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Adopting the International Financial Reporting Standard for Small and Medium-sized Entities in Saudi Arabia

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# Abstract

**Purpose** – The paper investigates attitudes towards and perceptions of the adoption of the International Financial Reporting Standard (IFRS) for Small and Medium-sized Entities (SME) in Saudi Arabia, immediately before and during the period of adoption.

**Design/methodology/approach** – The study adopts an interpretive approach, using a new institutional theory framework, drawing on concepts of institutional isomorphism and institutional logics. Research was undertaken using extensive interviews of business owners and managers, accountants, auditors, regulators and others. Interviewees were identified using snowball sampling, and the paper discusses the appropriateness of this method for research in management in MENA countries.

**Findings** – The adoption of IFRS, and in particular IFRS for SMEs, in Saudi Arabia can be understood best as an example of mimetic isomorphism, as many respondents suggested that the country adopted these standards in order to emulate other countries in the Gulf Cooperation Council and the G20 group of countries.

**Practical implications** – The study examines issues relating to the adoption of IFRS for SMEs in an emerging economy where adoption was not imposed by international financial institutions.

**Originality/value** – In addition to being the first study of the adoption of IFRS for SMEs in Saudi Arabia, the paper examines snowball sampling as a particularly useful method in MENA countries.

**Key words** IFRS for SMEs, Financial Reporting, Interpretive Research, Saudi Arabia, Small and Medium-Sized Entities, Accounting Regulation, Institutional Logics, Snowball Sampling

**Paper type** Research paper

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# Introduction

In recent years, many countries have moved towards adopting International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB). According to the IASB’s website, as of 25 April 2018, 144 out of a total of 166 jurisdictions about which the IASB holds data “require IFRS standards for all or most domestic publicly accountable entities (listed companies and financial institutions) in their capital markets” (IFRS, 2018). What this requirement might involve in practice is not always clear. Zeff and Nobes (2010) note that “adoption” in national systems of financial reporting can range from virtually verbatim reproduction of the IFRS standards to piecemeal selection of options and even specific standards (see also Nobes, 2013). However, the dominance of IFRS standards is a phenomenon that demonstrates the power of an unelected international non-governmental organisation, the IASB, to obtain the agreement of national governments and security market regulators around the world to adopt and enforce its pronouncements, and is best understood as a political process (Botzem, 2012). The main competition to IFRS is provided by the United States Generally Accepted Accounting Principles (US GAAP), but IFRS are gradually being adopted by countries whose accounting standards were previously influenced by US GAAP, such as Canada, while both the IASB and the US accounting standard-setter, the Financial Accounting Standards Board (FASB), have attempted to “converge” through a series of joint projects to develop common standards (Pacter, 2013).

The adoption of IFRS (in one form or another) by such a substantial number of countries has stimulated considerable research into how the adoption process has been experienced. Among different approaches followed by researchers are statistical analyses of the degree to which companies in countries where IFRS is either permitted or required actually comply with IFRS, examinations of the political and administrative processes involved in adoption, and investigations into perceptions of and attitudes towards IFRS on the part of preparers, auditors, regulators, investors and other stakeholders. Much of this literature has been reviewed by Samaha and Khlif (2016). More recently, some researchers have looked more closely at the adoption of a particular IASB publication, the International Financial Reporting Standard for Small and Medium-Sized Entities (IFRS for SMEs, 2015). This document represented a shift in focus on the part of the IASB, which had originally seen its scope as limited to publicly accountable entities. To some extent, the IFRS for SMEs addressed criticism that the full set of IFRS standards imposed an unreasonable burden on the majority of companies in countries whose regulators had mandated full IFRS for all entities, and was an unrealistic guide for preparing the financial statements of such companies in countries where full IFRS was not required (Ram and Newberry, 2013; Devi and Samujh, 2015). The IFRS for SMEs is considerably shorter than full IFRS (about 240 pages against over 3,000 for full IFRS, including basis of conclusions and guidance notes).

In some more advanced economies, particularly in Western Europe, accounting regulation was already differentiated according to company size, with reduced accounting and disclosure requirements for SMEs. In many developing countries, however, adoption of IFRS for SMEs is seen as “part of the package” of full IFRS adoption. However, of the 166 jurisdictions listed by the IASB (IFRS, 2018), only 86 countries require or permit the use of IFRS for SMEs, a much lower adoption rate than for full IFRS. Most of these would be classified as “emerging economies” or “developing countries”. Included in the IASB’s list is Saudi Arabia. This country’s first set of accounting standards had been issued in 1992 by the Saudi Organization for Certified Public Accountants (SOCPA), which had been delegated by the Saudi government with the responsibility for reviewing, developing and approving accounting and auditing standards (SOCPA, 2018). These standards were strongly influenced by US GAAP. However, in 2008 the Saudi Arabian Monetary Authority (SAMA) required banks and insurance companies to use full IFRS. Under the Saudi Companies Law 2015, other companies have been required to prepare their financial statements in accordance with “recognised accounting standards” – these are standards as issued by SOCPA. The original SOCPA standards were increasingly perceived as inadequate and out of date. Rather than merely rewriting the existing local standards, SOCPA decided to base its standards on IFRS. Hence, although there is no explicit legal requirement for Saudi companies (other than banks and insurance companies) to prepare their accounts using IFRS, listed companies and other publicly accountable entities are effectively required to follow the SOCPA version of IFRS, and other unlisted entities must, since 1 January 2018, follow the SOCPA version of IFRS for SMEs.

An important contextual factor in Saudi Arabia was the launch in 2016 of the government’s Vision for the Future initiative, set out in *Vision 2030*, a plan for economic and social development intended to reduce the dependence of the Saudi economy on oil (Government of Saudi Arabia, 2016). The *Vision 2030* focuses on attempts to attract foreign direct investment into Saudi Arabia, while at the same time the government aims for small and medium-sized enterprises to contribute as much as 35% of Saudi gross domestic product by 2030.Adoption of internationally recognised codes, including IFRS standards, is a way of signalling the legitimacy of the *Vision 2030*, particularly as this is associated with other moves towards a “westernisation” of the Saudi business sector, such as the adoption of Value Added Tax (VAT) and requirements for publicity relating to financial statements of all businesses (“*Qawaem*” – see Ministry of Commerce and Investment, 2018).

