



Enforcement and Power Dynamics in Saudi Arabia's Transition to International Financial Reporting Standards

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List of Abbreviations:

AC: Audit Committees

Big4: The four largest accounting firms in the world (i.e. Deloitte, Ernst & Young, Klynveld Peat Marwick Goerdeler, and PricewaterhouseCoopers)

CEO: Chief Executive Officer

CFO: Chief Financial Officer

CGRs: Corporate Governance Regulations

CMA: Capital Market Authority of Saudi Arabia

CSR: Corporate Social Responsibility

EY: Ernst & Young

G20: Group of 20 countries

GAAP: Generally Accepted Accounting Principles

GDP: Gross Domestic Product

GUs: Governance Units

IAS: International Accounting Standards

IASB: International Accounting Standards Board

IASC: International Accounting Standards Committee

IFRS: International Financial Reporting Standards

ISA: International Standards on Auditing

KSBs: Knowledge, Skills, and Behaviours

KPMG: Klynveld Peat Marwick Goerdeler

KSA: Kingdom of Saudi Arabia

MBS: Mohammed bin Salman

MC: Ministry of Commerce

OS: Opinion Shopping

PAAF: Public Accounting and Auditing Field

PwC: PricewaterhouseCoopers

SABIC: Saudi Basic Industries Corporation

SAF: Strategic Action Field

SAMA: Saudi Arabian Monetary Authority

SOCPA: Saudi Organization for Chartered and Professional Accountants

VAT: Value Added Tax

Abstract

Over the past two decades, Saudi Arabia has transitioned from a closed, oil-based economy to a more open, international, and modernized private economy. This shift has influenced institutions across the country, particularly in transitioning from Saudi GAAP to IFRS. The adoption of IFRS changed the basis for auditing and disclosure practices among listed firms. While previous studies have explored resistance, challenges, and mixed outcomes of this transition, they have overlooked how power dynamics within regulatory bodies and the Public Auditing and Accounting Field (PAAF) have evolved to enforce and sustain these changes. This research explores how and why the power balance among actors in the auditing and accounting field shifted following the 2017 reforms. Using Strategic Action Field (SAF) theory, the study examines how various stakeholders including regulatory body members, local auditors, Big 4 firms, mid-tier international firms, and CFOs strategically acted within two key fields: the regulatory field and the PAAF. Based on 37 interviews, the study develops four models and one integrative framework that illustrate the restructuring of governance, resource allocation, and power relations. The findings show that the strategic objectives of the state disrupted existing power structures in regulatory bodies, allowing IFRS supporters to gain dominance. These actors aligned with Big 4 firms and international players, leveraged state backing, and strategically managed resistance to enforce IFRS. In the PAAF, local firms, previously dominant, were unprepared for the technical demands of IFRS. Big 4 firms seized this opportunity, expanding market control and raising prices. In response, local auditors formed partnerships with mid-tier firms. Today, the PAAF includes 15 regulated auditors: 3 local firms (20%), 4 Big 4 (26.67%), 1 regional Arabic firm, 4 partnerships with mid-tier firms (26.67%), and 3 independent mid-tier firms (20%). Before IFRS, any SOCPA-authorized auditor could audit listed firms. Post-IFRS, the Capital Market Authority (CMA) restricted this through a regulated list, reshaping access and oversight in the audit market. The study highlights the central role of the “Big 10” (Big 4 and international mid-tier firms) in enabling IFRS adoption and implementation. Their expertise and resources made the current 100% IFRS compliance among listed firms possible. However, their dominance threatens local firms, which must quickly adapt or risk marginalization. To counter this, state actors could support local capacity through IFRS training, encourage accessible partnerships with international firms, and embed IFRS education in university curricula to ensure sustainable market participation.

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Chapter 1: Introduction

1.1. Introduction

This chapter introduces the topic of the transition from Saudi's locally derived Generally Accepted Accounting Principles (GAAP) to International Financial Reporting Standards (IFRS), governed by the International Accounting Standards Board (IASB). The focus is on the regulatory impact of this shift on the auditing professions and financial disclosure practices of listed firms within the Kingdom of Saudi Arabia (KSA). The chapter begins with an overview of the Saudi context, discussing the state's motivations for adopting IFRS to establish the socio-political backdrop of the research (Section 1.2). It then explores the professional motivations behind the study, examining the practical challenges and the resulting changes in power dynamics and the landscape of the auditing profession due to IFRS adoption (Section 1.3). A thorough review of the academic literature follows, identifying and analysing the types of power and strategic actions by various auditing field actors such as Chief Financial Officers (CFOs), local auditors, international auditing firms, and regulatory bodies (Section 1.4). This section aims to elucidate shifts in power dynamics, highlighting existing gaps in understanding. Building on these insights, the chapter formulates specific research questions, aims, and objectives, setting a clear investigative trajectory (Section 1.5). The structure of the thesis is then outlined, detailing the components and chapters designed to address these research questions and achieve the objectives, providing a roadmap for the analysis and discussions to follow (Section 1.6).

1.2. Background

In the 2010s, the Saudi government-initiated Vision 2030, a strategic framework aimed at transforming the KSA into a more modern state (Saudi Government 2016). This initiative reflects a concerted effort to reduce the nation's dependence on oil revenues and diversify its economic base to ensure long-term economic stability (Vision 2030 2016). The adoption and subsequent support from Prince Mohammed bin Salman (MBS) underscore the broader national agenda to position KSA as a globally integrated economy by the year 2030.

"Vision 2030 is the overarching economic and social development strategy of the Kingdom. Its main themes are building a thriving economy, a vibrant society, and an ambitious nation, while one of its key pillars is for the Kingdom to become a global investment powerhouse" (Tadawul 2018, p. 20).

One of its key pillars is the development of a thriving financial sector that supports private enterprise and attracts both local and foreign investment. To achieve this, the Vision emphasizes enhancing financial governance, transparency, and the reliability of financial information (Ministry of Finance 2017). The Royal family has orchestrated a strategic pivot in KSA's economic framework, transitioning from a state-owned, oil-centric, and closed economy to one that is open, privatized, international, and reliant on a broader tax base. This shift is evident from the country's economic dependency on oil, which decreased from 90% between 2005 and 2010 to 62% from 2017 to 2022, indicating a significant move towards economic diversification¹. The privatisation of the oil company, ARAMCO, marked a significant shift driven by Saudi Vision 2030 and resulted in the sale of 5% of its shares (IMF 2018). This shift entailed transferring the most important assets of the government to the private sector, thereby opening new opportunities for investment and reducing dependence on oil revenues by investing to diversify the domestic economy. The adoption of IFRS is directly aligned with these goals, as it promotes comparability, accountability, and investor confidence. Consequently, the adoption of IFRS in Saudi Arabia should not be viewed in isolation but as part of broader institutional reforms driven by Vision 2030. Saudi society witnessed historic decisions being taken such as the introduction of value added tax (VAT) and company tax laws in the same period.

In 2012, in response to significant institutional changes, KSA transitioned from its local GAAP which had been developed over decades through collaborations with countries such as Egypt and Tunisia to the IFRS, scheduled to be fully implemented by 2017 (SOCPA 2012). To facilitate this transition, the Saudi Organization for Chartered and Professional Accountants (SOCPA), the Capital Market Authority (CMA), and the Ministry of Commerce (MC) developed new corporate legislation to ensure the successful adoption of IFRS. Eight years post-implementation, the adoption rate among all listed firms in KSA has reached 100%. This could be interpreted as a success story based on the adoption level alone; the transition has also significantly transformed the auditing profession in the country.

1.3. Research problem

The auditing industry, valued at \$277 billion worldwide in 2024², is experiencing significant growth and evolution. This development is primarily driven by the dynamic power balance

¹ <https://GAAPs.imf.org/ar/News/Articles/2023/09/28/cf-saudi-arabias-economy-grows-as-it-diversifies>
² <https://GAAPs.marketdataforecast.com/market-reports/auditing-services-market>

between auditors and auditee firms, which is crucial for maintaining independence and integrity within the field. A pivotal factor influencing auditor authority is the stringent enforcement of regulatory laws and auditing standards. In KSA, the adoption of international auditing and accounting standards, alongside new governance laws, is a strategic move towards achieving its Vision 2030 goal of global prominence³. Since 2017, all listed firms have been mandated to comply with IFRS, marking a significant shift from the GAAP to IFRS. This transition developed predominantly in Europe, has introduced potential challenges due to differing cultural, geopolitical, and regulatory environments. The local Saudi auditing and accounting standards, prior to the adoption of IFRS, faced several concerns. The main issues with Saudi GAAP revolved around its inconsistencies and vagueness, which led to significant challenges for auditors and financial reporting. One of the key concerns was the hybrid framework of Saudi GAAP, which was a blend of international standards from the USA, Germany, and Tunisia. This created contradictions and confusion, leaving auditors struggling to navigate these inconsistencies, which lacked a unified structure tailored to Saudi Arabia's unique context. As a result, auditors faced challenges in maintaining consistency and had to rely heavily on personal judgment, increasing subjectivity and the risk of manipulation.

This shift has had a profound impact on the Saudi financial market. For instance, in November 2017 alone, approximately \$1.33 billion in capital value was erased from 11 firms, amounting to about 40% of their market capital, triggered by the initial application of IFRS⁴. Additionally, 33 out of 41 companies reported adverse effects on their financial statements for that year, particularly in terms of retained earnings, while 8 companies reported a net positive impact⁵. A significant delay in financial reporting was observed among 100 out of 143 listed firms following the IFRS adoption⁶. Significant companies faced challenges. For the Saudi Group, the adoption of IFRS in 2017 led to a reduction in retained earnings by Saudi Riyals 1,482

⁴ <https://GAAPs.ifrs.org/news-and-events/news/2017/03/17-ifrs-adoption-will-help-saudi-arabia-to-achieve-2030-vision-says-iasb-chairman/>
⁵ <https://GAAPs.albaranyia.net/aswq/financial-markets/2017/11/14/1-%D8%B4%D8%B1-%D9%A3-%D8%A9-%D8%B3-%D8%B9-%D8%A8-%D8%AF-%D9%8A-%D8%A9-%D8%AA-%D8%AA-%D8%AC-%D9%87-%D9%84-%D8%B4-%D8%B7-%D8%A5-%D9%85-%D9%84-%D9%8A-%D8%A7-%D8%B1-%D8%A7-%D8%AA-%D8%A7-%D8%A8-%D8%B1-%D8%B3-%D8%A7-%D8%A5-%D9%85-%D9%8A-%D9%84-%D9%87-%D8%A7-%D9%85-%D8%A7-%D9%87-%D9%8A-%D8%9F>

⁶ <https://www.cambridge.org/core/journals/journal-of-the-american-statistical-association/article/doi/10.1017/XAS.2019.10/https://doi.org/10.1017/XAS.2019.10>

million. Similarly, Saudi Basic Industries Corporation (SABIC), a major petrochemical firm, reported a 25% decline in profit, significantly affecting its share price post-IFRS disclosure⁷. Another concern with Saudi GAAP was the limited scope of reporting, which focused primarily on financial data. However, IFRS expanded the scope to include both financial and non-financial disclosures. This shift required auditors to not only focus on numbers but also to provide clear explanations and assumptions behind the data, thus creating more complex interactions with clients and shifting the power dynamics towards auditors.

The restructuring of the Saudi auditing market landscape has also been noteworthy. From 2014 to 2022, the dominance shifted from local auditing firms (representing 35% of the auditing firms that audited companies listed on Tadawul⁸) to international firms, particularly the Big 4, reflecting their preparedness for this transition. By 2022, the Big 4 firms, specifically PwC, EY, and KPMG, controlled 83% of the market, significantly diminishing the presence of local entities⁹. Moreover, international accountancy and auditing firms, i.e., the Big 10, controlled about 97% of the market, with local auditors, now largely subcontracted by these firms, seeing their roles diminished as they often work under the names of these global entities rather than independently. This phenomenon is common in European countries and other nations with strong regulatory frameworks, where there has been a migration from local accounting firms to global firms after the introduction of IFRS (Wieczynska 2016; Bassemir 2018; Cualain and Tawiah 2023). Furthermore, the vague reporting standards under Saudi GAAP led to ambiguities in financial reporting, creating an unstable environment where actors, especially CFOs, could manipulate the rules to their advantage, contributing to power imbalances in the auditing and accounting field.

Over the past two decades, several countries from Eastern Europe, the Arab Gulf, and Asia, including India, Iran, and Ukraine, have transitioned from local GAAP to IFRS. These changes were motivated by desires for global integration and enhancing capital inflows. This state enforcement of the IFRS is expected to have implications for the power dynamics in the field of auditing and accounting in KSA. The established auditing practices in these countries, historically supported by local are now undergoing shifts in power dynamics due to the introduction of IFRS. These changes are expected to influence existing roles, reshaping the power dynamics within the auditing field.

⁷ <https://GAAPs.gulf-times.com/story/558472/sabic-reports-25-plunge-in-second-quarter-profit>

⁸ <https://ijb.cyu.edu.tw/var/file/10/1010/img/866/V25N4-4.pdf>

⁹ https://accounting.nridigital.com/iab_apr23/saudi_arabia_fee_and_staff_tables

1.4. Research Motivation

Enforcement of IFRS, coupled with its supporting governance regulations, introduces significant disruptions in the sector, yet there is scant empirical evidence and theoretical framework addressing the impacts of IFRS on the sector (Silva et al. 2021). It is imperative to develop a comprehensive framework to analyse both the mechanisms and the motivations behind the enforcement of IFRS, as well as to understand the implications of these actions on power dynamics within the field. This study posits that the enforcement of IFRS may be driven by underlying intentions to alter the power structures within the field.

The concept of power dynamics in the field of business accounting, as delineated by Schaltegger et al. (2006), encapsulates a multifaceted network of relationships among financial data users, providers, corporations, regulatory bodies, and government agencies. This metaphorical ‘field’ illustrates the complexity and interdependence of various stakeholders, necessitating ongoing strategic actions for power accumulation and adaptation (Flegstein and McAdam 2012). The shift towards IFRS presents significant challenges due to the requisite alignment of institutional frameworks including policies, systems, and processes with new legal requirements (Aburous 2019). Specific challenges are evident in countries like Vietnam and Bangladesh, where obstacles such as regulatory unawareness and the influence of family-owned businesses on auditor independence complicate IFRS adoption (Phan et al. 2014; Nurunnabi 2017). In Iran, cultural conflicts and transparency issues not only affect auditor independence but also expose systemic corruption (Moradi et al. 2019; Fashami et al. 2020). Jordan provides a further example, where governmental, technological, educational, and political challenges form significant barriers to the successful implementation of IFRS, underscoring the complexities of modifying institutional arrangements in developing countries (Al-Htaybat 2018). Subsequent studies focusing on Jordanian firms have pinpointed deficiencies in government support and educational systems as primary impediments to embedding IFRS within institutional practices (Al Sawalqa and Qtish 2021). Given these structural inadequacies, there is a pressing need to re-theorize the motivations for adopting IFRS. Despite extensive research on the benefits of IFRS adoption, particularly in enhancing capital inflows (Cualain and Tawiah 2023), there remains a lack of theoretical clarity on the specific catalysts that initiate and drive changes within the strategic field of public auditing. Understanding these catalysts is crucial to addressing the broader implications of IFRS adoption on institutional dynamics. Therefore, a deeper theoretical exploration of the catalysts driving changes in the strategic field of public auditing and its key actors is warranted.

