, one should expect the total number of banking ties to decline significantly instead of the marginal decline found here.

The results partitioned by the individual organizations are interesting as well. The 16 members of the IASB Board had more ties to national regulatory agencies (9) and banking (8) than public accounting (6) and only 2 ties to academia and 3 ties to business. This result is more pronounced within the IFRS Foundation Trustees, who exhibited 15 ties to national regulators, 14 ties to banking and only 4 ties to public accounting. In fact, with the exception of the IFRS Interpretations Committee, every organization within the governance network had more ties to national regulatory agencies and banking than public accounting. Although, ties to the national regulators are expected, more ties to public accounting might be expected in the governance network of an international accounting regulatory body.

The types of banking ties were further examined. The banking ties were categorized as central banks, public banks, private banks, and investment banks (including large banks that provide significant investment and wealth management as well as investment funds such as UBS, Bear Stearns, Rockefeller Family Fund, Barkley's, etc.). Goedl (2012) found that of the 216 reported to ties to banking 64 ties were to the investment bank subcategory or 29.6%. The same percentage of ties to investment banks was expected; however, the actual ties found to investment banks far exceeded this expectation. Of the 39 professional ties found to the banking industry, 25 (64.1%) were to investment banks.

While the potential implications of significant influence on international regulation by investment banking interests are beyond the scope of the current research, this finding surly warrants future research.

6.3 Research Statement 3: Will the current IASB governance network exhibit a relatively stable pattern of interrelationships?

The IASB's governance network has evolved significantly over the last decade mainly via constitutional amendments approved by the Foundation Trustees or members of the respective monitoring organizational board. Prior to reorganization, the IASB governance network was larger and included the IASB, International Federation of Accountants, Bank of International Settlements, World Bank, International Association of Insurance Supervisors, and the International Organization of Securities Commissions and for a total of 407 individual actors. The most recent revisions to the IFRS Foundation's (2013) Constitution were, in large part, intended to address international concerns over governance, transparency, participation, and accountability. The resulting governance network as currently organized is significantly smaller and contains only the organizations directly involved with international accounting regulation. The current structure of the IASB's governance network includes the Monitoring Board, IFRS Foundation, IASB, IFRS Interpretations Committee, and IFRS Advisory Council for a total of 108 individual actors. Thus, the current network *appears* to be vastly different from the previous network, e.g. the number of individual actors within the governance network decreased by 73.5% and the non-accounting international governance organizations were removed; however, as shown in Table 3 below, the recently reorganized governance network exhibits nearly the same percentage of professional ties as the governance network defined in Goedl (2012).

Table 3: Comparison of the professional ties of the individual actors to Goedl's 2012 findings

	National Regulatory Agency	Public Accounting	Banking	Academia	Business	Other
Present findings	*30.0%*	*20.0%*	*26.0%*	*8.0%*	*14.7%*	*1.3%*
Goedl (2012)	*29.0%*	*22.0%*	*31.0%*	*7.0%*	*7.0%*	*4.0%*

Furthermore, the degree of density of both networks is relatively stable as illustrated in Table 4 below. The current network displays a mean density of 1.302 ties per actor verses 1.464 ties per actor in the previous network. This 12.4% decline in density or ties per actor is offset by the 32.1% decrease in the standard deviation of the current governance network indicating a more stable distribution of ties in the current governance network.

Table 4: Comparison of governance network density to Goedl's 2012 findings

	Mean	Std. Dev.	Max.
Present findings	*1.302*	*0.535*	*3*
Goedl (2012)	*1.464*	*0.707*	*4*
Change	*-0.162*	*-0.172*	
% of change	*-12.4%*	*-32.1%*	

7. Discussion and Conclusions

Although the IASB governance network was restructured in 2013 to address international concerns regarding independence from vested interests, this restructuring of the physical organizational *structure* did not necessarily change the underlying mechanisms of the underlying network structurally embedded with specific relational ties. Clearly, the picture of an overarching, connected governance network emerges from these reportedly independent organizations charged with overseeing international accounting regulations. Moreover, the ties that bind this emerging network were not formed via hierarchal organizational arrangement but via internal structural embeddedness. And finally that the existence of this type of governance network can have many documented consequences including the transfer of information that gives rise to similarity in attitudes or aims, the facilitation of information and cooperation among organizations and groups within the network, and the differential access to resources and power within the organization (Brass, et al., 2004). The formal structure of the governance network changed radically but the interlocking ties and professional affiliations present within the network remained relatively the same.

Or, the underlying network didn't really change, which could indicate the network is in fact 'colonized' not only by regulators—expected—but by a clear banking prospective—unexpected (Laughlin, 1991). Colonization can be distinguished from what Laughlin (1991) defined as 'evolution' in that evolution implies that the underlying schemes are actively chosen and agreed upon by *all* interested parties. A heavy banking influence could be cause for concern as Laughlin (1991) and Tucker (2013) theorized that the affiliations of the actors within the design archetype also influence the network's interpretative schemes, or the perceived mission, values, goals, and conceptual underpinnings of the networks actions.

Although a stable underlying governance network in terms of structural and professional embeddedness despite overt organizational realignment is demonstrated, this work does not attempt to explain why these mechanisms exists, how they work, or if they can be used to influence international accounting regulation. Instead the contribution herein is simply that a stable governance network exists as demonstrated by the stability of social network ties within the governance network when intuitively one would expect a different distribution of ties considering the IASB's restructuring. If it is accepted that in response to a disturbance networks can appear changed but not truly changed in a fundamental way—colonization or evolution—, then it must be accepted that this underlying network is inextricably connected to due process, accountability, transparency, and stakeholder influence within the IASB and that the existence of such a stable underlying networks requires further understanding, research, and monitoring.

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