The present paper seeks to investigate the attitudes towards and perceptions of the adoption of IFRS for SMEs in Saudi Arabia among key stakeholders. Although such attitudes and perceptions could relate to both the general issue of adoption in the country and the more specific issue of applying IFRS for SMEs to individual entities, this paper concentrates on the general adoption issue. The research objective of the paper is therefore to understand the reasons for and processes involved in adoption of IFRS for SMEs in Saudi Arabia. To address this research objective, an interpretive approach is employed. This approach is particularly appropriate where researchers wish to explore the “diverse meanings” (Chua, 1986, p. 617) that actors apply to accounting practices and accounting numbers. Interpretive research is often associated with qualitative research methods, and in this study the attitudes and perceptions of stakeholders were elicited through a series of semi-structured interviews, where the interviewer used a set of pre-identified themes to give a framework for exploring issues with interviewees. This is a common research method for interpretive accounting research (Horton et al., 2004). However, in a country such as Saudi Arabia, gaining access to potential interviewees may pose problems to researchers. Personal introductions are more likely to lead to interviews than “cold calling”, and hence this paper examines the *snowball sampling* approach, by which research subjects are found through a chain of referrals from previous subjects or personal contacts of the researcher. The use of snowball sampling may be particularly appropriate for interpretive research in the Middle East and North Africa (MENA), where local cultures emphasise both the desire for trust in the bona fides of researchers on the part of interviewees and the need to fulfil personal obligations to referrers by agreeing to be interviewed.

The paper begins with a review of the literature relating to the adoption of IFRS in general, and IFRS for SMEs in particular, and then sets out the theoretical framework used in the study. This draws on institutional theory, particularly the ideas of institutional isomorphism associated with DiMaggio and Powell (1983), but modified by the institutional logics perspective (Thornton et al., 2012) that has been developed as a response to criticisms of these ideas. Following a discussion of research method, including an in-depth review of snowball sampling and its relevance to studies such as this undertaken in MENA countries, the paper sets out some preliminary findings from what is a larger study addressing attitudes and perceptions at company as well as national level. The concluding section discusses how the interpretive approach provides important insights into the adoption of IFRS for SMEs in Saudi Arabia.

# Previous research

## Adoption of IFRS

In recent years, one of the most important economic trends has been globalisation, which has been defined by Stiglitz (2001, p. 9) as a “closer integration of the countries and peoples of the world.” As Irvine (2008) observes, the power of globalisation connects economies, political systems, societies and cultures. Globalisation demands the minimisation of national differences, particularly relating to regulation. Differences in national systems of regulation are considered to impose costs on individuals and organisations wishing to conduct business on an international level. If investors and lenders wish to operate internationally, they will not be willing to incur the costs that would arise through engaging with a large number of different national systems. There is therefore pressure for at least harmonisation of systems, and for the adoption of identical systems where possible.

This pressure applies to financial reporting, and the last 30 years or so have witnessed increasing attempts to reduce, if not to eliminate entirely, differences in national systems of reporting. Such differences arose in the first place because financial reporting developed in different countries for quite distinct purposes and in different contexts: different types of providers of corporate finance (e.g. bank finance and public offerings), different legal systems (e.g. codified law and common law) and different degrees of influence of tax on reporting. This is the subject of much literature, summarised by Nobes and Parker (2016, chapter 2). It is claimed that many users of financial reports will benefit if comparable and comprehensible financial information from different countries is provided. For example, financial analysts and investors will make better decisions through more accurate comparison of the performance of companies in different countries. In addition, preparers in multinational companies will find it much easier to prepare a consolidated financial statement when accounting standards applying to the parent company and its subsidiaries are the same (Nobes and Parker, 2016, pp. 91-92). International accountancy firms should also benefit from uniform accounting standards, especially when dealing with their larger clients (Nobes and Parker, 2016, p. 92). Finally, tax authorities would benefit when dealing with foreign incomes that are calculated in similar ways (Nobes and Parker, 2016, p. 92).

Because companies are established under the laws of specific countries, they must follow the legal requirements of their country of incorporation, and this includes accounting regulations. This creates a potential barrier to internationally uniform accounting practices, even if there is an international body that develops and promulgates accounting standards, because international standards need to be adopted at national level. Specific countries may wish to adopt international standards voluntarily, because they believe that this will enhance the quality of financial reporting and make investment in and lending to local companies more attractive to international investors and lenders. However, in other countries, the extent to which adoption is actually a free choice may be questioned. Adoption of international accounting standards may be required by international financial institutions such as the World Bank as a condition for providing financial support to emerging economies.

The IASB was created in 2001 as the successor body to the International Accounting Standards Committee (IASC), which had been founded in 1973 to issue international accounting standards (Camfferman and Zeff, 2006). The IASB is an independent and non-governmental organisation that relies for funding on voluntary contributions from companies, accounting bodies and corporate regulators, and sales of publications (Walton et al., 2003, p. 37). The IASB is the operating arm of the IFRS Foundation, whose objectives are:

(a) To develop, in the public interest, a single set of high quality, understandable, enforceable and globally accepted financial reporting Standards based on clearly articulated principles. These Standards should require high quality, transparent and comparable information in financial statements and other financial reporting to help investors, other participants in the various capital markets of the world and other users of financial information make economic decisions.

(b) To promote the use and rigorous application of those Standards.

(c) In fulfilling the objectives associated with (a) and (b), to take account of, as appropriate, the needs of a range of sizes and types of entities in diverse economic settings.

(d) To promote and facilitate the adoption of its Standards (IFRS Foundation, 2016).

These objectives emphasise the role of international accounting standards for providing information that will help users, particularly investors, to make economic decisions. Originally, the IASB saw its central role as addressing the financial reporting of “publicly accountable” entities, in particular companies with securities traded on capital markets. Objective (c) was added in 2010 to reflect the growing interest in providing accounting standards for other entities, particularly SMEs.

A considerable amount of research into the adoption of IFRS standards has been undertaken. This research usually involves single country studies, though some multi-country studies have been carried out (for example, Chand, 2005, compares Fiji with Papua New Guinea), and the research is noteworthy for theoretical and methodological diversity. Studies may concentrate on factors such as different legal systems, local accounting practices, language, local cultural dimensions and state economic systems. For example, Cardona et al. (2014) explore the impact of cultural and economic factors on countries’ decisions to implement IFRS, finding that countries with relatively smaller foreign markets are more likely to implement IFRS. Earlier studies often address the level of voluntary compliance with international accounting standards in countries that, at the time of the research, had not formally adopted such standards (for example, Street et al., 1999).

Albu and Albu (2012) claim that IFRS stem largely from an Anglo-Saxon accounting tradition, which may make them less directly relevant for emerging economies. Perhaps curiously, though, research suggests that emerging markets are more willing to adopt IFRS than developed markets (United Nations, 2011). Irvine (2008, p. 137) indicated that emerging economies rushed to adopt IFRS, “in order to gain legitimacy in global markets and thereby access to capital markets, achieve economic development, and increase their wealth.” Ramanna and Sletten (2014) add that countries in certain geographical regions are influenced by the position of their neighbours on the adoption of IFRS, and tend to copy them. These “network effects” are argued to explain the rapid adoption of IFRS by many countries during the 2003-2008 period.