Considering the state's role as a governance entity in enforcing IFRS, it is crucial to examine how compliance and sustainable application can be ensured, particularly when institutional arrangements do not fully align with IFRS mandates. Research has shown that integrating IFRS comprehensively into a country's legal framework is essential for effective implementation (Silva et al. 2021). IFRS often disrupts the established practices of auditors and increases operational complexities and costs for corporations, posing significant challenges (El Guindy and Trabelsi 2020). Some states have attempted to enforce IFRS through mechanisms of panoptic control, including partitioning, hierarchical surveillance, and normalizing sanctions (Zijl and Maroun 2017). However, these efforts have met with limited success, as evidenced by firms reverting to GAAP when possible. Additionally, some organizations prefer paying sanction fees, such as the noted 3,000 Euro penalty, rather than complying with IFRS (Pirveli 2020), which underscores a pervasive erosion of trust within the field (Zijl and Maroun 2017). The efficacy of IFRS adoption is significantly affected by the legal and political institutional contexts (Wieczynska 2016). KSA has mandated the adoption of IFRS for all listed firms since 2017, leading to widespread formal compliance. However, the specific governance mechanisms that facilitated this state-led transition and their influence on the power dynamics among key actors in the auditing field remain underexplored in the literature.

One primary challenge in effectively implementing IFRS is the lack of labour market readiness, particularly in terms of the availability of skilled professionals and knowledge resources (Pandey and Anto 2024). In Romania, a significant barrier to enforcing IFRS on small and medium enterprises (SMEs) is the limited understanding of these standards (Marina and Tiron-Tudor 2024). The availability of knowledgeable human resources, who possess the competencies to apply and comply with IFRS, along with robust knowledge management systems for developing these competencies internally, is crucial for the successful application and positive outcomes of IFRS (Pandey and Anto 2024). For instance, the proficiency of Audit Committees (AC) in IFRS has been shown to completely mediate the relationship between the adoption of IFRS and the management of earnings practices (Kateb et al. 2023). This finding indicates that knowledge resources are not only essential for the effective and sustainable implementation of IFRS but also act as a mechanism through which actors can redistribute power within the field (Soares Fontes et al. 2023). Despite this importance, the literature lacks a knowledge-based model dedicated to understanding shifts in power dynamics among various actors employing different adaptive strategies, such as outsourcing, hiring, training, or establishing knowledge management systems. Given that KSA is a comparatively wealthy non-

European country in the Middle East and North Africa (MENA) region, a tailored knowledge-based model is needed to comprehend the alterations in power dynamics resulting from various knowledge development strategies employed to cope with the shock of IFRS adoption in the field.

The final crucial perspective to understanding resistance to the IFRS and potential failures is the transition from a rule-based to a principles-based system, particularly notable in post-communism (Alexander and Ghedrovici 2013; Combs et al. 2013) and Middle Eastern countries (Moradi et al. 2019). GAAP are predominantly rule-based, rendering the reporting standards mechanical with limited scope for interpretation or subjectivity (Nurunnabi 2018). In contrast, IFRS, as a principles-based system, allows for the application of the fair value method based on judgement and evaluation (Alkhtani 2010; Mantzari and Georgiou 2019). This shift fundamentally alters the operational landscape, empowering auditors to exercise their judgement, which could lead to opinion shopping behaviours in some jurisdictions and strain relationships between auditing firms and newly adopting corporations (Marden and Brackney 2009; Kim 2013). Such changes exemplify the shift in power dynamics from CFOs and accountants within listed firms to external auditors (Mergenthaler 2009; Donelson et al. 2012; Folsom et al. 2016).

Furthermore, being a principles-based system, IFRS demands detailed reporting with necessary references and auditor's opinion at the report's conclusion (Shibasaki and Toyokura 2020), potentially shifting the power balance. In regions like post-communist and Middle Eastern countries, a major point of contention against IFRS adoption is the requirement for extensive disclosure, which conflicts with cultural preferences for information secrecy that might be seen as providing a competitive edge (Irvine and Lucas 2006; Eljammi et al. 2020).

Additionally, if local GAAP lacks consistency, it could create significant opportunities for financial manipulation, further altering the power dynamics (Deb et al. 2023). Despite these insights, there remains a lack of a theoretical framework that conceptualizes IFRS as a disruptive force capable of rebalancing power among the actors within the field.

The findings from a context-based study by Yamani and Almasarwah (2019) indicate that in KSA, political factors and accounting bodies have significantly supported the process of IFRS adoption. Conversely, a conservative and traditionalist culture has opposed it. The knowledge level of accountants has also played a pivotal role in the adoption of IFRS, as outlined by

Yamani and Almasarwah (2019). Despite these insights, we lack a comprehensive framework that synthesizes these factors to theoretically analyse the power dynamics among various stakeholders both supporters and opponents of IFRS adoption. Such a framework would elucidate the strategic actions undertaken by each group to enhance their influence and dominate the field. Therefore, there is a pressing need to develop a theoretical framework that can integrate these elements. This framework would not only make a substantial contribution to academic literature but could also be applicable in other contextual analyses.

In summary, this research identifies potential knowledge gaps in developing a framework to advance the field of IFRS. Specifically, it aims to understand the role of IFRS as a state-enforced shock that disrupts the existing power status quo and reshapes the dynamics within the field. The focus is on analysing the strategic actions of various actors to frame how changes in power dynamics are shaping the PAAF.

1.5. Research Question, Aim and Objectives

Research Question: What aspects of, how and why, the power balance between actors in the field of Public Auditing Field have changed due to the reformation of accounting and auditing practices in KSA in 2017?

Research Aim: To develop a framework to understand the change in the power dynamics between actors in the strategic field of public auditing and accounting in the KSA.

Research Objectives

RO1: To identify the triggers of the change in the strategic field of public auditing and the relevant actors.

RO2: To develop a governance-based model to understand the shift in the power dynamics across the strategic actors of the field triggered by the GU enforcements.

RO3: To develop a resource-based model to explain the change in the power dynamics across the strategic actors.

RO4: To develop a model to understand the role of the IFRS as a framework in restructuring the power across the strategic actors.

1.6. Thesis structure

To address the research question, aims, and objectives, this study is structured as follows. Chapter 2 commences with a comprehensive literature review to highlight the motivations and

consequences of implementing the IFRS documented in existing scholarly works. This review aids in developing a theoretical perspective that guides the subsequent research methodology. Chapter 3 elaborates on the research methodology, detailing the theoretical framework developed earlier to steer the research strategy, methods, and tools.

The findings are subsequently divided into four analytical chapters. The first analytical chapter examines the interactions among state actors that facilitated the creation and support of IFRS, alongside the development of a panoptic approach to its enforcement. This analysis employs strategic action theory to discuss how the SOCPA, as the auditing profession's regulatory authority, restructured and influenced other state governance units to enforce IFRS successfully.

The subsequent chapters each focus on a different aspect of the research model. The second chapter of analysis discusses the post-IFRS adoption 'shock' and its impact on power balances within the field, fostered by governance laws associated with IFRS, thus building the governance model. The third chapter theorizes the IFRS shock as a shock to knowledge resources, prompting actors to adopt various strategic actions to cope with this change, thereby creating a power dynamic that supports the sustained adoption of IFRS and constructs the resource-based model. The fourth chapter theorizes the transition in the auditing framework from a rule-based to a principles-based system under IFRS, analysing how this shift affects relationships and power dynamics among actors in comparison to local GAAP.

The final chapter synthesizes the discussion and conclusions to comprehensively address the research question and achieve the study's objectives. It also outlines the academic implications and contributions to knowledge, while acknowledging the research limitations and proposing professional recommendations.

Chapter 2: Literature Review

2.1. Introduction

Financial reports serve as a crucial source of information for a diverse range of stakeholders, including legislative and governmental bodies, shareholders, academics, and financial analysts (Deegan and Rankin 1997). Historically, nations have developed their own accounting systems influenced by unique cultural and political factors, evolving into nationally recognized standards known as GAAP. However, the heterogeneity of these standards has often impeded international cooperation. This chapter aims to establish a theoretical framework for the study and to identify research gaps. It specifically focuses on the transition from the Saudi Local GAAP to the IFRS, consolidating existing literature on the definitions of IFRS and local GAAP globally, and elucidating how IFRS differs from these national standards, thereby delineating theoretical and empirical gaps.

To achieve these objectives, this chapter begins by conceptualizing GAAP (Section 2.2). Subsequently, it defines and sets the theoretical framework for IFRS (Section 2.3), drawing on its historical origins, motivations, and objectives that have spurred its adoption by various countries. Section 2.4 highlights the differences between GAAP and IFRS from several perspectives, including system architecture, approach, and the roles of auditors. The final section before the summary will address the academic gaps identified in this chapter and discuss the documented negative impacts of IFRS adoption on emerging and developing countries.

2.2. Local GAAP

GAAP are national sets of accounting standards tailored to meet the specific requirements of a country's financial reporting environment. These standards are essential for reporting the financial performance of organizations to external stakeholders, including shareholders, regulators, tax authorities, investors, and customers. GAAP vary significantly across different political and economic systems, reflecting the unique philosophical underpinnings and societal roles of organizations within each country (Baudot 2014). For instance, the GAAP in communist countries diverge markedly from those in capitalist economies, such as the United States (US) (Brackney and Tang 2024) and Germany (Glaum and Street 2003). Similarly, the GAAP in Eastern European post-communist countries (Alexander et al. 2022) contrast with those in KSA.

These discrepancies stem from the fundamental philosophical views regarding the role of organizations in society from entities primarily seen as taxpayers in countries like the US or UK (Edgley 2014), to extensions of state ownership under communism (Albu et al. 2011), or as contributors to a self-funded state such as KSA. Consequently, these philosophical orientations significantly influence disclosure requirements (Ding et al. 2005). Another factor contributing to the variations in GAAP is the predominant funding mechanisms within different economies. In the US, for instance, funding is primarily sourced from the stock market, whereas in KSA, it is more common to see family-owned businesses and self-funding models (Al-Ghamdi and Rhodes 2015).

In communist countries, organizations were typically state-owned. In KSA, the reliance on internal funding has historically been due to the state's role in providing capital from oil revenues, thus diminishing the need for external investment (Montambault 2024). This context has led to the development of Saudi GAAP by state-owned firms and powerful private family businesses with close ties to the Royal family, largely ignoring the requirements of international institutions or tax authorities (Mihret et al. 2017). As a result, Saudi GAAP has been less suited to the needs of foreign stakeholders (Al-Htaybat 2018).

However, recent economic shifts from KSA being a net lender to becoming a net borrower, along with increased reliance on taxation, have placed pressure on the country to adopt IFRS. This transition has significantly impacted the Saudi financial ecosystem, reflecting the broader institutional changes necessitated by these economic challenges (Natto 2024).

2.3. IFRS

The expansion of IFRS is a complex interplay of global economic trends, regulatory developments, and strategic influences from major accounting entities, which underscores the intricate relationship between global finance and politics. This relationship is crucial in understanding the widespread adoption and evolution of IFRS. Following World War II, the need for standardized financial reporting became apparent as countries sought to rebuild and expand their economies. Sir Henry Benson's initiative to form the Accountants International Study Group (AISG) in 1966 was a response to these global economic changes, aiming to harmonize accounting practices across influential countries like the UK, the US, and Canada. The group's work laid the groundwork for the establishment of the International Accounting Standards Committee (IASC) in 1973, which sought to develop accounting standards that could

be universally applied, fostering global trade and investment (Zeff 2012). The collapse of the Soviet Union and the subsequent integration of Eastern European countries into the European market dramatically influenced IFRS adoption (Albu et al. 2023). These countries needed to align their accounting standards with those of the European Union to participate fully in the single market, leading to an increased acceptance of IFRS. Furthermore, the European Union's mandate in 2002 that all listed companies must prepare their consolidated financial statements according to IFRS by 2005 marked a significant regulatory push that accelerated the adoption of IFRS globally (Morais et al. 2018).

As of 2022, IFRS is utilized in 166 jurisdictions globally, demonstrating its widespread acceptance (IFRS Foundation 2024). Despite its extensive adoption, the implementation of IFRS faces challenges, particularly in jurisdictions with entrenched local accounting traditions or where legal systems impact financial reporting (Weaver and Woods 2015). IFRS has been criticized for compelling all countries to adopt a uniform framework, thereby ignoring their unique differences and cultures (Abrás and Jayasinghe 2023). It is often perceived as a political tool in accounting to uphold and expand capitalist ideology (Warren 2024). Over time, the hegemony of IFRS has grown, influencing post-communist and other non-capitalist ideologies to conform to capitalist norms (Hopper et al. 2017). The monopolistic power of the IASB in setting standards restricts the ability of other nations or ideologies to develop, compare, or learn from alternative approaches (Devi and Samujh 2015) or to adapt standards to local variations (Sunder 2011). Interestingly, state actors are often the ones who adopt and enforce IFRS, a point that will be elaborated in the following section.

2.4. Differences between IFRS and GAAP

This section goes into detail in understanding the IFRS and GAAP to understand the possible positive sides and negative sides of each so that the motivations of application of IFRS can be theorised and understood.

2.4.1. Fair Value Versus Book Value

A crucial difference between the regimes lies in the valuation of assets, where IFRS allows both fair value and historical cost models, while GAAP in general, and Saudi GAAP, primarily, utilizes historical cost. This difference can impact financial reporting and decision-making, as noted by academics such as Alkhtani (2010) and Müller (2014). Since the evaluation of the asset changed significantly from book value to fair value, this will affect how we perceive the firm's economic position and performance (Müller 2014). This fair value reflects a

financialised view of the firm affecting “enterprises by the logic of finance” (Aglietta and Rebérioux 2005, p. 114). For instance, Haldane et al. (2024), because of the use of fair value approach, decision makers found higher values in short term assets than long term ones, a study on European Union, found that the motivation to invest in real long-term assets have decreased significantly due to the IFRS effects on decision-making.

Probably, using subjective judgement could fit in Western countries, but in post-communist countries, people believe subjectivity is a space for opportunistic behaviour and space for corruption. Approximately 75% of accountants surveyed in a study conducted in Russia reported that they see no necessity to rely on their own individual judgments, otherwise opportunistic behaviour will emerge, when preparing financial statements, accountants view their role as merely following a straightforward set of predefined and approved rules (Combs et al. 2013). Indonesian participants reported the same aspect as the fair value is one of the main issues to accept the IFRS (Siregar et al. 2020). Similarly, in Kazakhstan, due to the use of fair value and judgement, it has been noted there is a need for a “revolution” in accounting mentality for this profession to accept this perspective of valuation (Tyrrall et al. 2007). Indeed, in a country like Moldova, there is a common rejection of such practices and accountants still believe the importance of having numerical structured evidence for the valuation of assets rather than subjective estimates (Alexander and Ghedrovici 2013). The research of Moradi et al. (2019) in Iran showed that the fair value audits that require personal judgement is one of the key reasons for the resistance to adopt IFRS in Iran. Chinese state actors have removed the fair value aspect from the IFRS considering it inappropriate in their field (Peng and Bewley 2010).

2.4.2. Flexibility of IFRS vs GAAP

IFRS is a principles-based system which offers more flexibility in accounting measurements compared to the rules-based approach of Saudi GAAP. The latter relies on a specific format and a set of rules transactions (SEC 2003), limiting the room for discrepancies resulting from professional judgement (Nurunnabi 2018). Principles-based standards have also been criticized of their inherent flexibility may provide managers with greater opportunities to manage earnings, thereby decreasing accounting quality (Ball 2006; Chen et al. 2020).

While the finding of prior studies that auditor-client disagreement increases after IFRS adoption (Marden and Brackney 2009), Kim (2013) suggests the potential to increase Opinion Shopping (OS) where auditors/consultants’ opinions are bought in the market (Deb et al. 2023). This pressure becomes particularly challenging for accountants in KSA accustomed to a rules-

based set of accounting standards. This development could have a serious impact on the independence of the auditors after the introduction of IFRS. This difference could make a significant difference in the role of the auditor in the accounting and auditing field from using rule-based system to a principle based one. This debate will be detailed in the next section on the changing power of the auditors and corporates.