According to Chamisa (2000), the main intention of developing countries in adopting IFRS is to assist them in finding appropriate accounting and reporting standards that meet their needs; harmonising their accounting standards with the rest of the world is a secondary purpose. Many developing countries depend heavily on capital inflows from foreign governments, donors and institutions, such as the World Bank, International Monetary Fund, United Nations, and foreign private investors. These bodies usually require countries seeking funds to adopt IFRS (Camfferman and Zeff, 2006; Gyasi, 2010). Also, the possibility for developing countries to modify some of the IFRS, when there is a conflict between the IFRS and their domestic accounting needs, laws or regulations, is a positive feature that encourages developing countries to adopt the IFRS (Chamisa, 2000). Most developing countries do not have the ability to construct their own national accounting standards independently of the standards in other countries, because of the weakness of the accounting profession and institutions and their lack of technical expertise (Gyasi, 2010). It is suggested that adopting IFRS will help emerging economies to save costs related to constructing their own local accounting standards, with resources being spent instead in training professionals in the new system (Gyasi, 2010).

The choice of theories used to study the adoption and impact of IFRS in particular countries largely depends on the focus of the research. Quantitative studies based on data extracted from published financial statements often do not state an explicit theory, although there may be an implicit appeal to decision-usefulness notions or to agency theory. For example, Callao et al. (2007) examined first time IFRS-based statements of Spanish companies and found that usefulness had declined following first time adoption, while Horton and Serafiem (2010) investigated earnings reconciliations following first time adoption of IFRS in the UK, finding that companies whose IFRS earnings were lower than their UK GAAP earnings experienced significant negative abnormal returns. However, many studies focus more on the general process of adoption in a particular country, or on the perceptions of members of groups such as owners and managers of companies, auditors, regulators and users. These studies tend to adopt an interpretive approach to their research. For example, Mantzari and Georgiou (2018) interviewed accounting practitioners in Greece about their attitude to IFRS. They used a framework drawing on Gramsci’s work on hegemony (see, for example, Jack, 2017, chapter 4) and his distinction between “common sense” and “good sense” to explain why practitioner understandings of how IFRS work in practice are contradictory – their respondents suggested at the same time that IFRS were of high quality (“common sense”) but that they did not provide clear benefits in practice (“good sense”). Chapple (2018) applied the strong structuration approach of Stones (2005) to understand why Australia decided to adopt IFRS.

Other researchers have employed versions of institutional theory, in particular the notion of institutional isomorphism (DiMaggio and Powell, 1983). Samaha and Khlif (2016) have suggested that this is one of the main theories used in studying the adoption of IFRS in developing countries at the macroeconomic level. Irvine (2008) applied institutional theory to study the adoption of IFRS in the United Arab Emirates (UAE). She used this study as the basis of an examination of the coercive, normative and mimetic pressures that have contributed to adoption of IFRS more generally. Institutional theory can also be applied to provide an understanding of the pressures faced by specific companies to adopt IFRS. For example, Vellam (2012) draws on the work of Lounsbury (2008) to suggest that acceptance of or resistance to the application of IFRS in Poland can be understood through an “institutional logics” framework, where multiple logics, such as compliance with tax regulations, ensuring investor satisfaction, and complying with the pressures of the accounting profession (particularly the major international accounting firms) interact to give a degree of variation rather than homogeneity in how Polish companies react to IFRS. Phan (2014) undertook an extensive questionnaire-based survey of attitudes to adopting IFRS in Vietnam, identifying the influence of coercive, mimetic and normative isomorphisms as well as legitimacy motives underpinning the perceptions of the accounting community. Al-Htaybat (2018) examines perceptions among a range of accounting experts in Jordan (mainly associated with the accounting and auditing profession) relating to the adoption of IFRS in that country, at both the country (macroeconomic) and company (microeconomic) levels. He finds that coercive pressures are the main factor explaining the adoption of IFRS in Jordan: “Foreign governments, the capital market, foreign investors and aid agencies are the most prominent external pressures, and demand a homogeneous response” (Al-Htaybat, 2018, p. 40).

Recent reviews of the literature on adoption of IFRS, particularly in developing countries (for example, Samaha and Khlif, 2016) have stressed the need for more empirical research. However, recently a new research direction has opened up, with the development by the IASB of the IFRS for SMEs. As already noted, the IASB expanded its objectives in 2010 to include entities of different sizes, outside the previously dominant “public interest” context. In the next subsection, we examine research that focuses on the adoption of IFRS for SMEs.

## Adoption of IFRS for SMEs

Whether the IASB should issue standards for SMEs at all was a matter of controversy, with some Board members believing that SMEs fell outside the IASB’s terms of reference (Ram, 2012; Warren, 2017). One issue that the Board needed to address was the entities to which their proposed document would apply, with the term “SME” being interpreted by some as meaning only small privately-owned entities (some Board members considered that entities with up to 50 employees should be the typical focus of the proposed standard), while others saw the scope of the proposed IFRS for SMEs as extending to all non-publicly accountable entities, including very large private companies. In the end, this very broad scope was chosen, and the misleading title of the document was the outcome of a series of compromises (Albu et al., 2010).

Although adoption of full IFRS has been extensively studied, there are fewer investigations into adoption of IFRS for SMEs. Some studies have explored the suitability of IFRS for SMEs and the extent to which user needs in particular countries are being met (Aboagye-Otchere and Agbeibor, 2012). Other studies have attempted to identify factors that help to explain adoption, either in a particular country (Eierle and Haller, 2009) or across a wide range of jurisdictions (Kaya and Koch, 2015), or have examined the implementation process (Perera and Chand, 2015). Further studies take a critical view of the effectiveness of the IASB’s due process relating to the adoption of IFRS for SMEs (Ram and Newberry, 2013) and the problems and benefits associated with the implementation process (Litjens et al., 2012; Chand et al., 2015). Evidence for local attitudes towards and perceptions of IFRS for SMEs has been obtained in different ways. Chand et al. (2015) surveyed accounting practitioners in Fiji, while Litjens et al. (2012) used a proprietory database of SMEs in the Netherlands to elicit opinions on the costs and benefits associated with IFRS for SMEs. In an extensive comparative study covering the Czech Republic, Hungary, Romania and Turkey, Albu et al. (2013) interviewed representatives of stakeholders in each country about whether immediate adoption of IFRS for SMEs or slower convergence of national regulations was preferable. They found that users preferred immediate adoption, whereas preparers, auditors and regulators tended to prefer convergence.

As in the research relating to adoption of full IFRS, the extent to which researchers appeal to explicit theoretical frameworks varies. For example, Kılıç et al. (2014) undertook a telephone survey using a closed-form questionnaire to obtain views of a range of stakeholders in Turkey, but they did not cite a specific theory to inform their questions. Similarly, Joshi and Ramadhan (2002), in an early study relating to the adoption of international accounting standards in general by small companies in Bahrain, found that the majority of SMEs in Bahrain claimed not to find voluntary adoption of international accounting standards to be particularly costly, but they did not offer a theoretical framework. On the other hand, Aboagye-Otchere and Agbeibor (2012), another questionnaire-based survey, referred to institutional theory, as did Albu et al. (2013) in their four-country comparative review using semi-structured interviews. In their study of attitudes to IFRS for SMEs in Germany, Eierle and Haller (2009) used agency theory to argue that attitudes would be influenced by perceptions of costs and benefits of adoption. The range of theoretical approaches and research methods employed in examining the adoption of IFRS for SMEs is not significantly different from the theories and methods used by researchers studying adoption of full IFRS.

## IFRS and IFRS for SMEs in Saudi Arabia

Although Saudi Arabia has sometimes featured in multi-country studies relating to IFRS, there have been comparatively few single-country studies. An early contribution by Mirghani (1998) looked at the relationship between the relatively new SOCPA accounting standards and international accounting standards. Alkhatani (2010) undertook a more extensive investigation into perceptions among Saudi listed companies, auditors and financial analysts of IFRS. He referred to the concepts of accountability and decision usefulness as a framework for his investigation. Alkhatani used both questionnaires and semi-structured interviews, but the stakeholder groups he examined were easily identifiable – financial analysts, for example, have to be approved by the Saudi Capital Market Authority, while public information about listed companies is widely available from the Saudi Stock Exchange (*Tadawul*). Alkhatani found that the stakeholders he interviewed believed that adopting IFRS (at least for listed companies) would enhance the quality of financial reporting in Saudi Arabia (see also Alkhatani, 2012). Because Alkhatani concentrated on listed companies, he did not specifically consider IFRS for SMEs.

Although there has been some subsequent literature relating to IFRS in Saudi Arabia, much of this is journalistic, or extensions of the earlier Alkhatani (2010) study. For example, Alghamdi (2014) used semi-structured interviews to find that his respondents (academics, financial managers and external auditors) were generally in favour of the immediate convergence of SOCPA’s Saudi Accounting Standards (SAS) with full IFRS. Albader (2015) took a novel approach by assessing the extent to which Saudi professional and academic establishments were prepared for the impending adoption of IFRS. He was disappointed to find a low level of readiness, particularly in Saudi universities, and made some recommendations for addressing this. Interestingly, he referred to IFRS for SMEs as well as full IFRS, reflecting the fact that, by now, the adoption of both standards was imminent. Otherwise, Herath and Alsulmi (2017) have reviewed both local and international publications to explain the convergence to IFRS in Saudi Arabia, though they do not specifically refer to IFRS for SMEs.

This almost complete disregard for the adoption of IFRS for SMEs in Saudi Arabia constitutes an important research gap. The present paper is a preliminary attempt to fill this gap. The objective of the research is to provide an understanding of the reasons for and processes involved in adoption of IFRS for SMEs in Saudi Arabia. This objective applies at two levels: the “country” (macroeconomic) and the “company” (microeconomic) levels. At the country level, we wish to establish why Saudi Arabia adopted IFRS for SMEs, what stakeholders consider to be the advantages and disadvantages of IFRS for SMEs, and what lessons can be learned from the adoption process. At the company level, we wish to explore attitudes of owners, managers and advisers of SMEs towards the adoption of IFRS for SMEs. As already noted, the present study concentrates on the “country” level of analysis. In order to provide a theoretical framework for the study, we have drawn on the widely used institutional theory, but we have taken into account more recent developments of this approach, in particular the institutional logics perspective (Thornton et al., 2012). The theoretical framework is discussed in the next section.

# Theoretical approach

In her seminal paper on radical directions in accounting thought, Chua (1986) presented three “world-views” within which accounting research could be undertaken: the “mainstream” (positivist), “interpretive” and “critical” perspectives. The second and third approaches were offered by Chua as alternatives to “mainstream” accounting research, which she suggested had “ignored new questions being raised in other disciplines, imposed ever more severe restrictions on what is to count as genuine knowledge, and obscured different and rich research insights” (Chua, 1986, p. 613). The interpretive approach specifically seeks to explain human intentions and meanings, and to study actors in their everyday world. There are three main aspects to interpretive understandings of accounting. First, “accounting information may be attributed diverse meanings” (Chua, 1986, p. 617). Secondly, “not only are accounting meanings constituted by complex interpretive processes and structures, they help constitute an objectified social reality” (Chua, 1986, p. 617). Adopting a particular set of accounting standards, for example, is more than simply solving a technical problem of determining an appropriate basis for financial reporting: it can be used to legitimise an organisation’s, or even a whole country’s, economic activities. Introducing a “technically superior” accounting system may be intended to send messages about a country’s movement along a path of economic, and indeed political, modernisation. This is particularly relevant in Saudi Arabia, where in 2016 the government had launched *Vision 2030* in order to set out a path towards modernisation and westernisation (Government of Saudi Arabia, 2016).

The third aspect of interpretive research emphasised by Chua is that “the interpretive perspective questions the traditional view of accounting information as a means of achieving pre-given goals” (Chua, 1986, p. 618). Hence interpretive research in accounting challenges what it considers to be an over-reliance on notions such as “decision-usefulness”. Chua sees the interpretive approach as allowing for different theoretical approaches, rather than the dominance of neo-classical economics in “mainstream” accounting research. As already observed, an influential theoretical framework has been that of institutional isomorphism developed by DiMaggio and Powell (1983), based on the hugely influential development of new institutional theory by Meyer and Rowan (1977). This framework has been used in several studies attempting to understand the ways in which different countries have adopted (or even not adopted) IFRS and IFRS for SMEs. The basic idea is that institutions adopt the same structure (this is the meaning of the word “isomorphism”) as other institutions because of various external factors. In some cases, these factors are “coercive”, in that they force a particular structure on an institution. For example, many developing countries have been required to adopt IFRS because of coercive pressures from international financial institutions such as the World Bank, in order to receive financial support for structural adjustment (Botzem, 2012, p. 12). However, for a strong economy such as Saudi Arabia, where foreign direct investment, though attractive, is not a necessity, such coercive pressures are less likely to apply.

On the other hand, institutions may simply copy the practices of other institutions that they consider to be successful – this is referred to as “mimetic” isomorphism. This may be a more plausible likelihood for Saudi Arabia, particularly if the country compares itself to other strong economies, but it cannot be a full explanation because of the existence of more than one “successful” system of accounting standards – not only IFRS but also US GAAP. Given the previous use of US GAAP as an influence on the first set of Saudi Accounting Standards, it was by no means inevitable that IFRS would be the system copied in Saudi Arabia. Here, the third basis for isomorphism may be stronger. This is “normative” isomorphism, where the institution follows what is widely seen to be “best practice”. The widespread adoption of IFRS, and to a lesser extent IFRS for SMEs, around the world, and the authoritative nature of the IASB, may well constitute IFRS as best practice ahead of US GAAP.