2.5. Corporate Governance and Audit

Corporate governance and audit refer to the system of rules, practices, and processes by which a company's financial and operational activities are controlled and directed through auditing. Effective corporate audit governance ensures the integrity of financial reporting, compliance with laws and regulations, and the efficient management of resources. The transition from local GAAP to IFRS significantly affects the power dynamics between corporations and external auditors (Kohler et al. 2021b). Under IFRS, auditors gain the authority to judge financial representations, produce detailed reports, and demand substantial fees (Karampinis and Hevas 2011; Kim 2016), which collectively underscore the enhanced power granted to auditors relative to their clients (Richard 2006; Guénin-Paracini et al. 2015). Consequently, the auditor's report becomes increasingly critical for the sustainability of the business and its governance, highlighting its importance to the board of directors (Kim et al. 2021).

2.5.1. Judgement power

The principles-based system gives space for subjectivity and opinion that requires judgement (Folsom et al. 2016), which all can pledge judgement power to the auditors (Chung and Kim 2023). This system allows for or requires the exercising of appropriate judgement and expertise by managers and auditors in its application (Schipper 2005).

This degree of judgement is an issue for the valuation standard of IFRS 13. One of the main controversial aspects of the IFRS is the use of fair value rather than book value. In the fair value, the value of the asset is based on professional judgement while in the book value based on clear equation (Georgiou 2018). Smith-Lacroix et al. (2012) auditors have extreme power due to their capacity to value the organisational assets. The power of professional judgement is increased significantly due to the use of the fair value by IFRS (Diehl 2010), this approach can greatly amplify the likelihood of errors and risks encountered, potentially leading to significant inaccuracies or misrepresentations (De George et al. 2016). This can create tensions between auditors and their clients and power dynamics can have a significant role in the resolution of this tension (Kohler et al. 2021a). For instance, when IFRS enforced in Jordan,

auditees felt the power has been moved significantly from their hands to the auditors (Aburous 2019).

There is another judgmental and powerful tool available to auditors, as outlined in ISA 705: the qualified opinion, the adverse opinion, and the disclaimer of opinion. The auditors' role has clearly evolved following the implementation of IFRS (Albu et al. 2014; Aburous 2019).

2.5.2. Qualified Opinion

In some countries, such as KSA, the auditors' opinions were not included as part of the financial disclosure before the implementation of IFRS. After the enforcement of IFRS/IAS in KSA, the issuance of a qualified opinion has become an integral part of auditing practices. In a Western context, the role of the auditor is fundamentally linked to producing the audit opinion, which reflects the activities of various participants in the overall process (Knechel et al. 2020). The auditor's ability to qualify the audit report (or the lack thereof) to be a significant element in auditor-client power dynamics

The unqualified opinion provides assurance that the financial statements are fairly presented in accordance with disclosure requirements (The Public Company Accounting Oversight Board 2015; Cipriano et al. 2017). An auditor's opinion can be perceived as a threat to the auditee if they do not comply with disclosure requirements (Cipriano et al. 2017), suggesting that auditors, at least in KSA, may gain additional power by having this instrument at their disposal (Gibbins et al. 2001; Malsch et al. 2011). The issuance of a qualified opinion can also result in delays in the reporting process, which can negatively affect the firm's reputation in the stock market (Faraji et al. 2023). Furthermore, this issuance can lead to more severe consequences for listed firms, such as restatements, bankruptcy, and the termination of the registrant's securities. Cipriano et al. (2017) found that 75% of firms that received a qualified opinion had their registration with the US SEC terminated. In Morocco, the issuance of a qualified opinion has been shown to have serious effects on earnings per share (El Badlaoui and Cherqaoui 2023).

In countries like the US, the qualified opinion is perceived as not being a credible threat tool (Cipriano et al. 2017). This perception arises because issuing a qualified opinion can affect the auditors' fees in the future, their capacity to acquire new clients, and potentially expose them to lawsuits for stakeholder losses resulting from the suspension or delisting of a company's securities (Cushing 1999; Hillegeist 1999). Lys and Watts (1994) indicate that auditors face more lawsuits when the audit report is qualified than when it is unqualified. As a result, in the

United States, receiving a qualified audit opinion is an uncommon occurrence, only 11 with fewer than one qualified audit opinion issued annually to US SEC registrants (Cipriano et al., 2017).

In general, in countries with a long history of using the qualified opinion instrument, this tool is not powerful enough for auditors to significantly influence their clients (Alon and Kim 2022). However, in countries with relatively short experience with the qualified opinion, its use could be higher. The combined effect of frequent opinion modifications and high auditor rotation substantially improves the evaluation of financial distress in these regions (Camacho-Miñano et al. 2024), making it a powerful tool for auditors. This exacerbates the situation for companies, as auditors' opinions can strongly influence the judgements of subsequent auditors (Muñoz-Izquierdo et al. 2024).

2.5.3. Detailed Reporting

IFRS is a principles-based approach which gives flexibility in reporting accounting data. Thus, IASB established rigorous requirements for reporting in terms of footnotes, assets/liabilities assessment and managerial forecasts (De George et al. 2013). This level of detail is designed to protect investors (Hope et al. 2006; Ding et al. 2007; Bandara and Falta 2021) and to compensate for the challenge of being principles-based approach (Porta et al. 2000); it also has implications on time and effort required for auditing. Empirical evidence found that IFRS increased the time required for producing reports, added to the complexity of the reports, and required greater effort (Ejio et al. 2023); similar evidence has been reported in other parts of the world (Habib and Bhuiyan 2011; Walker and Hay 2013). What has been documented objectively is that IFRS increase audit fees, audit report lag, and auditor choice towards international consultancy firms (Khlif and Achek 2016; Deb et al. 2023). Compared to local rule-based GAAP, IFRS disclosure requirements and increased detail add significantly to the reporting burden as evidenced in Japan Shibasaki and Toyokura (2020), Russia (Combs et al. 2013), and KSA (Nurunnabi 2018).

This level of detail had a compatibility issue with the culture of post-communist countries (Albu et al. 2023) and many other parts of the world such as the Arab Gulf Countries (Eljammi Ayadi et al. 2020; Irvine and Lucas 2006). These places of the world believe in the importance of privacy of the financial data and keep as much as possible secret from competitors and newcomers to the market; disclosing this level of information is perceived in these countries as a threat to their market competitive advantage (Combs et al 2013). There is a strong believe

that this level of details are not important for investors (Shibasaki and Toyokura 2020) rather, they are valuable for competitors and international organisations only (Bagaeva 2008; Preobragenskaya et al. 2018).

2.5.4. Audit Committee (AC)

IFRS come with institutional changes in most countries as enforcement of new governance structures for the listed firms. The new regulations accompany IFRS gave auditors power to be independent and produce quality reports (Krismiaji and Surifah 2020; Hashed and Almaqtari 2021). For instance, in KSA, Hashed and Almaqtari (2021) found that IFRS-induced governance mechanisms in terms of board and audit committee independence had a positive effect on the quality of audit reports. One of the key governance changes due to IFRS is the enforcement of an audit committee (AC).

AC is an independent body in the organisation responsible for ensuring the independence of the auditors (Kateb and Belgacem 2024). Bryce et al. (2015) focused their investigation on the audit committee, discovering that IFRS adoption had a substantial impact on its role and composition within corporate governance structures, enhancing the effectiveness of audit committees in maintaining accounting quality. Given the prevalence of accounting and financial scandals, several studies provided evidence on the importance of effective AC in enhancing financial reporting quality (Chiu et al. 2021; Mardessi 2022). Indeed, AC created a clear line between auditing and accounting responsibilities. The dependency on auditors blurs the boundaries between auditing and accounting (Christensen et al. 2015), fostering implicit agreements where corporate accountants delegate certain routine tasks to auditors (Aburous 2019). Thus, one of the positive sides of the IFRS is organisationally introduce and enforce a new governance body to many countries, like KSA, which itself has the positive effects on the auditing quality (Kateb 2024).

Changes in the source of the rules change the role of the auditors. Aldoseri et al. (2021) examined the IFRS/ISA effect between before and after the mandatory adoption of IFRS in Saudi listed companies based on 388 Saudi firms from 2015 to 2018. The study shows a strong impact of adopting IFRS on the audit committee characteristic as involving auditors actively with the board members (Aldoseri et al. 2021). Changes in the auditor's role resulted in the auditors' perceptions of their improved audit reports. Auditors are responsible for providing reasonable assurance that financial statements are free from material misstatements, whether

caused by fraud or error, in accordance with IFRS, and for issuing an auditor's report that reflects their opinion based on ISAs.

2.6. IFRS and State Actors

IFRS comprises a set of accounting standards for public companies' financial statements, primarily aimed at achieving two objectives in emerging economies. State actors enforce IFRS for two main reasons: to improve the quality of audit reports, and for political reasons, which include enhancing the country's public image, improving accounting comparability with other nations, promoting harmonization and globalization, boosting foreign direct investment, and reducing tax avoidance. After examining the viability and validity of these justifications using academic evidence in the next subsections, the role of the state will be discussed in the subsequent section. This discussion will theoretically frame the actions of governance units and enforcement bodies.

2.6.3. Quality of Auditing and Reporting

The IFRS, as issued by the IASB and supported by international consultancy firms, are fundamentally designed to serve the public interest. They aim to do so by establishing high-quality, understandable, universally acceptable, and globally applicable financial reporting standards (Silva et al. 2021). These standards are intended to ensure that financial statements and other financial reports provide high-quality, transparent, and comparable information. This, in turn, aids investors, market participants, and other users of financial information in making informed economic decisions (Flower and Ebberts 2002).

The body of academic research supporting these assertions is largely interpretative, speculative, socially constructed, and subject to debate. Consequently, studies in this area have predominantly relied on qualitative methodologies such as interviews and expert opinions rather than empirical data. For instance, Domanbetova et al. (2018) report that approximately 61% of interviewed participants in Kazakhstan concur that the adoption of IFRS enhances the quality of financial reporting. Similarly, Sabauri (2018) observed an increase in shareholder confidence in the quality of financial statements in Georgia following the implementation of IFRS. Furthermore, Shibasaki and Toyokura (2020) documented that consultants believe IFRS adoption will bolster the performance of Japanese firms. Additionally, Cheung and Lau (2016) found that the adoption of IFRS in Australia reduced the length and complexity of financial reports, thereby improving their readability. In Jordan, Humeedat (2019) discovered that auditors perceive the adoption of IFRS as increasing accounting conservatism and the accuracy

of financial statements in commercial banks. Folsom et al. (2016) showed that financial statements prepared using standards with a greater emphasis on principles provide a more accurate representation of a firm's financial outcomes and enhance their clarity.

Lastly, Thi et al. (2020) conducted interviews with 23 experts, including university lecturers and professionals in the fields of securities, banking, and finance in Vietnam, who expressed that IFRS adoption improves the quality of auditing, although they lack direct experience with its application. These findings suggest that management prefers principles-based standards to better communicate a firm's economic performance to investors. Indeed, some scholars argue, based on conceptual analyses, that the shortcomings of rules-based standards in significant financial reporting scandals have led the Securities and Exchange Commission (SEC) to move toward adopting more principles-based accounting standards (Ijiri 2005; Folsom et al. 2016).

At the same time, empirical studies conducted by Mbir et al. (2020) and Juan et al. (2023) focused on the stock markets of Ghana and Iraq to evaluate the impact of IFRS on reporting quality. Both studies concluded that IFRS per se does not directly influence the quality of reporting, as measured by tangible metrics and indicators. Instead, improvements in reporting quality were attributed to enhanced corporate governance stemming from reforms in company laws. Similarly, Ball (2006) determined that the quality of financial reporting is not directly linked to the adoption of IFRS but rather to the existing governance systems, which are crucial for realizing any noticeable benefits from IFRS. Further illustrating this point, Kateb (2024) analysed 92 publicly listed companies in KSA from 2012 to 2020 and found a negative impact of IFRS on the quality of management decisions based solely on auditing reports. The study highlighted that the primary factor contributing to improved managerial decisions was the presence of an effective audit committee, which is often established alongside the implementation of IFRS.

These findings align with broader research indicating that the positive economic impacts associated with IFRS do not derive directly from its implementation. Instead, these benefits are more likely to stem from changes in the institutional environment, as evidenced by various studies (e.g. Daske et al. 2008; Christensen et al. 2015; Sato and Takeda 2017; Afeltra et al. 2024). Interestingly, Mantzari and Georgiou (2019) critically examined the ostensibly positive perceptions often reported in interviews concerning the benefits of IFRS. They argue that these perceptions are illusory, shaped by an ideological hegemony that conditions individuals to

endorse such benefits. Through a meticulous analysis of practitioner statements, the researchers identified that these positive views were not inherently held beliefs but were instead influenced by formal education on the subject. Furthermore, when these practitioners faced real-world application scenarios, they encountered numerous challenges. These included procedural delays, unnecessary additional work, and a lack of compatibility with local market requirements. These issues are elaborated upon in this chapter, revealing a discrepancy between theoretical training and practical implementation.

2.6.4. Political motivations

The adoption of IFRS over GAAP can primarily be attributed to political motivations. These motivations are fundamentally concerned with transitioning from an economic model dominated by state-owned enterprises reliant on national resources to a free-market system dependent on international investments and an effective taxing framework. From a governmental standpoint, IFRS serves as a mechanism to modernize and liberalize the economy, thereby facilitating greater integration into the global economic landscape. The political objectives driving this shift are threefold: to enhance the functionality of the stock market, to attract international investments, and to improve the efficiency and reach of the taxing system.

2.6.4.1 Public Image of the country

The prevailing hypothesis concerning the benefits of IFRS adoption posits that it enhances the public image of developing and emerging countries, particularly those in post-communist and Arab Gulf regions. Research has consistently shown that nations keen on attracting foreign investment are more inclined to implement IFRS (Cabedo and Tirado 2004; Alon and Dwyer 2014; Lungu et al. 2017). In Russia, for instance, the accountancy governance bodies have utilized IFRS adoption as a market signal to denote reduced corruption and enhanced financial transparency (Sucher and Bychkova 2001; Bourmistrov and Mellemvik 2010). Similarly, studies by (Jermakowicz and Gornik-Tomaszewski 2006) and Mantzari and Georgiou (2019) have documented how IFRS adoption has bolstered the reputations of developing nations, portraying them as modern and favourable locations for business.

Further analysis by Alon and Dwyer (2014), which covered 71 countries, found significant governmental pressure within fragile economies seeking external legitimization. Cannizzaro and Weiner (2015) argued that such legitimization is crucial for attracting external funds and enhancing economic rankings, serving as a primary motivation for IFRS adoption. This

modernization signal, indicative of openness to international dealings, is particularly evident in KSA. Under the leadership of Prince MBS, there has been a shift towards a more liberal economic framework, which has diminished the influence of religious institutions while enhancing that of liberal economic policies (Kinninmont 2017). This shift has propelled the Royal family to promote IFRS adoption as part of a broader agenda to globalize KSA and improve its financial transparency metrics for more comprehensive global integration (Freer 2020).

However, Mantzari et al. (2017) describe this process as driven by coercive and hegemonic influences, where less powerful states strive to gain legitimacy from more influential nations (Aburous, 2019). Camfferman and Zeff (2018) emphasize that this pursuit of legitimacy is often amplified by influential global institutions, especially those engaged in providing business funding. Additionally, international consulting firms, particularly the Big 4, play a significant role in this dynamic, which will be explored further in the section discussing the influence of the Big 4.