The institutional isomorphism approach has been highly informative for many adoption studies. Most recently, Al-Htaybat (2018) found coercive, mimetic and normative pressures at play in the adoption of IFRS by Jordan. He concludes:

In an uncertain context, it is common to adopt existing systems, in the form of mimicking others, which legitimises the system and allows easier access to international financial sources. However, once corporations are forced to adopt and engage with IFRS, they need to ramp up their efforts and pull their practices towards full disclosure levels, while at the same time addressing corporate deterrents to adoption. (Al-Htaybat, 2018, p. 43)

However, this quotation exposes one of the weaknesses of the institutional isomorphism approach at the company level. If national laws require companies to prepare their financial statements in accordance with IFRS, then it is rather trivial to describe this as “coercive isomorphism”, and, as Al-Htaybat (2018) hints, compliance needs to be understood as a more nuanced process where resistance to regulations must be accommodated or overcome. Also, institutional isomorphism emphasises structures, and the role of individual agency is downplayed. This is one of the dilemmas of interpretive research, where achieving an appropriate balance between the roles of individuals and those of more general structures has been a long-running challenge (see, for example, Jack, 2017, chapter 3). Friedland and Alford (1991) introduced the idea of “institutional orders”, noting that institutions are very heterogeneous, with different aims, symbols and rituals. Organisations in a capitalist market are different in important ways from states and their administrations, the family, and religious bodies. This idea was taken further by Thornton and Ocasio (1999), who defined “institutional logics” as:

The socially constructed, historical patterns of cultural symbols and material practices, assumptions, values and beliefs by which individuals produce and reproduce their material subsistence, organize time and space, and provide meaning to their daily activity. (Thornton et al., 2012, p. 51)

Within this framework, various institutional orders (family, religion, state, market, profession, corporation) are considered to interact. In specific settings, the institutional orders interact in particular ways. For example, in Saudi Arabia, we might expect the accounting profession, which owes its existence to the state, to act as a reinforcing mechanism for the government’s strategies, while *Vision 2030* could be regarded as an attempt by the Saudi state to co-opt markets as mechanisms of modernisation. For SMEs, family and corporation also overlap strongly, while religion, in the home of Islam, may be a factor that acts against the institutional logics of the market. We therefore consider the extent to which the evidence obtained from interviews helps us to understand not only the isomorphic pressures faced by Saudi Arabia in the process of adopting IFRS for SMEs, but also the extent to which these pressures were modified by specific institutional logics.

# Research method

The objective of the research was to identify and analyse attitudes of those involved in the adoption of IFRS for SMEs in Saudi Arabia to the standard itself and the process of implementation. Two research approaches are widely used to elicit attitudes: questionnaire-based surveys and interviews. At the outset of the research process, both approaches were tested in a pilot study period. A questionnaire was developed, based on the previous studies of Kılıç et al. (2014) and Phan (2014). This aimed to elicit responses using a seven-point Likert scale. The questionnaire was drafted in both English and Arabic, and was distributed to 15 potential respondents, mainly people who owned or worked in SMEs. However, only five completed surveys were returned, and this suggested that a questionnaire-based survey would run into practical difficulties. During the pilot study period, 17 exploratory semi-structured interviews were conducted with a range of stakeholders, including auditors, accountants, government officials, regulators, the owner of an SME, an academic and a banker. The pilot interviews raised various issues. Although they provided the opportunity for discussing respondents’ attitudes and asking questions that allowed for these attitudes to be probed and explored, many of the pilot interviews were not wholly satisfactory because at least the early part of the period was one where interest in IFRS for SMEs was only beginning to emerge on a wider scale in Saudi Arabia. Therefore, at this point in time, some respondents were not able to express a clear perception.

However, another important practical issue was revealed in the pilot study period: the identification of appropriate interviewees and obtaining access to them. In MENA countries such as Saudi Arabia, the availability of public data bases, for example, lists of small businesses, is underdeveloped, and researchers will normally have to rely on personal contacts and introductions in order to find appropriate interviewees. If a researcher has worked in the field in which the research is to be undertaken, then a network of contacts is likely already to exist. For example, Alsalloom (2015), who researched into gender issues in “Big Four” accounting firms in Saudi Arabia, used her own work experience in the accounting field as a way of facilitating access. However, where such familiarity with the field is not available, the researcher must make use of personal contacts in order to gain access to potential interviewees. The approach of identifying and accessing interviewees through personal introduction was effectively demonstrated during the pilot study period, but it lacked sufficient depth in terms of penetrating into the research field. The principle of using personal referrals, however, has been well established in the research literature, using an approach called *snowball sampling* (also known as *chain referral sampling*).

The earliest use of the term appears to be by Coleman (1958), who described snowball sampling as a process that begins with a small number of persons, then asking those persons for names or even introductions to other potential respondents, and continuing this chain of introductions until the sample is large and representative enough for the purposes of the research being undertaken. Despite attempts to bring snowball sampling within the range of mathematical statistics (for example, by Goodman, 1961), snowball sampling is usually employed where the researcher does not intend to undertake sophisticated statistical analysis. One of the most influential examinations of snowball sampling was provided by Biernacki and Waldorf (1981), who suggested that snowball sampling is particularly useful in research into criminal groups (they were interested in drug takers), but is also relevant in the case of potential interviewees who are likely to ignore approaches from researchers unless the researchers are introduced to them by a personal contact. Snowball sampling may create risks of bias, because “respondents are most likely to identify other potential respondents who are similar to themselves” (Saunders et al. (2012, p. 289).

Saunders et al. (2012, p. 282) suggest various criteria for choosing snowball sampling. First, it must not be practical to collect data from a complete population, which therefore requires the use of sampling. Secondly, a sampling frame, such as a complete list of a given population, should not exist. Thirdly, the researcher should not be planning to make statistical inferences about the whole population from the sample. Fourthly, it should not be necessary for the sample to represent the population in terms of proportions of members of different sub-groups. Fifthly, relevant cases in the population should be difficult to identify or reach. In the present research, these conditions are satisfied. In particular, the absence of detailed lists of SMEs in Saudi Arabia makes it difficult to adopt any access policy based on direct impersonal contact (such as a questionnaire sent to identified addressees by mail or email). Although researchers in MENA countries are increasingly using on-line surveys, invitations to participate are often forwarded through social media in a way that in effect emulates snowball sampling: early respondents are asked to forward the link to the on-line survey to their personal contacts. Cultural mores in many countries, including Saudi Arabia, mean that potential contacts are highly unlikely to refuse to speak to a researcher who has been referred to them by a person they know, as such as refusal would be regarded as disrespectful to the referrer. These cultural factors confirmed the choice of snowball sampling as the most appropriate way of making contact with potential interviewees for this investigation.

After the pilot study period, interviews were undertaken during the main phase of the fieldwork with a total of 35 interviewees. Each interviewee was asked to sign a form explaining that they could withdraw from the interview at any stage, promising anonymity and setting out how data from the interview would be managed. Most of the interviews were recorded, and the interviewer subsequently transcribed the interviews. Because all but one of the interviews were undertaken in Arabic, this language was used for transcription, and relevant quotations were subsequently translated into English. Interviews ranged in duration from 15 to 90 minutes, and one interviewee was interviewed twice as a follow-up meeting appeared to be appropriate. Generally, interviews were one-on-one, but in a few cases, two interviewees, for example, the owner of a business and a manager or accountant, were interviewed together. Interviews were semi-structured, with a list of questions to provide a structure for the interviewer. However, the interview form allowed for open-ended exploration of issues as they arose, and the ability to ask follow-up questions and seek clarification will have enhanced the quality and reliability of the data obtained from the interviews.