2.6.4.2 Improving reporting comparability

The second assumption that underlines the usefulness of IFRS for improving the international investment in the country is the reporting comparability with other countries (Lin et al. 2019; Kateb and Belgacem 2024), as being flagged as the most prominent reason for adopting of IFRS by developing and emerging economies (Tlemsani et al. 2024). It has been assumed that, based on many researchers such as Cai and Wong (2010) and Mardini et al. (2015), having a unified set of globally accepted financial reporting standards facilitates the flow of capital between countries as well as the integration of global financial markets. For example, EU Regulation 1606/2002 asserts that the regulation strengthens the free movement of capital within the internal market and facilitates the ability of Community companies to compete equally for financial resources in both Community and global capital markets (EU Regulation 2002, p. 1). Empirically, Lin et al. (2019) evidenced that investors believed that comparability between German companies increased following IFRS adoption. Following this logic, DeFond *et al.* (2011) evidenced that improving comparability by adopting IFRS increased foreign mutual fund ownership in the firms adopted IFRS in Europe than non-adopters in this context.

Unlike the financial statements prepared according to national standards constitute complex for the foreign investor to read, the IFRS are comparable since they use the same standards (Alkhtani 2012). In other words, a comparable standard should facilitate comparisons, thereby

enabling easy comprehension for all stakeholder groups and the uniform entry of each operation (Bui Thi *et al.* 2020). Improving comparability across borders is argued to improve the efficiency of capital markets (as in the case of the EU, to improve the efficiency of the Internal Market) (Guermazi and Halioui 2020).

2.6.4.3 Harmonisation, Globalisation and Integration

The third assumption posits that enhancing harmonization with the global economy could improve international investments. Fontes et al. (2005) and Neu and Ocampo (2007) suggest that the dynamics and nature of globalization, encompassing both economic and political factors, drive institutional pressures towards the adoption of IFRS for accounting harmonization. Nobes and Parker (2016) define harmonization as the process of increasing compatibility between accounting practices by minimizing variations. Further, Tay and Parker (1990) differentiate among harmonization and standardization, defining harmonization as “a process that involves moving away from total diversity towards a state of harmony, which may include complete uniformity,” whereas they define standardization as the transition “from total diversity towards total uniformity” (pp. 71-88).

Accounting harmonization is championed for its critical role in bridging the gap between countries by reducing discrepancies in financial statements, thereby enhancing their relevance, comparability, and understandability for business decisions (De George et al. 2016 and Mohsin et al. 2021). Nobes and Parker (2016) assert that the most significant challenge to achieving harmonization is the gap between newly adopted accounting practices and existing local standards. This difficulty stems from several factors: the absence of an international regulatory agency capable of overseeing uniform implementation, the reluctance of some countries to forsake their national accounting frameworks, and uncertainties regarding the economic repercussions of such changes (Masum and Parker 2020).

2.6.4.4 Enhancing Foreign Direct Investment (FDI)

One of the principal motivations for transitioning from GAAP to IFRS is to enhance international investment and attract greater foreign direct investment (FDI). In the context of the Middle East, Boolaky et al. (2018) suggest that the motivation for Middle Eastern and North African countries to adopt IFRS is aimed at expanding capital markets and increasing FDI inflows. It has been posited though without empirical substantiation that the adoption of IFRS in the KSA would likely augment FDI. This includes a potential informational advantage for

foreign investors over local investors (Nurunnabi 2018). However, empirical evidence regarding this claim remains inconclusive, as the impact of IFRS adoption on FDI could be either positive or insignificant, depending primarily on the institutional arrangements, governance, and other contextual factors. It is challenging to assert that IFRS adoption alone significantly drives FDI. This statement precedes a critical review of recent scholarly articles addressing this subject.

The first line of inquiry posits that the adoption of IFRS enhances FDI, with most studies conducted in Western countries providing supporting evidence. For instance, in Canada, Khan et al. (2019) observed that the adoption of IFRS might lead to an increase in FDI. Similarly, in the United States, Covrig et al. (2007) reported that the adoption of IAS positively influenced the US stock market. Their study included a sample of 25,000 mutual funds worldwide that held non-US stocks, demonstrating an increase in ownership of these stocks by foreign mutual funds following IAS adoption. In Spain, Sanabria-García and Garrido-Miralles (2020) found that the adoption of IFRS led to a rise in the share turnover for companies implementing the standards within Western European markets. Moreover, research by O Cualain and Tawiah (2023) supports the notion that IFRS adoption in Europe strengthens capital inflows, noting increased investments in Germany and Italy, though not in the UK and Spain. The studies also highlighted improved comparability and accounting quality in the UK and Germany, in contrast to Spain and Italy. In Sweden, Golubeva (2020) found that IFRS positively affects FDI. Conversely, fewer studies conducted outside the Western world have identified such positive relationships. Jinadu et al. (2016) assessed the effect of IFRS adoption on FDI in publicly listed companies and found a significant positive impact. Additionally, Pricope (2017) explored the implementation of IFRS relationship with FDI among 38 developing countries between 2008 and 2014. Using the matching technique based on propensity scores, the study found that the adoption of IFRS has a positive and significant impact on FDI inflows in these countries.

Another body of research, particularly from the Middle East and post-communist countries, presents more mixed or even negative relationships between IFRS adoption and FDI. For instance, Elhamma (2024) investigated the impact of mandatory IFRS adoption across 15 MENA countries and found that it did not significantly affect FDI inflows without concurrent institutional reforms. Similarly, in India, Adhikari et al. (2021) observed that the transition to IFRS did not enhance financial performance or direct investment in corporations. Both studies underscore the necessity of improving institutional and enforcement frameworks alongside

IFRS adoption, particularly in countries with weaker regulatory systems. Recommendations from these studies include integrating IFRS into university curricula, providing ongoing education to stakeholders, and enhancing financial reporting structures. Furthermore, in the Sub-Saharan context, Fisseha (2023) reported that neither partial nor complete adoption of IFRS increased direct investment. In post-communist regions, Tudor (2022) analysed the impact of IFRS adoption in four Central and Eastern European countries from 1990 to 2020 using World Bank data. The study found no direct correlation between IFRS adoption and increased FDI inflows, although notable increases in FDI coincided with legislative changes related to IFRS convergence. Additionally, Tusan (2022) investigated the relationship between IFRS adoption and FDI inflows in the Slovak Republic from 1995 to 2020. The study aimed to determine whether IFRS adoption significantly affects FDI inflows and to explore scenarios where it does not. The analysis of correlation coefficients revealed complex results, indicating that the relationship between IFRS adoption and FDI inflows varies depending on specific contexts.

A minority of studies have indeed identified a negative association between IFRS adoption and FDI. Nnadi and Soobaroyen (2015) investigated the consistency effects of complete, partial, and adjusted IFRS adoption across 34 sub-Saharan countries. Their data-driven findings revealed that comprehensive IFRS adoption negatively affects overall foreign direct investment (FDI) inflows to the region. Nnadi and Soobaroyen (2015) attribute this negative effect to two key factors: the perceived high costs of operating in an IFRS-regulated environment, which may deter foreign investors, and the greater importance of institutional factors such as the rule of law, the legal system, and corruption levels in sustaining FDI, rather than the adoption of IFRS itself. Additionally, Gu and Prah (2020) examined how the adoption of IFRS influenced the connection between FDI and economic growth across 12 African countries, which are among the largest recipients of FDI from 1996 to 2018. Contrary to expectations, their research found that IFRS adoption was more beneficial in countries that did not fully adopt IFRS, as these nations experienced higher FDI inflows compared to those that fully adopted the standards.

2.6.4.5 Reduce Tax Avoidance

The fifth motivation for states transitioning to the IFRS pertains to enhancing tax yields and reducing tax avoidance. Okafor et al. (2019) noted that in Canada, the adoption of IFRS led to a decrease in corporate tax avoidance compared to the Canadian GAAP. Similarly, Sun et al. (2022) reported that IFRS reduces the likelihood of tax avoidance, especially in lenient tax

systems. Furthermore, Chakroun and Ben Amar (2024) analysed a sample of 1,856 firms from various countries from 2010 to 2022. Their results indicate that IFRS adoption has a negative impact on corporate tax avoidance, as evidenced by lower effective tax rates and smaller discrepancies between book taxes and actual tax payments. This body of research underscores the effectiveness of IFRS in promoting more transparent and compliant corporate tax practices globally.

In KSA, unlike the Saudi GAAP which was not specifically designed for tax purposes due to the integration of Zakat and a unique tax structure, IFRS more closely aligns with global norms prevalent in regions such as Europe. Similarly, the adoption of IFRS in Russia and Uzbekistan has been linked to increased tax yields compared to the local GAAP standards (Preobragenskaya et al. 2018; Khojiyev 2020). In Georgia, this stringent reporting framework under IFRS has led some companies to prefer incurring sanctions of up to 3,000 euros rather than comply with IFRS, choosing instead to continue using the local GAAP for its tax advantages (Pirveli 2020). Thus, IFRS serves as a robust reporting system that aids states in achieving improved tax outcomes, reinforcing the findings of Okafor et al. (2019), who emphasized its role in mitigating corporate tax avoidance.

2.6.5 Roles of State in enforcing IFRS

There are apparent motivations for the state to enforce the corporations for adopting IFRS. Having said that, the potential return for the firms from this investment is questionable for the firm. Apparently, states are most often using panoptic approach in enforcing IFRS (Zijl and Maroun 2017). Panoptic approach holds that people are controlled when they believe themselves to be under constant surveillance, even if no one is watching. The theory stems from the intended effect of having a central guard tower in a prison that all the prisoners could see, even though they could not see the guards (Foucault 1977). By having continuous audits on auditors work, and punishment system, Golubeva (2023) found that this panoptic approach to enforce the use of IFRS is not effective enough and organisations attempts, especially in the eastern Europe context, to deviate and many avoid IFRS when they can (Albu et al. 2023). Similarly, in Moldova, the continuous enforcement process has not always been effective and efficient for the state (Alexander and Ghedrovici 2013). In Russia, a similar challenge was observed wherein the local regulatory authority implemented rigorous measures including inspection, enforcement, audit, and surveillance to ensure compliance with IFRS, although with limited success (Alon et al. 2019). Consequently, Russia transitioned to a more lenient

enforcement strategy, which Alon et al. (2019) describe as “legislative layering” (pp. 1217-1239). This approach involves initially enacting a vague law that facilitates broader private sector action and the development of regulatory capabilities. Subsequently, more detailed regulations are introduced to reinforce the state’s predominant role in overseeing the auditing sector.

The organisations are not deviating from using IFRS and keep using the GAAP for tax avoidance reasons as explained in the previous section; but also, because it has been perceived that it is lack of compatibility of their cultures, values and possibly their market requirements and the availability of the required resources. When Western rules are enforced in local contexts, they often become complex and confusing as they intertwine with local systems (Alawattage and Azure 2021). For post-communist countries IFRS brought up new Western capitalism concepts these communities are not familiar with their meanings such as audit, or tax consultancy (Apostol and Pop 2019). Thus, in a country like Greece, Mantzari and Georgiou (2019) evidenced the inconsistent and contradictory acceptance of IAS/IFRS by local practitioners which is based on their acceptance of the neoliberal values and Western ideology and dissociation from a statist traditionalist orientation . Alkhtani (2012) argued that the IASB primarily serves Western economies, which are the main adopters of IFRS with no consideration for the needs of developing economies. Samaha and Khlif (2016) reasoned that solid legal enforcement and investor protection in developed economies make adopting IFRS more beneficial than in developing countries. The movement of accounting ideas from advanced markets to transition economies underscores the need to address the compatibility and consistency of IFRS, as historical heritage and institutional factors may influence how IFRS is interpreted and applied (Golubeva 2023).

In the Islamic institutional context, during the transition to IFRS, two competing voices emerged: compliance with Islamic Sharia requirements versus IFRS requirements. The two groups represented opposing views one against and one in favour of IFRS adoption due to the belief that Sharia requirements and logic differ from those of IFRS (Abrar and Jayasinghe 2023). Similarly, some firms and auditors have observed that Anglo-American accounting practices dominate their local contributions to IFRS (Crawford et al. 2014; Laaksonen 2021), assuming these advanced standards are universally applicable across all accounting practices (Hellmann et al. 2010), while domestic regulations are expected to defer to the standards set by an organization based in major English-speaking countries (Perry and Nölke 2006). Some

research addressed that the real justification of adoption of IFRS is not clear and having been driven by economic logic (Mantzari and Georgiou 2019), the spread and extent of IFRS adoption, or resistance to it, were found to be shaped by the interaction between global institutional pressures and local factors (Zijl and Maroun 2017).

2.7 Increased Audit Fees

Due to the level of the details required, and the requirement of auditors' professional judgement which increases audit risk for them, the auditing fees increased substantially representing a significant budget for many organisations in the developing and emerging economies. Dozens of studies find significant evidence that the auditing fees increase by double, triple or even more after the IFRS in roughly all of the studied contexts from developed to developing countries (De George et al. 2013; Dayanandan et al. 2016; Jung et al. 2016; Nijam 2016; Maglio et al. 2018; El Guindy and Trabelsi 2020; Kang et al. 2021; Tawiah 2022). Systematic reviews also have documented this evidence (Khlif and Achek 2016).

A few examples can be documented here: in the Korean stock marketing, audit fees increased significantly after the IFRS adoption (Nam 2018; Kang et al. 2021). Kim et al. (2012); Zhu and Sun (2012); De George et al. (2013); Habib et al. (2019); Miah et al. (2020); Kang et al. (2021); Dawoud and Sun (2022); Zhou et al. (2022), found that audit fees increased substantially in all sectors that moved to the IFRS in Australia, USA, Korea and China and European Countries. Interestingly, in the UK, a study by Hsu and Chen (2024) found that regressing from IFRS to UK GAAP reduced the audit fees significantly because of the reduction in disclosure and efforts.

There are several explanations of this increase in fees, they can relate to operational roles such as increased work load and detailed reporting (Shim et al. 2016). They may also stem from governance issues and reputational risks due to the use of judgments and evaluations (Donelson et al. 2012; Albu et al. 2023; Subedi 2024), or they can be for cooking the books as opinion shopping could be in this place due to the heavily reliance on fair value rather than book value (Deb et al. 2023). At the same time, from a counter perspective, as reported by (Zhou et al. 2022) that may set higher fees for clients reporting under US GAAP if they believe the risk of managers using complex financial accounting techniques to manipulate the books is considerably greater. Another argued reason is the improved quality of auditing is the reason for the abnormal audit fee in post-IFRS period (Jung et al. 2016).

Several factors justify the increase in prices. In a highly competitive market, prices are expected to decrease to eliminate abnormal profits. However, this does not apply in the context of the IFRS. A potential reason for this is the oligopolistic structure of the market among firms qualified to conduct IFRS audits, who possess a source of power that sustains this control mechanism (Herman 2020; Kamarudin et al. 2022).

2.8 Key Gaps in the Literature and Contribution of the Study

A review of the literature on IFRS adoption and auditing power dynamics reveals several important gaps addressed by this study. It aligns with prior research emphasizing the principles-based nature of IFRS, which enhances auditors' discretionary judgment particularly in areas such as fair value measurement and the use of qualified opinions (e.g., Folsom et al., 2016; Schipper, 2005; Diehl, 2010). IFRS 13, for instance, requires significant professional judgment in asset valuation, marking a departure from formulaic methods (Georgiou, 2018). Similarly, Smith-Lacroix et al. (2012) and Kohler et al. (2021) highlight the growing tension between auditors and clients, arising from auditors' increased influence over financial outcomes. Aburous (2019) and Albu et al. (2014) further note the heightened authority of auditors through tools such as the qualified opinion post-IFRS. Building on these insights, this study investigates how these dynamics unfold in KSA, where IFRS adoption has significantly influenced the application and weight of qualified opinions.

While much of the existing research has examined the implications of IFRS adoption for accounting and auditing practices in various national contexts, it often overlooks the role of knowledge as a source of power in the auditing profession. Prior studies tend to conceptualize auditor power primarily in terms of professional judgment, neglecting how auditors acquire and develop the knowledge that underpins such judgment. This study addresses this gap by empirically exploring knowledge as a form of capital that empowers auditors, particularly in the context of an emerging market like KSA. The IFRS transition in KSA required substantial knowledge transfer from international firms to local practitioners, revealing significant disparities in access to and use of expertise. Furthermore, although existing literature has explored the impact of IFRS on auditor-client dynamics (e.g., Aburous, 2019), limited attention has been given to the mechanisms through which auditors build and exercise power. This study fills that gap by analysing how international recruitment, staff training, and the establishment

of centres of excellence function as strategic knowledge-building tools. It positions IFRS not only as a regulatory framework but also as an enabler of power acquisition, operating through governance structures that favour actors with advanced technical knowledge.

While previous studies have generally discussed auditor power in broad terms, this research provides a focused analysis of the Saudi context. It highlights the power shift from local to international firms during the IFRS transition, underscoring global-local tensions in professional authority. Though studies such as Saidu and Dauda (2014) recognize knowledge as a resource, this study extends the analysis by conceptualizing knowledge as a strategic asset that shapes power structures during regulatory change. It demonstrates how IFRS adoption restructured the field by elevating international firms, whose expertise allowed them to dominate the regulatory environment. This study also contributes to the literature on audit fees. While scholars like Shim et al. (2016) and Donelson et al. (2012) link increased audit fees to IFRS complexity and greater use of professional judgment, this research argues that market structure is equally influential. In Saudi Arabia, the concentration of IFRS-qualified firms has enabled strategic pricing practices and sustained high fees. The study thus introduces a new perspective, suggesting that audit fee increases are not merely responses to technical demands but also reflect market dominance and knowledge asymmetry.

Lastly, while much of the literature (e.g., Botzem & Quack, 2009; Nurunnabi, 2017) explores the institutional role of auditors during IFRS transitions, this study shifts attention to strategic actions within the auditing field. It examines how international firms leveraged their expertise to marginalize local firms and how state-driven initiatives such as economic liberalization and global integration facilitated these transformations. By integrating macro-level policy shifts with micro-level professional strategies, this study offers a comprehensive account of how regulatory change reconfigures field dynamics and professional hierarchies.

2.9 Chapter Conclusion

This chapter provided a comprehensive overview of the transition from Saudi Local GAAP to IFRS. It began by defining GAAP and detailing the historical development of national accounting standards influenced by cultural and political contexts. The chapter then introduced IFRS, outlining its origins, motivations for adoption, and objectives. Significant differences between GAAP and IFRS were highlighted, focusing on system architecture, approaches to

financial reporting, and the roles of auditors. Additionally, the chapter addressed academic gaps related to IFRS adoption, particularly the documented negative impacts on emerging and developing economies.

By synthesizing the existing literature, this chapter sets the stage for the next chapter, which will discuss the conceptual framework guiding the research methodology.

Chapter 3: Conceptual Framework

3.1. Introduction

This chapter introduces the conceptual framework that will guide the research methodology discussed in the subsequent chapter. The primary aim is to answer the research question by critically examining institutional theory (Section 3.2), Resource-Based Theory (RBT) (Section 3.3), and subsequently employing field theories, particularly SAF theory (Section 3.4). This approach will help understand the mechanisms of system reproduction that empower incumbents who benefit from the current situation and suppress the challengers who seek change. To gain deeper insights into these dynamics, the research will further explore field theories (Section 3.4). This includes an analysis of power and roles of various actors within the field from the perspectives of Bourdieu (Section 3.4.1) and Strategic Action Field (SAF) theory (Section 3.4.2). While adopting the SAF, this study will also address its limitations (Section 3.4.3), underscoring the necessity for a broader perspective to enhance the understanding of how enforcing new standards can alter the rules of the game among the actors (Section 3.5). The final section (Section 3.6) will synthesize these theoretical perspectives to develop a comprehensive research framework. This framework will define the field settings (Section 3.6.1), categorize the actors in terms of incumbents (Section 3.6.2), Governance Units (GUs) (Section 3.6.3), and challengers (Section 3.6.4), providing a structured approach to investigating the research question effectively. Lastly, (Section 3.7) provides justification for selecting SAF theory.

3.2. Institutional Perspective

The concept of an ecosystem illustrates how organizations or agents interact and impact one another within a dynamic and ever-changing relationship. Similar to a biological ecosystem, each entity must remain agile and resilient to ensure its continuity (Mitleton-Kelly 2010). There are different challenges facing the institutions and the business ecosystem in the transition process. In this context, institutional arrangements can be defined as the different organisations (e.g., corporates, auditors, and other stakeholders) policies, systems, and processes to be aligned with the legal requirements of enforcing the use of IFRS (Aburous 2019). Some contexts require significant changes in the institutional arrangements to reach environmental stability in the ecosystem (Lawrence et al. 2010; Silva et al. 2020). In Vietnam, Phan et al. (2014), opined that adopting IFRS is not an unsuitable change. Still, a lack of awareness of the regulations and standards of the country proved challenging for IFRS adoption. In Bangladesh,

with different institutional arrangements and challenges, Nurunnabi (2017) states that policymakers should regulate the audit fees, accreditation body for the auditors and culture of secrecy, plus the domination of the family business (i.e., more power over the auditor selection and evaluation process). In Iran, as an Islamic developing country ranked low in the transparency, the research of Moradi et al. (2019) showed that changes required in the economic environment, educational system, and auditors' practices, processes and policies were the main challenges to the IFRS adoption in Iran. Complementing Moradi et al. (2019), Fashami et al. (2020) found that the Iranian Islamic culture has been claimed by participants in their study to have some contradictions with IFRS requirements, and IFRS have been seen as uncovering the auditors' independence and the possible fraud, bribery and corruption. Among the middle eastern emerging economies, Jordan was one of the first to adopt the IFRS (Kirshansing et al. 2018). Al-Htaybat (2018) examined the case of Jordan and stated that as an example of the difficulties facing developing countries in changing institutional arrangements with governmental, technological, education, training, and political burdens, which function as institutional forces deterring IFRSs' successful adoption.

In other research in the Jordanian context, Al Sawalqa and Qtish (2021) examined the level of IFRS adoption among Jordanian firms and the institutional arrangements required to institutionalise the IFRS in this context were the government funding policies, legal arrangements, and auditors' policies and practices. The study found that a shortage in government support, such as financial, technical, and legal mechanisms, prevent proper implementation. In addition, deficiencies in the level of education, such as holding seminars and training by an accounting professional body and the complexity of some standards. Although in the previous cases, the institutional arrangements are not aligned together to have a successful IFRS, IFRS is still imposed and enforced in all these contexts. Interestingly, the case is persistent in most of the eastern European post-communist countries (Albu et al. 2011).

Institutional theory focuses on the macro level analysis to understand the isomorphism of adopting IFRS, in terms of coercive (i.e. regulations), normative (i.e. education) and mimetic (i.e. imitating large firms to gain legitimacy in the ecosystem (Guerreiro et al. 2021). Normative and mimetic pressures are documented to diffuse the IFRS by the Big 4 in the UAE's (Irvine 2008). Coercive pressures, not mimetic nor normative pressures, influenced the adoption of IFRS in non-banking sectors in Ghana (Sappor et al. 2023). Coercive pressures are the highest here since this market are not aware enough and not educated sufficiently to have

IFRS. Thus, states resort to have the panoptic control through partitioning, hierarchical surveillance and normalising sanction to enforce the IFRS Hassan et al. (2014) but not successful as the listed firms regret back to the GAAP whenever they can. Indeed, in some organisations are happy to pay the sanction fees of 3,000 Euro than going for the IFRS (Pirveli 2020), which creates a sense of lost trust in the ecosystem (Zijl and Maroun 2017).

Having said that, this theory may not explain why IFRS was implemented by the state in the first place. It does not show why the state is interested to use its coercive pressures for enforcing the IFRS. Agency theory focuses on the role of the different agencies in the field of audit in promoting the IFRS and making it successful (Caria and Gomes 2024). Despite its importance, the different mechanisms employed to elevate IFRS over GAAP remain unclear, even though GAAP is more compatible with local culture, lower in cost, and more understandable to local agents. (Albu et al. 2023).

It is clear that the motivation to apply and enforce the IFRS is not clear (Caria and Gomes 2024). As was reviewed in the previous chapter, most of the claimed benefits are not covering the costs and disturbance in the field of auditing in the states. In other words, how a country with majority of regulators, auditors, and firms are satisfied with their local GAAP decide and successfully change to the IFRS which is not always win-win for most of the stakeholders. Until now, there is no theoretical perspective introduced to solve this puzzle. This research aims to propose field theories and SAF to explain the power dynamics across the actors in the field and the approximate fields so that the IFRS voice raise over the GAAP to have successful transition and enforcement.

3.3 Resource-Based Theory (RBT)

Resource-Based Theory (RBT) offers a strategic lens for understanding how organisations gain and sustain competitive advantages by leveraging internal resources (Wernerfelt 1984). Originating in strategic management literature (Wernerfelt 1984), RBT posits that firms possess heterogeneous resources both tangible and intangible that can lead to superior performance when these resources are valuable, rare, inimitable, and non-substitutable (Barney 1991). Within the context of this study, RBT is particularly relevant for analysing how actors in the accounting field especially international firms such as the Big 4 mobilised their distinctive resource portfolios to exploit the relatively underprepared Saudi market during the IFRS transition. These firms' global expertise, advanced technical capabilities, and strong

reputational capital allowed them not only to secure dominant market positions but also to shape the contours of IFRS adoption in ways that disadvantaged local competitors.

RBT also sheds light on the asymmetries of institutional readiness across actors in the Saudi accounting field. Many local firms and professionals lacked the necessary organisational infrastructure, international training, or exposure to global practices, creating a dependency on better-resourced actors rather than resulting in symbolic or ceremonial compliance (Oliver 1991). This dependency was further reinforced by the presence of powerful regulatory bodies in KSA, which exercised strict supervision and imposed penalties to enforce IFRS compliance. As a result, resource-rich actors were not only more compliant but also became essential intermediaries, reinforcing their strategic position within the field.

Nevertheless, RBT offers a limited analytical scope. Its focus on internal firm resources does not adequately account for the broader strategic interactions, power dynamics, and institutional structures that influence field-level change. It largely overlooks how actors deploy resources relationally within contested and evolving institutional arenas. In this regard, SAF theory offers a more dynamic and comprehensive framework. SAF theory connects resource-based advantages to actors' strategic manoeuvring within unstable environments, acknowledging how power, interests, and institutional logics interact to shape field outcomes. While RBT explains what firms possess, SAF explains how they use these possessions to reshape the field and assert dominance during critical transition phases such as IFRS adoption in KSA.

3.4. Field Theories

Field theories provide a framework for understanding power dynamics within a given field. The field represents the space where actors make decisions and establish routines to maintain the status quo or equilibrium of power. According to Bourdieu, the field, as an organized framework, shapes the development of the habitus, while the habitus, in turn, shapes how the field is perceived, creating a "circular conception of reproduction" (Crossley 2003, p. 44). Bourdieu views fields as networks of social relations, structured systems of social positions where contentions may arise over resources, stakes, and objectives (Malsch et al. 2011). Fields may experience shocks, providing opportunities for different actors to rebalance power and potentially gain advantages over weaker actors (Albu et al. 2023). This power rebalances can occur through conflict and debate or through episodes of contention, signifying prolonged and intensified conflicts as actors grapple with the implications of the shocks to gain more power and space in the field (Malsch and Gendron 2013). The purpose of this research is to underline

the change in power dynamics due to the enforcement of IFRS. Thus, this study will utilize field theory to understand these alterations in the auditing field resulting from IFRS/IAS enforcement. This research will cover Bourdieu's perspective and SAF theory to develop the conceptual framework.

3.4.1. Bourdieu Perspective

Within In accounting literature and organizational studies, Bourdieu's key concepts sources of power (economic, cultural, social, and symbolic capital), field (social arenas defined by objective relationships among actors' powers), and habitus (ingrained dispositions) have been utilized in numerous studies to illuminate social processes that rely on their invisibility to participants for effective functioning (Harvey et al. 2020).

After the field, the second component of the Bourdieu theory is the Habitus. Habitus refers to the deeply ingrained patterns of behaviour, abilities, and inclinations that individuals cultivate through their personal experiences (Malsch et al. 2011). These attributes arise from the culture and conditions in which a person lives, including their family, class, education, and social interactions (Bourdieu 1989). In other words, when the local auditors and accountants working for the listed firms used GAAP, they shaped their habitus in terms of a structured relations forming set of skills and habits and they become incumbents for any possible changes in the field. These habitus are structured based on the capital possessed by each of the actors formed by, and led to, form of power structure in the field (Bourdieu 1979; Bourdieu 1989).

The third concept is the capital. Bourdieu asserts that the structure of a field is determined by the specific combination of capitals relevant to establishing its hierarchy (Ormeño-Pérez and Oats 2024). The field itself is merely a reflection of social relations and social positions of the actors formed based on their different forms of capitals (e.g. economic, culture, social, knowledge, and symbolic) (Bourdieu 1979). Thus, the field can be likened to a strategic competition where various actors compete to dominate the recognized form of capital and, consequently, control the processes of perpetuation within the field. Its structure is shaped by capital hierarchies, which vary based on the field's nature and historical development (Neu et al. 2002).

In the field of the IFRS, knowledge could be one of the main form of capital owned by actors (Abrás and Jayasinghe 2023). For instance, if the knowledge of the IFRS clustered with the Big 4 and international accounting firms, it can be a form of dominance and power to shape the field (Herman 2020). Another reflection of forming the capital based on the knowledge and

expertise, an auditor who brings more knowledge intensity to the final discussion with the client get domination in the relationship (Knechel et al. 2013). IFRS knowledge is a scarce resource in many countries, making it a source of power. Many countries like Brazil underlined the major challenge facing the IFRS is the lack of knowledge on IFRS which makes local external auditors and accountants working for companies feeling lack of confidence and stressed (Gonçalves et al. 2022). Indonesia noted that the main challenges are lack of education, understanding, and experience by auditors and accountants to produce financial reports aligned with IFRS which make the local organisations enforced to work with international accountancy firm (Siregar et al. 2020). Indeed, many countries are not prepared for the IFRS and the regulators enforced the application of the IFRS (Saidu and Dauda, 2014; Al Sawalqa and Qtish. 2021; Andersson and Hellman, 2020), which creates opportunistic choices for the international consultancy firms to charge abnormal fees (Himick and Brivot 2018; Christensen et al. 2019; Jayasinghe et al. 2021), a state of dependence on the Big 4 accounting firms (Nurunnabi 2018).

3.4.2. Strategic Action Field Perspective (SAF)

A SAF is defined as “a meso-level” social order wherein actors whether individual or collective engage in interactions with awareness of each other, guided by shared understandings concerning the field’s objectives, relational dynamics (including power distributions), and governing rules (Fligstein and McAdam 2011, p. 3). SAF theory not only examines the intersections among meso-level entities (e.g., organizations), macro-level conditions (e.g., state policies), and micro-level participants (e.g., individuals), but also investigates how these various levels of SAFs interdependently shape each other (Skålen et al. 2024). Furthermore, SAF theory elucidates the processes by which less powerful actors, termed challengers, acquire resources and capabilities to contest the entrenched power structures maintained by dominant actors, referred to as incumbents (Fligstein and McAdam 2011). To define the research perspective, three key aspects of the theory will be investigated. They are power dynamics, social skills and frameshifting.