[FIGURE 1 ABOUT HERE]

To preserve anonymity, each interviewee has been identified by a code, showing the group to which they belong and including a distinguishing number. Figure 1 shows the network of referrals involved in the research. With one exception (the auditor EA11), introductions to the first group of interviewees came through family and other personal contacts. This is slightly different from the approach to snowball sampling advocated by Biernacki and Waldorf (1981), who suggested that the researcher should identify the initial group of participants directly. However, in this case the researcher had very few direct contacts in the field and so found it more effective to go through family, work and personal contacts. The use of personal relationships was particularly valuable in identifying owners of SMEs, while contacts in accounting firms usually provided referrals to other auditors (not necessarily in the same firm). Figure 1 shows the complexity of some of the referral chains, with one chain involving as many as six levels of referral. As the research progressed, the researcher monitored the representativeness of the interviewees. Given the wide scope of the definition of SMEs, it was desirable to ensure that all sizes of SMEs were included, and referrals were particularly sought for under-represented groups. By the end of the fieldwork, interviews had been undertaken in 15 businesses, with all sizes of SMEs represented at least twice. Overall, the snowball sampling approach made it possible to gain access to a wide range of respondents and hence to collect detailed views that are likely to be representative of the stakeholders involved in the adoption and implementation of IFRS for SMEs in Saudi Arabia.

# Preliminary findings

Although interviewees were asked to express their views on the adoption of IFRS for SMEs at both the national (macroeconomic) level and the level of individual entities (microeconomic), this paper concentrates on issues relating to the national level. Many respondents commented on the adoption of IFRS in general and considered adoption of IFRS for SMEs as only a secondary issue. However, views differed about whether full IFRS should be required for all companies irrespective of size, whether IFRS for SMEs was appropriate for companies that are not publicly accountable, or whether such companies required any form of accounting standard.

## Adoption of IFRS

Some respondents regarded the adoption of IFRS as mainly driven by internal matters within Saudi Arabia, such as the *Vision 2030*. For example, a manager (M2) commented:

I see the decision to adopt IFRS to be part of the whole message of the government for modernising the Kingdom of Saudi Arabia. The message that the government wants to deliver to everybody is that Saudi Arabia is a modernised, transparent and accountable country. I see the change to IFRS as part of the 2030 Vision and in line with it, because IFRS are more transparent than GAAP and SOCPA and have much more disclosures.

Another manager (M4) discussed *Vision 2030* at length, arguing that it was better to make a range of changes in regulations at the same time rather than waiting for a period of stability to enact changes. He noted:

During the last ten years, so many things have changed. We cannot measure our success ten years ago and say that it worked perfectly in the past. The government noticed that there was a gap between its way and the way that is being practised in developed countries. Therefore, to stay in the first lines economically and politically we cannot stick to our local standards, as the world has changed dramatically.

Other respondents linked *Vision 2030* with the status of Saudi Arabia as part of the world economy. An external auditor (EA10) remarked:

To transform our economy from depending on oil to non-oil, we need to have a support system in all aspects. If we want to be a part of the world and attract foreign investments we have to do all of this change.

The importance of being seen as part of a global economy was identified by several respondents as a crucial reason for adopting IFRS.

A common point of reference was Saudi Arabia’s membership of the Group of 20 (G20), an international economic forum consisting of heads of government and central bank governors from the world’s leading economies. Although the G20 includes several countries that do not apply IFRS for their own domestic companies (including the USA), IFRS have been adopted by most G20 countries, including members of the European Union. However, interviewees differed in how they explained the role of the G20. A senior partner of a local Saudi auditing firm (EA7) proposed a reason consistent with coercive isomorphism:

I think the reason that led the Kingdom of Saudi Arabia to take the decision to adopt IFRS and IFRS for SMEs is the exerted pressure on the Kingdom as a member of the G20. It was a kind of pressure, and an inevitable thing.

An investment banker with an accounting PhD (B4) provided a more nuanced discussion of the G20 connection:

Another driving point towards the adoption of IFRS is the agreement of G20 that took place in 2007. . . . One of the G20 requirements is that all members of the Group must comply with acceptable accounting standards.

This respondent recognised that the global financial crisis in 2008 was an important factor in encouraging Saudi Arabia to require banks and other financial institutions to adhere to IFRS. More generally, he saw the adoption of IFRS as important in facilitating the entry of foreign investors into the Saudi market:

One of the active efforts to achieve that goal is to bring techniques, experiences, foreign investments and allow them to own and sell ventures in Saudi companies with the language that they understand. Therefore, adopting IFRS is a must.

Some respondents referred to the adoption of IFRS by countries geographically and culturally close to Saudi Arabia, in particular the countries of the Gulf Cooperation Council (GCC), as a reason for adopting IFRS in Saudi Arabia. This is consistent with the “network effects” argument of Ramanna and Sletten (2014) already referred to. The owner of a small business (O7), who has been dealing with the new requirements for accounting and VAT in Saudi Arabia, remarked:

The decision to adopt IFRS and IFRS for SMEs definitely has something to do with an agreement with GCC countries, because all five other members had adopted IFRS before KSA [Kingdom of Saudi Arabia]. Maybe KSA is copying these neighbouring countries.

The use of the word “copying” suggests the mimetic isomorphism explanation. On this basis, Saudi Arabia’s adoption of IFRS is mainly driven by a desire to imitate practices found in other countries to which Saudi Arabia wishes to be compared. The motivation for such copying of accounting practice in other countries was seen by some respondents as a process of catching up. An auditor (EA11) observed:

Because KSA wants its market to grow and become a mature market similarly to markets in developed countries, it is following their steps. Also, KSA is considered the last country in the GCC to adopt these standards. All GCC countries have already adopted the international accounting standards way before KSA. We are the last to adopt it. The same concept applies to the VAT. First, the GCC countries applied it, then KSA implemented it.

Respondents identified both external and internal pressures that explained the adoption of IFRS in Saudi Arabia. Internal pressures came from the Saudi government’s *Vision 2030*, and could be regarded as exemplifying the impact of state logics. However, one of the aims of *Vision 2030* is to enhance the role of markets in Saudi Arabia, as the previous comment by respondent EA11 suggests. Hence there is an interaction between state and market logics, where the motive for adopting IFRS is perceived by some respondents as an attempt to move Saudi Arabia closer to international markets, particularly capital markets, but where the driving force for adoption comes from the government’s vision for the future. Although some respondents thought that Saudi Arabia had little option other than to adopt IFRS (consistent with a “coercive isomorphism” explanation), most respondents regarded the move to IFRS as the voluntary adoption (at country level) by Saudi Arabia of the same accounting system as other countries (consistent with a “mimetic isomorphism” explanation). Yet adoption by companies inside Saudi Arabia could not be left simply to market forces: respondents took for granted the need for IFRS to be legally imposed. This was particularly relevant for the adoption of IFRS for SMEs.