3.3.2.1. *Power Dynamics*

Exogenous shocks in a field disrupt the existing power dynamics among its actors, influencing the distribution of power. This concept of power dynamics elucidates how the influence among actors shifts based on resource disparities, established networks, or institutional advantages. Bourdieu (1993) articulates that the structure of a field also dictates the principles of its dynamics, emphasizing that power is inherently dynamic and shaped by “positions of

possibility” (Oakes et. al. 1998). Following such shocks, actors within the field strive to restore, retain, or enhance their power by adopting strategic actions (Skålén et al. 2024). These strategic actions are deliberate efforts aimed at influencing the structure, norms, or outcomes of the field. Rooted in specific goals and intentions, these actions are designed to either reinforce or challenge the prevailing power structures.

According to SAF theory, strategic actions often involve forming coalitions with other dominant groups or broad coalitions with challenger groups to advance a negotiated understanding of the field’s nature (Wagner-Pacifici 2000). The primary strategy used by actors involves amassing social power through various mechanisms, such as forging political coalitions or accumulating sufficient resources to create hierarchical structures within the field (Skålén et al. 2024). Therefore, the central strategic action to shape power dynamics relies significantly on the social skills of individuals to either preserve the status quo or facilitate a transition in response to the changes in the field.

3.3.2.2. Social Skills

Strategic action entails the involvement of active, agentic actors who engage in forming political coalitions to garner support for their own worldviews and to bolster their respective positions within those views (Laamanen and Skålén 2015). The SAF fundamentally focuses on the creation of frameworks for collective action among groups of socially integrated individuals with different and often competing interests, values, and beliefs (Modell and Yang, 2018). Accordingly, the core concept of strategic actions revolves around social skills, which encompass a combination of knowledge, judgements, behaviours, and skills that guide actors in managing diversity among stakeholders and forming coalitions (Hartley et al. 2019; Skålén et al. 2024). According to SAF theory, actors must possess social skills to build political coalitions that align with their interests and values. These skills include the ability to read the environment and offer a collective definition of a situation that can mobilize actors. Fligstein and McAdam (2012) define these social abilities as the capacity for shared understanding and coordinated action, influencing the creation of meaning, priorities, and identity to achieve collective goals.

The use of social skills in this context implies that the process of integrating resources is closely intertwined with power dynamics. Through social relations, actors’ resource-integrating activities at the micro level within a field contribute to its production, reproduction, and conflicts. Simultaneously, actors’ shared understandings of the field’s purposes and rules

both enable and constrain their collective actions (Fligstein and McAdam 2011; Fligstein and McAdam 2012; Laamanen and Skålén 2015). Socially skilled actors hold a critical role in SAF theory, particularly in institutionalized fields, where they are responsible for initiating collective identities and persuading others to take action. Proficiency in establishing and sustaining collective identities becomes crucial, especially in unorganized or unstable SAFs. The formation of collective action within SAFs is influenced by the concept of social skill, which refers to the capacity of different actors to foster cooperation by promoting and contributing to the development of common understandings and unified identities (Fligstein and McAdam, 2012). The list of specific social skills can be extensive (Fligstein 2001), but it often boils down to the ability of actors to frame the issues at stake in a manner that appeals to other actors and creates a degree of consensus around emerging field rules (Fligstein and McAdam 2011; Fligstein 2013). This framing ability is essential for fostering cooperation and achieving strategic objectives within the field.

3.3.2.3. *Frame Shifting*

This theory suggests that each actor undertakes specific strategic actions. Challengers, such as proponents of IFRS who aim to fundamentally alter social contexts, often engage in what Werner and Cornelissen (2014) describe as frame shifting. Frame shifting involves introducing “an alternative perspective that redefines expectations and interpretations, offering new implications” (Werner and Cornelissen 2014, p. 1456) in opposition to the dominant perspectives. Strategies based on frame shifting are frequently intended to entirely replace one set of meanings with another. When such strategies succeed, radically new rules for the field and forms of collective action are likely to emerge (Lounsbury et al. 2003). Conversely, actors supporting GAAP, who prioritize maintaining stability or favour gradual transformation, such as incumbents or GUs, often adopt strategies centred around “frame blending” (Werner and Cornelissen, 2014). Frame blending, defined as “the integration of two distinct frameworks” (Werner and Cornelissen, 2014, p. 1456), involves reconciling existing and new frames to foster continuity. This approach usually results in less disruptive changes, leading to the development of hybrid field rules. However, frame blending may not fully resolve tensions between existing and emerging frames, and any agreement on the new rules might remain tentative and open to dispute (Ansari et al. 2013; Meyer and Höllerer 2017).

3.4.3. Criticism of the Field Theory

Bourdieu’s definition of power is integrated in the SAF theory as the concept of the social power comes mainly from Bourdieu work. Bourdieusian definition of the strategic action and

option is ultimately based on, and seeking for, power, which for Bourdieu scholars' power reflects the possessed resources (Maclean et al. 2010, p. 328). The resources to gain power could be social (as in the SAF) or knowledge-based resources (as in Bourdieu) that can empower the collective groups to take advantage of disturbances in the field against other actors in the field (Yang et al. 2021). For the incumbent, who are in well-established group and have strong access to the resources, are using full weight of superior resources to pursue subversive strategies to stay ahead of challengers and possibly undermine the growing positions of them (Emirbayer and Williams 2005), and their initiatives and possibly marginalising their strategic action to reduce their effects and powers (De Clercq and Voronov 2009).

Similarly, power in auditor-client negotiations supports the argument that an auditor who has capital in terms of knowledge intensity to the final discussion of accounting adjustments (Knechel et al. 2020). What is missing from Bourdieu mainstream of building and disposition of power strategy, according to Mueller and Carter (2007) Carter and Whittle (2018), it involves a thorough examination of the social domain both within and beyond organizational boundaries, serving as the context where real-world strategies are developed and implemented.

Although the usefulness of this approach to understand the strategic actions of the different actors, the definition of power as accumulation and usage of the resources could undermine the importance of the concept of "reframing" in the field, which requires a new perspective to understand the power (Hardy and Thomas 2014; Carter and Whittle 2018). For SAF perspective, Fligstein (1997) underlines that the social skills are to direct authority and frame action. Each of the actors, according to Fligstein (1997) argues that actors are anticipated to leverage their social abilities to bring together diverse perspectives within the field, as others are unlikely to engage in negotiation if they perceive intentions to be narrowly driven by self-interest. In simple terms, using SAF approach, the auditors and listed firms, each of them, may use their social networks to enforce the implementation of IFRS for the auditors or re-enforce the importance of the GAAP for the listed firms. Without doubt, listed firms have a bigger access to social capital than auditors which could limit the auditors as a challenger to dominate through or by the IFRS adoption (Skålen et al 2024). There is a need to a wider view of the definition of the power and so IFRS in-itself could be a source for the power of the auditor, which comes from the reframing of the field through establishing new rules, standards, concepts, and possibly governance structure in the relationship between auditors and listed

firms. This could be explained more meaningfully through Foucaulist views and definition of power.

3.5. Foucault's Framework Power

Traditionally, Field Actor Theory has been grounded in Bourdieu's definition of power, rather than adopting a Foucauldian perspective. However, this research posits that the IFRS framework itself can be conceptualized to reframe the field, given its potential to alter the practices and habitus of actors. Consequently, IFRS serves both as a means and as an end for challengers. Once IFRS is enforced, its laws and regulations initiate a recursive cycle of influence, positioning auditors to potentially dominate over listed firms.

Foucault's definition of power offers a higher-order perspective on understanding the dynamics between actors and how these actors aim to change the rules of the game not merely through resource accumulation. Instead, the reframing or altering of these rules can shift the balance of power and redefine its parameters among actors. For example, Neu and Graham (2006) employ a Foucauldian perspective to highlight how varying accounting frameworks can reshape power relations within the field by introducing new standards and redefining meanings attached to economic activities. This approach shifts the focus from direct confrontations between actors, who mobilize and channel resources against each other, to creating new rules that can compel governing bodies to enforce the power of challengers over incumbents without direct conflict. While incumbents may have access to resources that are challenging for challengers to replicate, the traditionalist view suggests that the only viable strategic action is to utilize social resources to accumulate power, as recommended by scholars of Bourdieu (Yang et al. 2021). This research concurs with the epistemic understanding of power. It posits that the capability to restructure and reframe relationships between actors could be transformative. This study also adopts a Foucauldian perspective on "governmentality" (Vieira and Hoskin 2024) as a modern mode of exercising power, representing a radical departure from previous models. This approach parallels the new ways of engaging with and constructing knowledge discussed in Foucault's *The Order of Things* (Foucault 2005). By applying this framework to the context of international accounting firms in the section 'Challengers: International Accounting Firms,' the Big 4 are identified not merely as users of IFRS but also as rule-makers in many jurisdictions (Herman 2020). This dual role may perpetuate a sub-optimal equilibrium in regulatory states. Therefore, although the Big 4's access to resources is limited compared to

listed firms, their significant connections with regulatory bodies and state actors, coupled with their disciplinary knowledge power, could indeed be the game changer.

Disciplinary knowledge and power, as conceptualized by Foucault, differ fundamentally from Bourdieu's interpretations. Bourdieu argued that the level of power is directly correlated with the level of knowledge; however, Foucault emphasized the creation of knowledge as a mechanism that shapes the definitions of reality and relationships, exemplified by the context of IFRS/IAS. Foucault's theory of power/knowledge is crucial for understanding how knowledge not only shapes power relations but also focuses on the production, regulation, and utilization of knowledge as a form of power across societal institutions and practices. Contrarily, Bourdieu perceives knowledge (cultural capital) as a resource within specific fields. In contrast, Foucault views knowledge as a pervasive tool of power that influences societal structures. For instance, the influence of the Big 4 in accountancy and auditing is not solely due to their extensive knowledge in these areas. Rather, their power emanates from their collaboration with regulators to frame the science of auditing, thereby creating the science and the supporting regulatory framework that enhances their power. This emphasis on the power of knowledge creation offers a novel perspective that could redefine the SAF and extend its applicability beyond traditional field research definitions.

3.6. Conceptual Framework

The SAF theory offers a valuable framework for understanding the enforcement mechanisms and implications of the IFRS. Through building social capital with the GUs that regulate the field, challengers can seize power from the dominant actors during disturbances in the field the SAF highlights the importance of power dynamics across actors in shaping and structuring the rules and norms governing a field. By recognizing the different actors within a field and their respective motivations and positions and possession of power, SAFs provide a valuable framework for understanding social and economic dynamics in various fields (Bozic et al. 2019), and possibly the enforcement of the IFRS in the contexts that are not ready or compatible enough for this change. The use of SAF is not completely out of nowhere. In the tax field, De Widt and Oats (2024) used the SAF to understand the case of cooperative compliance in the Netherlands and the UK. They viewed large corporate taxpayers and their respective tax administrations as dynamic strategic action fields that are influenced by shifts in the wider and external tax environment. Dutch regulatory bodies (as GU) have stronger connections with authorities than the UK regulatory, which influences how the UK regulatory body interacts

with large corporate taxpayers (De Widt and Oats 2024). However, it has not been used to navigate the role of the IFRS to understand the strategic actions of the actors to form the power required to dominate the field. This research aims to fulfil this knowledge gap.

SAF theory will be used in this research to investigate the strategic actions shaping the power dynamics between various actors who support or oppose the IFRS. It suggests that fields are not always organized around a universally accepted reality. Instead, the GAAP within this field is considered routine and “taken for granted” as all actors share similar perceptions of their opportunities and constraints, reacting accordingly to the actions of others (McAdam and Scott 2005, p. 18). Although many of the actors in the field are assumed to prefer the GAAP, there is something worth investigation and study to understand how the minority are taking over the majority. The analytic perspective of the SAF is based on 4 main elements: actors, strategic actions, field, and power. This section will define, understand and establish the perspective to lead the research methodology chapter. To develop the conceptual framework as basis for the research methodology chapter, the SAF components will be operationalised on the IFRS fields.

3.6.1. Field

Disturbances in fields occur when they face exogenous shocks sudden external events that disrupt the field’s equilibrium and trigger phases of contention. In the context of SAF theory, exogenous shocks refer to external events or influences beyond the control or anticipation of actors within a particular social or organizational field (Spence et al. 2016). In this research, such a shock is exemplified by the Royal family’s shift in orientation from a local, conservative, oil-based economy to an international, global, open, and non-oil tax-based economy. These shocks can disrupt established routines, norms, and power structures within a field, leading to shifts in strategies and actions by the involved actors.

This specific shock could significantly impact the SOCPA field and its actors. Key relationships between fields include “Distant Fields” that lack ties and influence, “Proximate Fields” with recurring ties and impact, “Vertical Fields” reflecting hierarchical relations, and “Horizontal Fields” characterized by mutual interdependence rather than a formal power structure (Fligstein and McAdam 2011). In this context, the ripple effects of these shocks may eventually reach the auditing field. However, this research focuses solely on the SOCPA and the PAAF. In this research, the modernization and liberalization initiated by the Royal family acted as a shock to the regulatory bodies in KSA, causing dramatic changes in their structure

and power dynamics. One of these regulatory institutions expected to experience internal contentions is the SOCPA, which regulates the accounting and finance sectors. This field is presumed to undergo significant changes among its board members, ultimately leading to the introduction of the IFRS. Since the implementation of IFRS originated within SOCPA, this research will focus on SOCPA as the first SAF.

Following the enforcement of IFRS, the auditing field experienced a shock due to these changes emanating from a proximate field. The auditing field, as the second SAF, comprising local and international auditing firms and listed companies, faced a disruption that allowed each entity to rebalance and potentially increase their power. This constitutes the second field of study in this research.

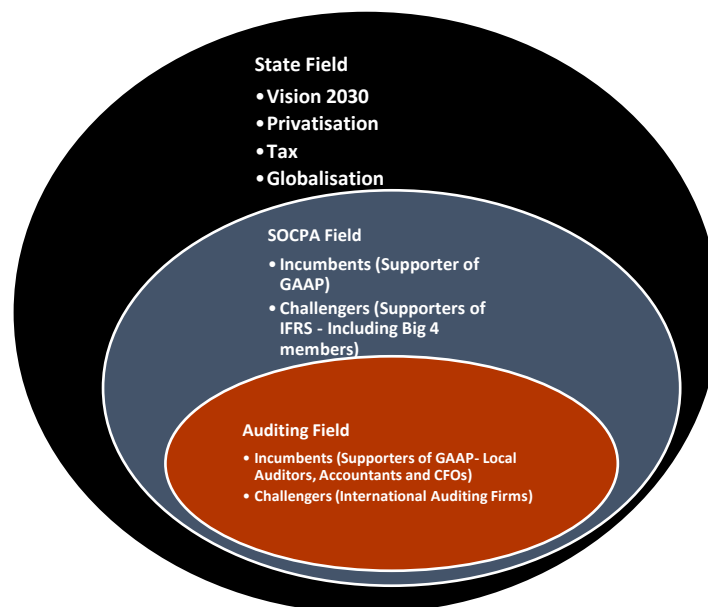


Figure 1: Research Conceptual Framework

Conceptually, the actors within each SAF are categorized as incumbents, challengers, and GUs (Fligstein and McAdam 2011, 2012). The SAF theory recognizes the importance of an actor's position within a field and the power, those who possess power and influence are known as incumbents, while those who are less influential are considered challengers (Fligstein and McAdam 2011). The following sections will cover each of them in detail.