## Adoption of IFRS for SMEs

When interviewees were questioned about the specific adoption of IFRS for SMEs, they often saw this as providing benefits in relation to full IFRS, such as lower disclosure requirements and less volume of regulation. A banker, who is a member of SOCPA and involved in the process of translating IFRS into Arabic (B3), emphasised the burden that would be imposed on most businesses by requiring the use of full IFRS:

Officials thought that only big and listed companies can tolerate the burden of adopting the full version of IFRS, but for SMEs, they did not want to overload them by obligating them to adopt full IFRS. Therefore, they decided to mitigate them by imposing IFRS for SMEs. Also, there are not enough trained accountants and auditors who know how to deal with 3,000 pages of sophisticated standards, but IFRS for SMEs consists of only 240 pages.

Comparisons were sometimes drawn between IFRS for SMEs and the existing Saudi accounting standards, developed by SOCPA. A corporate manager (M3 – this interviewee is also involved in providing training in IFRS for SOCPA) noted that “IFRS for SMEs is much more flexible, easier and simpler than Saudi accounting standards.” He expressed support for the adoption of both IFRS and IFRS for SMES, arguing that “it is illogical to adopt full IFRS and ignore IFRS for SMEs.” He thought that combining IFRS for listed companies with the existing local Saudi standards for SMEs was inappropriate:

 This will make life difficult for accountants, auditors, etc. They will need to update themselves in both Saudi standards and IFRS. One framework only should be applied.

What is important here is the appeal to technical superiority: the IFRS for SMEs is produced by an authoritative international body and is seen as more straightforward to apply than the previous standards based on US GAAP. The owner of a small business (O4) thought that “the quality of international accounting standards is better than local accounting standards”, and doubted the ability of Saudi accountants to develop their own standards. The technical superiority of IFRS for SMEs was a particular view of auditors, whether they worked for international or more local firms:

I consider these standards as best practices around the world. They do not have a chance of mistake. People have been working to develop and update this standard (IFRS for SMEs) for so long, it is compatible with the fast change in the business world. Therefore, I consider it as best practice. Instead of reinventing the wheel, let us take it and adopt it. (EA10 – employed in an international firm)

I believe this decision (adopting IFRS and IFRS for SMEs) will help in giving a better picture for KSA. Also, it will cover the shortfall that was in SOCPA’s standards, as these did not meet the needs of users. Therefore, this choice will give a better picture that KSA chooses the best international practices. . . . What distinguishes the international standards is that it indicates choosing the best practices and reflects the experiences of several countries, not only the direction of a local environment. (EA8 – employed in a local firm)

These arguments are consistent with the concept of normative isomorphism, because those proposing the adoption of IFRS, and IFRS for SMEs, as constituting “best practice” are regarding the international standards as norms to be emulated.

Professional views on the technical superiority of IFRS for SMEs are a strong reflection of professional logics, although it is important to remember that SOCPA is more dependent on the Saudi government than equivalent professional accountancy bodies in Western countries, and hence professional logics become mixed with state logics. So IFRS for SMEs is not just a technical solution that can be “sold” to companies on its own merits, but is tied up with the emphasis in *Vision 2030* on increasing the economic contribution of the SME sector.

## Opposition to IFRS and IFRS for SMEs

Interviewees who generally supported the adoption of both full IFRS (for publicly accountable entities) and IFRS for SMEs (for non-publicly accountable entities) provided a range of reasons consistent with institutional isomorphism, with mimetic and normative isomorphism the most common interpretation of their reasoning. Some supporters saw Saudi Arabia as having been effectively coerced by the G20 into adopting IFRS, but coercion arguments were more likely to be expressed by opponents of adoption. Some opponents were prepared to accept full IFRS for publicly accountable entities but challenged the adoption of IFRS for SMEs, while others were opposed to IFRS altogether. Particularly strong opposition was expressed by a partner in a local Saudi auditing firm (EA9):

I believe that the topic of adopting the international standards is one of the most stupid decisions that came from the Saudi Organization for Certified Public Accountants. In my opinion, it is an unwise decision. It harms the profession, hurts auditing firms, and hurts all accountants. They were supposed to start with IFRS for SMEs as a first step. I believe it is not meaningful to adopt full IFRS because nobody is ready. It would have been better if the use of full IFRS had been limited to banks and insurance companies.

This interviewee thought that it would have been better to retain local Saudi accounting standards and introduce a plan for the optional use of IFRS for SMEs over a period of ten years.

Opposition to IFRS could be grounded in religious principle. Under Shari’a law, transactions involving the payment of interest (“*riba*”) are not considered to be permissible (Iqbal and Mirakhor, 2007). An accountant working in industry (Ac2) suggested that “the IFRS regulators want to inundate the world with *riba* but with changing a few names.” The use of net present value calculations and discounting in various IFRS was seen by Ac2 as a way of imposing interest in accounting for transactions that were otherwise Shari’a-compliant, which to this respondent was unacceptable on religious grounds. Interestingly, this respondent was the only person to raise this argument: most respondents did not mention religious issues at all, or suggested that using discounting in accounting measurement did not in itself breach Shari’a. In terms of institutional logics, therefore, the religion logic was not significant in this case.

At the other extreme, some respondents supported the adoption of full IFRS for all entities. An auditor working for one of the “Big Four” international auditing firms (EA3) expressed a strong preference for this approach, and pointed out that, in his firm, “The only framework that we are providing is the service of convergence to full IFRS. We do not have a line of service that assists companies to convert to IFRS for SMEs.” This respondent noted that SMEs were able if they wished to prepare their financial statements under full IFRS, and commented:

The main purpose of the decision taken in KSA to adopt the IFRS is to have more transparent and comparable financial statements. Adopting one set of accounting standards will definitely result in this conclusion (more transparent and comparable financial statements). However, in practice, if I apply different accounting frameworks, and based on my knowledge there are many differences between full IFRS and IFRS for SMEs, such as IFRS for SMEs has much lower requirements for disclosures and options than full IFRS, then, financial statements will not be comparable, because the level of disclosures is not the same.

The availability of a choice between full IFRS and IFRS for SMEs was a matter of concern for respondent M4, a manager in industry, who was also worried about the comparability of financial statements:

I believe that giving SMEs the option to choose between full IFRS and IFRS for SMEs will give companiesa chance to choose the option that polishes their picture and presents their financial statements with attractive numbers, as companies will compare the different options provided in each system and select the one that matches their interest.I consider this as playing with standards. . . . I am not saying that IFRS or IFRS for SMEs does not give a fair representation and value of companies, what I mean is that allowing SMEs to use different standards flags the issue of allowing companies to use different treatments which result in different calculations. This does not provide fairness when comparing return on investment from one company to the other.

This view was supported by one of the bankers already quoted (B3), who reviewed in great detail the differences between full IFRS and IFRS for SMEs, concluding that “the differences between IFRS for SMEs and SOCPA are greater than the differences between full IFRS and SOCPA.” This banker thought that the transition from the existing SOCPA standards to IFRS for SMEs would be more difficult than transitioning from SOCPA to full IFRS. He was concerned that the adoption of IFRS for SMEs had been rushed:

In KSA, during the five-year transitional period [2012-17], SOCPA was focusing only on the adoption of full IFRS. SMEs were not their main concern. Although SMEs are the largest sector in KSA, SOCPA did not study the impact of adopting IFRS for SMEs. This is illustrated in the manuals prepared by SOCPA. All the attention is given to *full* IFRS, and only a few pages, in the end, discuss IFRS for SMEs.

Respondents faced with the practical issue of adopting IFRS for SMEs expressed reservations about how appropriate this standard was for their own business and for smaller businesses in general. A small business owner (O7) argued that “Not all companies need sophisticated standards”, suggesting that accounting standards were more appropriate for financial businesses than for the non-financial sector. The owner of a consultancy firm advising small business start-ups (O8) thought that even IFRS for SMEs was too onerous for smaller concerns, particularly those that had not kept detailed accounting records in the past:

I think that IFRS for SMEs can be reduced even further to reduce the burden on people who did not have accounting records and books before. A reduced version of IFRS for SMEs is required just to reduce the burden on companies that did not maintain any books in the past. Having one standard for SMEs is not applicable. There is no “one size fits all”. The story of having only two versions is not really representative.

The various interviews were effective in identifying the range of views about both full IFRS and IFRS for SMEs. Auditors, whether working in national or international firms, recognised that adoption of full IFRS by listed companies was unavoidable, and generally accepted that full IFRS represented the “norm” for accounting standards. Bankers also agreed with the adoption of full IFRS by listed companies, although from their perspective this represented simply an extension to companies more generally of the standards that they had been required to follow since 2008. However, some of the interviewees in both these groups were opposed to IFRS for SMEs, seeing this as providing an unnecessary source of confusion, and a lack of comparability and therefore transparency. Those involved in applying IFRS for SMEs in their own businesses tended to regard the new standard as an unavoidable obligation, even though many of the business owners and managers thought that the requirements of IFRS for SMEs were excessive and often irrelevant.

# Conclusions

The present paper, despite reporting only preliminary findings from part of a more substantial research project, contributes to our knowledge and understanding by being the first study of the adoption of IFRS for SMEs in Saudi Arabia. Much of the fieldwork took place in “real time”, while SMEs were beginning to engage with IFRS for SMEs, and responses to interviews in the main period of fieldwork were in general more considered and nuanced than those in the pilot study period. The paper offers both a theoretical and a methodological contribution. In terms of theory, the frequently employed institutional isomorphism approach of DiMaggio and Powell (1983) has been augmented by a consideration of potentially competing institutional logics. At national level in Saudi Arabia, several interviewees referred to the Saudi government’s *Vision 2030* as an important contextual factor for the adoption of both full IFRS and IFRS for SMEs. This vision could be regarded as reflecting both state and market logics, but in a way that may be unique to Saudi Arabia. Here, the state gains its legitimacy not through democratic participation (compare Thornton et al., 2012, p. 73) but through the economic and social support provided to citizens. It is the threat to the state’s continued ability to provide this support, given the depletion of oil reserves, that has motivated *Vision 2030* and its emphasis on the development of markets. Given the dependence of SOCPA on the Saudi state, professional logics were largely aligned with both state and market logics in support of adoption, as both a symbol of the modernisation of the Saudi economy and a technically practical solution to the problem of financial reporting. However, the religion logic seemed to challenge this rather consensual position, with at one respondent expressing vociferous opposition to IFRS as importing religiously unacceptable notions such as interest into financial reporting. Yet the general view of respondents, if they mentioned religion at all, was that the religion logic could easily be accommodated rather than posing a challenge.

The main aspects of the institutional isomorphism account, coercive, mimetic and normative isomorphism, were all detected in the comments of interviewees, though only a small minority saw Saudi Arabia as being coerced into adopting IFRS. More generally, respondents regarded the adoption of IFRS as both emulating practice in other countries (such as G20 and GCC countries) and applying the “best practice” of international standards. In the final analysis, it is difficult to attribute the adoption of IFRS, and IFRS for SMEs, in Saudi Arabia purely to either mimetic or normative pressures, and in practice these may not always be distinguishable. Although this is not the main focus of the present paper, interviewees were more likely to stress coercive pressures in terms of adoption at company level, but it is not clear whether the institutional isomorphism theory adds much to our understanding when practices become legally mandated.

The paper’s methodological contribution comes from the detailed discussion of snowball sampling. Although this research approach has conventionally been used for accessing members of populations who would not wish to identify themselves publicly (such as criminals), it is useful in contexts where lists of members of particular groups are unreliable or even not available at all. In cultures where personal links are highly significant, researchers are likely to have greater success in gaining access to research subjects and participants through obtaining personal introductions rather than through “cold calling”. This is particularly so where refusing a referral would be considered as showing a lack of respect to the referrer. Although there is a danger of bias, as referrers “are likely to contact close friends, who may share similar views” (Wilson, 2010, p. 199), this can to a large extent be addressed by vigilance on the part of the researcher to obtain a range of views. In fact, participants in the same referral chain often expressed quite different views. For example, although both respondents EA8 and EA9 were introduced by the same person, EA8 thought that IFRS and IFRS for SMEs should be welcomed because they represented best practice, while EA9 considered the adoption of IFRS to be one of SOCPA’s “most stupid decisions”. Support for different views, such as the respective influence of *Vision 2030*, the G20 and other GCC countries on adoption, was not restricted to particular referral chains, but was expressed by respondents from different chains. We believe that snowball sampling is a particularly effective technique in countries in the Middle East and North Africa (MENA), where extensive personal and family networks are likely to allow for a wide range of potential introductions, and where cultural norms make it difficult for those introduced to the researcher to refuse to participate.

As IFRS for SMEs has been in effect only since the beginning of 2018, the first financial statements complying with the standard are yet to appear, and at the time of writing it is not possible to explore the extent to which implementation is a smooth or problematic process. However, the evidence to date is that adoption of both full IFRS and IFRS for SMEs is part of Saudi Arabia’s broader modernisation process, exemplified by *Vision 2030*. Moving closer to an internationally approved set of financial reporting standards may be a voluntary act rather than the outcome of coercion, but the choice of IFRS rather than US GAAP reveals the high status of the IFRS standards in capitalist economies. This may be consistent with the view of the IASB as a hegemonic agent of capitalism (Warren, 2017), but if Saudi Arabia wants to project an image of being part of the world economy, then choosing IFRS, and IFRS for SMEs, is a perfectly understandable decision.

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