3.6.2. Incumbents: Local Field Actors

Entities, organizations, or individuals that possess entrenched positions of power are described as incumbents. According to Fligstein and McAdam (2011), these incumbents operate within strategic action fields and are primarily motivated to maintain the status quo, drawing upon

extensive resources, networks, and institutional frameworks. This enables them to exert substantial influence and set norms and conventions, like companies undergoing audits in the auditing field (Pan et al. 2023). Within the context of the IFRS, the incumbents are local professionals who embody the field-prescribed habitus, or an intuitive understanding of the game, specifically the GAAP. These incumbents stand in opposition to international accountancy firms, which act as challengers to the status quo and advocate for the adoption of the IFRS (De Clercq and Voronov 2009). When comparing international accounting and auditing firms that support IFRS with local auditors, these local auditors are identified as incumbents (Pan et al. 2023). In communist societies prior to the adoption of the IFRS, accountants and CFOs enjoyed a certain degree of autonomy, with auditors exerting minimal influence. This autonomy positioned them as incumbents. However, the introduction of the IFRS curtailed this freedom, subjecting financial reports to greater scrutiny by auditors (Albu et al. 2023).

3.6.3. Governance Units

State actors, who are the governing units within the field, hold exclusive formal authority to intervene, establish rules, and assess the legitimacy and viability of most non-state fields (Fligstein and McAdam 2011). To facilitate the efficient operation of SAFs, many fields include GUs. GUs are state actors recognize the field's nature, dominant logic, and incumbent actors' logic. The primary function of these units is to develop and enforce adherence to the rules of the field, which serve as frameworks governing the core issues around which specific SAFs are organized and directing collective actions within them (Fligstein and McAdam 2012). In the SAF theory, GUs are typically reliant on incumbents, who dominate the SAFs, and the rules they create often end up serving the interests of these incumbents. In this theory, GUs are situated within wider state frameworks or are introduced into SAFs by powerful state actors. As a result, GUs typically exert a stabilizing influence on SAFs and the development of emerging field rules. This is a valid theoretical position if the shock comes from outside; however, if the change comes due to a higher SAF (i.e., the Royal family), the framing of the context may differ. That is why in this research, there is two connected SAFs. The first upper SAF has its GU which are the Royal family and Minister of Commerce who appoints the head of SOCPA. The second SAF is the auditing ones in which SOCPA is one of main GUs. Changes in the SOCPA SAF is supposed to represent a shock to the auditing SAF. Thus, whilst Modell and Yang (2018) used the SAF to analyse how regulatory bodies exerted their influence in a rapidly shifting context, they applied the theory to examine how fields develop during periods

of radical change, highlighting the crucial role of GUs in this process. The key GUs in this research are MC, CMA, and SOCPA.

The first GU is the MC, it was established in 1953. The MC was instituted to oversee commercial operations in KSA by formulating, enforcing, monitoring, and ensuring a high level of adherence to trade rules and policies (Ministry of Commerce 2015). In 1965, the MC introduced the Companies Act, which underwent significant amendments in 2015 (Ministry of Commerce 2023). MC is the authority regulating SOCPA and appoints the head of SOCPA. Initially, the MC solely regulated listed firms until 1984, when the Saudi Central Bank (SAMA) assumed this role until 2003. The second GU is the CMA, since 2003, the CMA has functioned as the exclusive regulator of the Saudi Stock Exchange (Tadawul). Third, it is CMA, tasked with regulating Tadawul (Saudi Stock Market). The CMA is directly linked to the Prime Minister, providing periodic reports (Ministry of Commerce 2022). The CMA is overseen by a board consisting of five full-time Saudi nationals, four of whom are academics, all appointed through Royal Decree. Its primary objective is to establish an attractive investment environment, safeguarding investors through the promotion of transparency and disclosure standards (Al-Faryan 2020).

The third GU is SOCPA. It is the professional body of the accounting and auditing profession in KSA. In 1981, the Saudi Accounting Association (SAA) was launched by King Saud University to engage with practitioners in the profession and enhance the accounting system in the country (Al-Mogbel 2003). SOCPA board comprising 13 members, the board members were two deputy ministers, six certified accountants, two academics, and the Deputy President of the General Audit Bureau (SOCPA 2017). Yet, before the Royal family decisions towards the modernisation and liberation, the MC appointed or endorsed members of SOCPA dominated mainly by religious conservative logics (Al-Sehali and Spear 2004).

These actors have significant potential to influence the stability of various fields and to reshape the frameworks governing them. However, it remains unclear what triggers state intervention in favour of the IFRS. Understanding this could be enhanced through the SAF theory, which sheds light on power structures, aids in conflict resolution, and underscores the role of GUs, thereby supporting the maintenance of professionalism and integrity within the field.

3.6.4. Challengers: International Accounting firms (Big 4)

Challengers are like institutional entrepreneurs (DiMaggio 1988), who aim to transform social structures. Challengers are typically situated in fields that are further removed from the central SAF, and their main role is to advocate for ideas that challenge existing social order (Lawrence and Suddaby 2006; Spence et al. 2016). Challengers within SAF theory seek to disrupt the existing power structure within a field. Despite having less power, resources, or influence, challengers aspire to alter rules, norms, or power dynamics. While challengers are presumed to lack the established networks and legitimacy of incumbents, their role is pivotal in challenging the dominant positions and influencing power dynamics within a SAF (Fligstein and McAdam 2011).

Big 4 readiness for the Shock

International accountancy firms in general and Big 4 in particular are important players in understanding the IFRS motivations and practices in the industry (Sadaka 2022). Big 4 auditors benefit from their access to superior resources in technology and training, as noted by Chaney et al. (2003), and are perceived as more independent than their smaller local counterparts (DeFond and Zhang 2014). As investigated in KSA, only Big 4 was ready for the implementation of IFRS and none of the academics, auditing firms, and consultants were aware of the IFRS, leaving a space for charging massive fees (Nurnnabi 2018).

Big 4 plays the role of the auditor who is ready resources for the IFRS adoption anywhere (Sadaka 2022) in the world any time with a substantial fees and cost for the listed firms (Albu and Albu 2011; Dawoud and Sun 2022). In strong regulatory environments, the tendency to go for international accounting firms and Big 4 is much higher (Cualain and Tawiah 2023), and as a result, the audit fees are higher for firms that adopt the standards (Kim et al. 2012; Khlif and Achek 2016). The rise in audit fees for firms adopting IFRS is attributed to the added complexity of assessing the principles-based standards. This additional cost associated with IFRS is less significant in countries with robust regulatory frameworks (Kim et al. 2012). Khlif and Achek (2016) also discovered that firms are more inclined to change auditors after adopting IFRS.

Once the IFRS is enforced only big 4 is available in local markets offering monopolistic and opportunistic prices (Choi and Yoon 2014; Miah et al. 2020). Over time, companies think that their businesses need three to five to develop the necessary human resources and other conditions required for the implementation of IFRS and avoid these significant costs (Thi et al. 2020). However, the reality differs, as corporations remain resistant to change and maintain

their monopolistic position. A study in Bucharest shows that around 80% of corporations continue to engage with the Big 4, limiting the market access for local auditors (Tache 2020). Similarly, in China, the big 4, having the majority of the market after the IFRS with limited number of local suppliers are with them in the market, which could be due to the quality of the work or access to international resources (Lento and Yeung 2021). Thus, as investigated in the countries of Africa, Mouafo and Tawiah (2024), investigated who are the main beneficiaries of enforcing IFRS in these countries, they investigations suggested that it is not the country or the local auditing or listed firms; rather, the beneficiaries are mainly Big 4 and international auditing firms.

Big 4 and GUs

The Big 4 accounting firms (Deloitte, PricewaterhouseCoopers, KPMG, and Ernst & Young) have played a pivotal role in the dissemination and implementation of IFRS (Herman 2020). The special relationship between the FASB and the IASB has drawn criticism from many national standard developers in states that use IAS are from the Big 4 accounting firms (Donnelly 2007). The Big 4 and other international accounting firms played a significant role in shaping and influencing international accounting organizations, pressuring national accounting bodies and local firms to “to play the accounting game by global rules” (Ding et al. 2005, p. 326) for the sake of achieving the inevitable standardization and unification of accounting practices (Himick and Brivot 2018; Christensen et al. 2019; Jayasinghe et al. 2021). Due to their vast global influence and network, these firms have been instrumental in advising companies and governments on the adoption of these standards, promoting IFRS to dominate and influence (Herman 2020; Khelif and Achek 2016; Kholif 2010). The firms’ advocacy has been critical in settings where the local accounting practices were significantly divergent from IFRS (Donnelly 2007).

It is well-documented that the Big 4 accounting firms significantly influence policymakers in adopting IFRS and underscore their importance in stock markets (Tache 2020). Previous studies have highlighted the mounting influence of international organizations on the adoption of IFRS in Africa (Boolaky et al. 2020). Advocates of this lobbying have analysed the convergence of their interests to elucidate the dynamics underpinning the pressures for adopting IFRS standards within the African context. These firms maintain robust relationships with regulatory bodies, often becoming pivotal in shaping the regulations and decisions related to the enforcement of state rules for implementing IFRS (Sadaka 2022). As noted by Herman, (2020), they are not regulatory takers nor makers: The Big 4 auditing firms act as regulatory intermediaries for promoting and enforcing IFRS (Hay et al. 2014). This leads to a regulatory

market failure, where the provision of rules and standards by regulators to those who must adhere to them, as well as the beneficiaries of such regulations, results in an inefficient equilibrium. This is primarily due to the information asymmetry between those following the rules and other stakeholders, which ultimately affects the accuracy, reliability, and integrity of financial reporting (Hay et al. 2014). Researchers like Jayasinghe et al. (2021) and Kamla and Haque (2019) believe that big 4 spend significant efforts to reinforce the globalisation of the IFRS at the expense of nations local needs.

Reflection on this research

Challengers, according to SAF theory, have limited influence in the field may hinder their ability to alter the dominant logic, leaving them susceptible to the status quo (Fligstein and McAdam 2011). Their silence and continuity result from their relative weakness in the field. Despite this, they are often the first to lend support to any transformative changes that may challenge the existing status quo. Thus, reflecting on this research context, international auditing firms may seek opportunities to establish relationships with powerful entities in order to solidify their presence by forming partnerships with local incumbent auditing firms (Kohler et al 2021). At the same time, the local incumbent auditing firms, if they feel stressed with the current governance practices are expected to take part in collaborations with powerful resourceful international auditing firms. In line with the perspective that SAFs are dynamic, the roles of incumbents and challengers regarding the key issues can evolve over time (Modell 2005). Thus, local auditor firms may move from being incumbent to be in the challenger's coalition to survive and to have access to the knowledge resources.

In this research, within the first field of SOCPA, the challengers are those advocating for IFRS adoption, while the incumbents, representing the majority, support maintaining the status quo (i.e., GAAP) and likely hold the dominant power. In the second field, it is not clearly known who incumbents can be and who can be challengers. Nevertheless, from the previous sections, it can be assumed that the international accounting firms especially the Big 4 could be the challengers because of their readiness to it, capacity to charge abnormal fees, and their access to international and local resources. The listed firms are assumed to be incumbents because, from the literature, it can be assumed that they are going to lose by paying premium fees and at the same time they must do new accounting and auditing practices which may require knowledge and skills not accessible to them and the level of satisfaction with the Saudi GAAP as farmwork as well as the GAAP governance rules. The local auditors, although can be classified as incumbents in the commencement of the IFRS transition, they are proposed to

move to the challenger camps hereafter to gain power, conditioned by the level of dissatisfaction with the Saudi GAAP as framework as well as the GAAP governance rules.

3.7 Justification for Selecting SAF Theory

The selection of SAF theory for this research is grounded in its ability to capture the dynamic, contested, and politically embedded nature of IFRS adoption in KSA. Unlike traditional institutional or agency-based theories which often emphasize stability, coercive isomorphism, or rational decision-making SAF theory offers a relational and processual perspective focused on how actors within a field compete, cooperate, and adapt in response to shifting power dynamics, resource dependencies, and governance structures (Fligstein and McAdam 2011). SAF theory is particularly suited to this study because it provides a meso-level lens through which the interplay between individual actors (e.g., auditors, firms), organizational fields (e.g., SOCPA, CMA), and macro-level state interventions (e.g., Vision 2030 reforms) can be examined holistically. It enables the analysis of how incumbents attempt to maintain control, how challengers mobilize resources to shift the field logic, and how social skills such as coalition-building, framing, and negotiation play critical roles in field stability or transformation.

In the context of IFRS adoption in KSA, the SAF framework makes it possible to conceptualize multiple overlapping and evolving fields: one governed by the professional body SOCPA, and another shaped by capital market regulators like the CMA. Within these fields, the roles of actors are not fixed; local firms that initially resisted change may shift alliances and adopt challenger positions, while international actors may attempt to leverage global legitimacy to alter the field's structure. This theoretical flexibility is essential to understanding how power is negotiated and exercised in a hybrid regulatory environment undergoing rapid transformation under state-led initiatives. Therefore, SAF theory provides the necessary conceptual tools to uncover the power-laden processes through which IFRS was adopted, resisted, and reframed by different actors. Its emphasis on fluid field boundaries, role transitions, and actor agency aligns directly with the research aim to interrogate how regulatory change unfolds in politically structured environments such as KSA.

3.8 Summary

This chapter has developed the theoretical foundation for this study by engaging with institutional theory and field-based perspectives, including Bourdieu's theory of practice and SAF theory. These frameworks offer analytical tools to interpret the dynamic power relations, struggles for legitimacy, and institutional change processes underlying KSA transition to IFRS. Bourdieu's emphasis on capital, habitus, and field provides a lens to analyse how actors' positions and dispositions influence their engagement in the field, while SAF theory enables the categorisation of actors as incumbents, challengers, and governance units, and highlights how their interactions produce continuity or change. The integration of these theoretical perspectives offers a robust framework to explore the enforcement and negotiation of IFRS adoption in a context shaped by local institutional logics and global regulatory pressures. The final sections examined how key actors such as regulators, professional bodies, listed firms, local auditors, and international audit firms are situated within different SAFs, and how their roles and strategies evolve in response to the shifting field dynamics.

The next chapter presents the research methodology, explaining the philosophical assumptions, qualitative strategy, and interpretive approach that guide the study. It also details the methods of data collection and analysis used to examine the field dynamics and actor interactions outlined in this chapter.

Chapter 4: Research Methodology

4.1 Introduction

The methodology employed in a research study encompasses the strategies, methodologies, and procedures utilized to gather and analyse data to achieve its objectives (Saunders et al. 2007). Upholding rigorous academic standards in these methodologies is essential for ensuring the credibility and validity of the study's findings. This chapter delineates the researcher's plan to achieve this goal by outlining the philosophical underpinnings, approach, and strategy employed, as well as the methods of data collection, sampling techniques, and analytical methodologies utilized. Importantly, this chapter also reflects on the criticality inherent in qualitative research, emphasizing the need to challenge established norms and explore the underlying power dynamics within the Saudi accounting landscape.

4.2 Research Philosophy

The philosophy guiding a research study shapes the type of knowledge that will be generated throughout the research process, as delineated by (Creswell 2009), serves as the fundamental framework of beliefs, assumptions, and principles guiding the research process. It encompasses ontological inquiries into the nature of reality, epistemological considerations regarding knowledge acquisition, and methodological decisions for research implementation (Saunders et al. 2007). This philosophical foundation not only shapes the researcher's approach but also influences the critical lens through which the research is conducted (Lewis et al. 2007). There exist numerous philosophies that can address a wide range of research situations and methodologies. An interpretivist perspective facilitates a thorough exploration of intricate phenomena, placing a strong emphasis on context, perspective, and reflexivity as pivotal elements in knowledge generation (Bryman 2012). Interpretivism is fundamentally rooted in the endeavour to grasp the nuances in human individuality and the dynamics of their social interactions (Creswell 2007). It inherently acknowledges the inherent complexity of the research environment, shaped by a myriad of social and individual influences. Consequently, its objective lies in scrutinizing specific circumstances to unravel the underlying realities, or perhaps multiple realities concurrently at play (Crowther and Lancaster 2008).

The research adopted an interpretivist standpoint to explore and investigate how strategic actions by stakeholders in the PAAF in KSA influence power dynamics in before, within and after IFRS transformation. This research adopts an interpretive approach, prioritizing the exploration and comprehension of phenomena rather than offering explicit explanations (Parker and Thomas 2011). It aims to examine the contributing factors to these actions and their impacts on the roles, relationships, and influence of auditors, corporates, and regulatory bodies. Unlike traditional positivist research, which tests hypotheses objectively, this study will utilize theory as a guiding framework (Henning et al. 2004) rather than as a means of testing hypotheses. Additionally, it will employ methods of naturalistic inquiry due to the relativist ontology (Denzin and Lincoln 1998), acknowledging that each respondent holds their own beliefs and worldview. As noted by (Parker 2012), qualitative research offers a broader and more socially impactful approach to accounting research, spearheading investigations into organizational and societal shifts. Qualitative research holds the potential to influence society and significantly shape accounting policies and practices (Parker 2012).

4.4 Research Approach

The selection of a philosophical stance significantly informs the research approach, shaping both data collection and analysis strategies. This study adopts an interpretivist paradigm, which aligns with a qualitative methodology aimed at understanding social phenomena in context-specific and meaning-rich environments. Research approaches commonly include deduction, induction, and abduction (Collis and Hussey 2021). Deductive reasoning starts with existing theories or hypotheses and tests them through empirical observation, often using quantitative methods (Saunders et al. 2016). Inductive reasoning, in contrast, builds theory from empirical observations by identifying patterns and drawing broader generalizations, typically within qualitative frameworks (Creswell 2009). Abduction, a more recent methodological approach, combines elements of both deduction and induction. It integrates theoretical insights and empirical data in an iterative manner to develop new theoretical understandings (Dubois and Gadde 2002). Given the objective of this research to explore the strategic actions and power dynamics among stakeholders during the IFRS transformation in KSA's PAAF an abductive approach was deemed most appropriate. This approach allows the researcher to iteratively engage with SAF theory, both as a guiding lens in developing the interview guide and as a framework for interpreting findings. It enables the refinement of theory considering empirical data and offers flexibility in navigating the complex, evolving nature of power relations and

institutional change in a politically embedded context. The qualitative research design complements this abductive reasoning. Qualitative methods are inherently suited to uncovering the socially constructed, multifaceted, and context-dependent nature of stakeholder roles, field dynamics, and institutional negotiations. Through semi-structured interviews with auditors, regulators, and corporate executives, this study accesses the lived experiences, motivations, and perceptions of key actors' insights that are not readily obtainable through quantitative tools.

Although a mixed-methods approach could have been used to generalize findings or identify broader statistical patterns, such an approach would have diluted the study's core aim: to gain a rich, nuanced understanding of meaning-making processes and actor strategies within a specific sociopolitical context. Quantitative methods may capture observable variables such as the frequency of stakeholder interactions or compliance outcomes, but they fall short in revealing the tacit knowledge, implicit power struggles, and interpretive processes embedded in the field. By embracing a qualitative, abductive approach, this research prioritizes depth over breadth, allowing emergent themes to surface and offering a robust interpretation of the transformation process as experienced by those involved.

4.5 Research strategy:

The research strategy encompasses the comprehensive methods by which the research philosophy and approach are executed to gather data. Secondary data and in-depth interviews. The secondary data consists of formal reports published by governmental representatives during the IFRS transformation. The purpose of collecting this data is to support the results of the in-depth interviews, as it complements and reinforces the research objectives by providing a broader context to the findings.

An in-depth interview approach was selected to collect data from participants, allowing for the exploration of their diverse viewpoints (Kvale 1983). The research consisted of three phases. Regulatory phase, auditors' phase and CFO phase.

4.5.1 Phase 1: Exploring Regulators' Strategic Actions in the SOCPA field

In the first phase, 6 semi-structured interviews were conducted with regulatory stakeholders in the Saudi market (see Appendix 2 for the interview guide). Three of them are from SOCPA IFRS transformational leaders and three are from CMA IFRS transformational leaders. One of the transformational leaders is the head of SOCPA during the transformation the other two are

director of education IFRS and the leader of the transformational technical committee. These interviews aimed to address the influence of strategic actions by undertaken by regulators within the regulatory framework contribute to the social movement within the PAAF in KSA, driven by political reform initiatives in 2017. Based on the interview data collected during the initial phase, key themes surfaced, as elaborated in Chapter three. Among these, the strategic action in the field and political reforming were further investigated due to a considerable absence of research addressing this phenomenon. Among these, the strategic action in the field and political reforming were further investigated due to a significant lack of studies covering this phenomenon.

Each interview lasted approximately two hours and covered topics such as motivators influencing the shift towards international standards, the tactics employed to implement this transition effectively, and the impact of this shifting on the public field. Through these detailed interviews and focused inquiries, the study aims to unravel the strategies employed by regulatory authorities to influence the landscape of the PAAF.

4.5.2 Phase 2: Exploration of Auditors' perspective of Restructured Power Dynamics between them and Their Clients

The aim of this phase of the research is to elucidate the perceptions of auditors regarding the IFRS (see Appendix 2 for the interview guide), explore the impact of IFRS on power dynamics between auditors and corporations, and examine the alterations in the auditors' professional roles pre- and post-IFRS adoption. The study population comprises 15 auditing organizations in KSA, authorized by the CMA to provide services to publicly listed companies. These organizations are categorized as follows: four Big 4 firms, seven international mid-tier firms, three local firms, and one non-Saudi Arab firm. Purposeful sampling was employed to select at least one auditor from each of these 15 firms. Additionally, all auditors have experience in conducting audits both before and after the adoption of IFRS. Notably, post-IFRS, local mid-tier firms have established partnerships with international counterparts, details of which will be elaborated in the analysis section.

As shown in Table 1 the sample distribution is as follows: eight participants from the Big 4, one from each local firm, and seven from the mid-tier firms. Among the Big 4 auditors, one is British, one Jordanian, and the remaining six are Saudi. The mid-tier group includes three Egyptians, two British, and two Saudis. From the local firms, there are two Egyptians and one Saudi. All auditors, except one, have been educated abroad. For the coding system used in data

analysis, the initial character represents the type of auditing firm (“B” for Big 4, “M” for Mid-Tier, and “L” for Local), followed by a letter denoting the auditor’s role. The third character is a sequence number, and the final character denotes the auditor’s nationality. It is important to note that all participants are male, reflecting the cultural challenges in recruiting female auditors for this study.

No	Code	Education	Nationality	Age	Auditing
1	BA6U	UK	UK	30-35	Big 4
2	BA8J	UK	Jordan	30-35	Big 4
3	BA10S	US	Saudi	35- 40	Big 4
4	BA11S	US	Saudi	30-35	Big 4
5	BA12S	UK	Saudi	30-35	Big 4
6	BA13S	US	Saudi	35- 40	Big 4
7	BA16S	US	Saudi	40-45	Big 4
8	BA18S	US	Saudi	30-35	Big 4
9	MA1E	Egypt	Egy	35-40	Mid-Tier
10	MA2E	Egy	Egy	35-40	Mid-Tier
11	MA4E	Egy	Egy	45-50	Mid-Tier
12	MA14U	UK	UK	35-40	Mid-Tier
13	MA15U	UK	UK	35-40	Mid-Tier
14	MA9SY	Syrian	Syrian	45-50	Mid-Tier
15	MA17S	US	Saudi	45-50	Mid-Tier
16	LA3E	Egy	Egy	45-50	Local
17	LA5E	Egy	Egy	45-50	Local
18	LA7S	Saudi	Saudi	35-50	Local

Table 1: Auditors’ Profiles

4.5.3. Third phase: investigating the CFOs perspective

The third phase of the research project involved conducting interviews with CFOs of listed companies in KSA (see Appendix 2 for the interview guide). As of 2021/22, there were 205¹⁰ companies publicly listed, with 59 of these belonging to the sectors of insurance, investment, and banking¹¹. The remaining 146 comprised various other industries. Given that banking entities had previously adopted IFRS, the study focused on non-bank listed firms. Due to the seniority of the CFO role and the logistical challenges associated with such a comprehensive outreach, invitations to participate in the study were sent to all 146 non-bank firms. A key participation criterion was having over five years of experience, aligning with the implementation of IFRS in 2017. This ensured that participants had ample experience both before and after the adoption of IFRS. From the invitations distributed, 13 CFOs responded

¹⁰ <https://GAAPs.saudiexchange.sa/wps/wcm/connect/d48bcf1-9a81-4486-8b0c-9612268c29d2/Saudi+Stock+Exchange+%28Tadawul%29Statistical+Report++Annual+Statistical+Report++2022.pdf?MOD=AJPERES&CVID=>

¹¹ https://GAAPs.saudiexchange.sa/wps/portal/saudiexchange/ourmarkets/main-market-watch/indices-performance/tut/p/z1/04_Sj9CPykssy0xPLMnMz0vMAfj08zTR3NDIw8LAz8DOJDLQwC3YLdnEwtDlwsnM31I4EKzJEUhDmbGJgZ-Ju4-_pYGLq7m-uHl2WmluuHElJWk1JkCgCv2pwY/?chart_tasi_current_sector=TASI

positively and agreed to participate in the study, meeting the specified experience requirement. All participants were male, which may reflect sectoral gender biases, suggesting that the CFO role is often perceived as a masculine job within this regional context. The representation across sectors was diverse as shown in Table 2, with participants from energy (n=2), utilities (n=1), consumer goods (n=2), chemical (n=1), telecom (n=2), hospitality (n=1), retail (n=1), transportation (n=1), technology (n=1), and real estate (n=1). Most of these companies were audited by Big 4 accounting firms, except for three that were audited by Mid-Tier firms. Regarding the nationality of the CFOs, the majority were Saudi (n=8), with others coming from the UK (n=2), Jordan (n=2), and Egypt (n=1). This mix provided a rich cultural perspective on the adaptation and operationalization of IFRS within the KSA business environment.

No	Code	Sector	Exp	Age	Auditor	Nationality	Edu
1	CFO#1	Energy	20-25	45-50	Big 4	Saudi	US
2	CFO#2	Utilities	10-15	40-45	Big 4	UK	UK
3	CFO#3	Consumer Goods	5-10	35-40	Big 4	UK	UK
4	CFO#4	Chemicals	10-15	40-45	Big 4	Saudi	Saudi
5	CFO#5	Telecom	5-10	35-40	Big 4	Saudi	US
6	CFO#6	Hospitality	10-15	35-40	Mid-Tier	Jordan	UK
7	CFO#7	Telecom	5-10	35-40	Big 4	Saudi	US
8	CFO#8	Retail	5-10	40-50	Big 4	Saudi	US
9	CFO#9	Transportation	10-15	35-40	Big 4	Saudi	UK
10	CFO#10	Consumer Goods	10-15	35-40	Mid-Tier	Saudi	Saudi
11	CFO#11	Technology	10-15	40-45	Big 4	Egy	Egypt
12	CFO#12	Energy	15-20	45-50	Big 4	Saudi	Saudi
13	CFO#13	Real Estate	5-10	40-45	Mid-Tier	Jordan	Jordan

Table 2: CFOs Profiles

4.6 Sampling Method

The study employed purposive sampling, a technique selected to ensure that the participants possessed specific characteristics and knowledge directly related to the research objectives. This method was chosen to ensure that individuals who were involved in the IFRS transformation process in KSA were included in the study, allowing for an in-depth exploration of their experiences and perspectives. Purposive sampling was particularly important in selecting participants who had firsthand knowledge and expertise regarding the strategic actions and regulatory changes implemented during the IFRS adoption in KSA. For the first phase of data collection, six semi-structured interviews were conducted with key regulatory stakeholders in the Saudi market, specifically focusing on transformational leaders from SOCPA and CMA. This phase targeted individuals who were directly involved in the development and implementation of the IFRS framework in Saudi Arabia, including the head

of SOCPA during the transformation and directors of the technical committee and education program. These interviews aimed to provide insights into how the regulatory framework influenced the social movement within the PAAF in KSA, which was driven by political reform initiatives initiated in 2017. The second phase focused on 15 auditing organizations authorized by the CMA to provide services to publicly listed companies in KSA. Purposive sampling was used to select at least one auditor from each of these firms comprising four Big 4 firms, seven international mid-tier firms, three local firms, and one non-Saudi Arab firm. The selection criterion for these firms was based on their relevance to the IFRS adoption process and their experience with auditing both pre- and post-IFRS adoption. This targeted sampling approach ensured that participants had the required experience and could offer detailed insights into the auditing practices during the IFRS transition. The third phase of the study involved conducting interviews with CFOs from non-bank listed companies in KSA, as of 2021/22, focusing on firms with over five years of experience in IFRS adoption. Purposive sampling ensured that only those with substantial experience and knowledge related to the IFRS transition were selected.

In summary, purposive sampling was integral to this study because it enabled the researcher to select participants who were directly involved in the key regulatory and professional processes of IFRS adoption, ensuring that the sample was highly relevant to the research questions and objectives.

4.7 Data analysis

The analysis method applied in this study drew from thematic analysis, as outlined in existing literature (Castleberry and Nolen 2018). Thematic analysis is particularly suited to qualitative data like interviews, involved three distinct coding approaches (Charmaz 2006), illustrated in Figure 2. The pre-defined coding approach aimed to identify familiar elements using established theories as guidance, while open coding sought to uncover new themes (Gibbs 2018). Axial coding then facilitated the connections between different codes (Matthes et al. 2017; Gibbs 2018). Through open and axial coding, new patterns emerged to the developing of the theoretical framework (Strauss 1987). Guided by the theoretical framework of Fligstein and McAdam, this method of analysis corresponded with the abductive method, that combines theoretical frameworks with empirical evidence for generating theoretical insights (Dubois and Gadde 2002). To ensure the theory's integration into data collection and analysis, this study employs closed coding to categorize interviewees according to their roles in the field's transformation. This includes regulators driving the changes within the regulatory field, as well

as CFOs and auditors affected by these decisions and their consequences. These codes are utilized throughout the analysis presented in the subsequent chapters, all guided by theory. For a comprehensive analysis, thematic analysis was employed, with open coding utilized to identify themes. Initially, manual coding was employed to discern themes during the transcript, review, and translation of interview transcripts from Arabic to English. The interviews were conducted in Arabic, as the research focused on the Saudi market.

The researcher, being a native Saudi and fluent Arabic speaker, encountered idiomatic expressions, but there were no significant cultural nuances to address. She personally translated the interviews from Arabic to English, utilizing her deep, authentic familiarity with the Saudi context to effectively handle cultural subtleties. The translation approach was interpretive (Robert 2022), focusing on preserving meaning and ensuring the research reflects the reality conveyed by participants. Many interviewees used Bedouin proverbs and religious texts to explain their motivations and behaviours. While some expressions were challenging, even for Arabic speakers from different dialects, the researcher's background made the translation process insightful and enjoyable.

To assess the accuracy and reliability of the translation, the Arabic and English versions of the transcripts were reviewed by a native Saudi speaker with fluent English to confirm the contextual and idiomatic fidelity of the translations. Following this, the translated English quotes were reviewed by the researcher's supervisors, who are native English speakers, to ensure clarity, consistency, and academic precision. This multi-layered validation process served as a methodological safeguard to enhance the rigour and credibility of the translated data. The approach aligns with transparent reporting practices in qualitative accounting research, reinforcing the authenticity and trustworthiness of studies conducted in non-English settings (Feldermann and Hiebl 2020). The emphasis on credibility and authenticity in interview data and quotations has been maintained throughout the translation process.

Subsequently, NVivo facilitated an automated (selective) coding process. Themes were determined based on two main criteria: the frequency of mention by interviewees and the amount of discussion time devoted to them, indicating their significance. Any theme mentioned by participants more than four times was selected for analysis, as per Dubois and Gadde (2002).

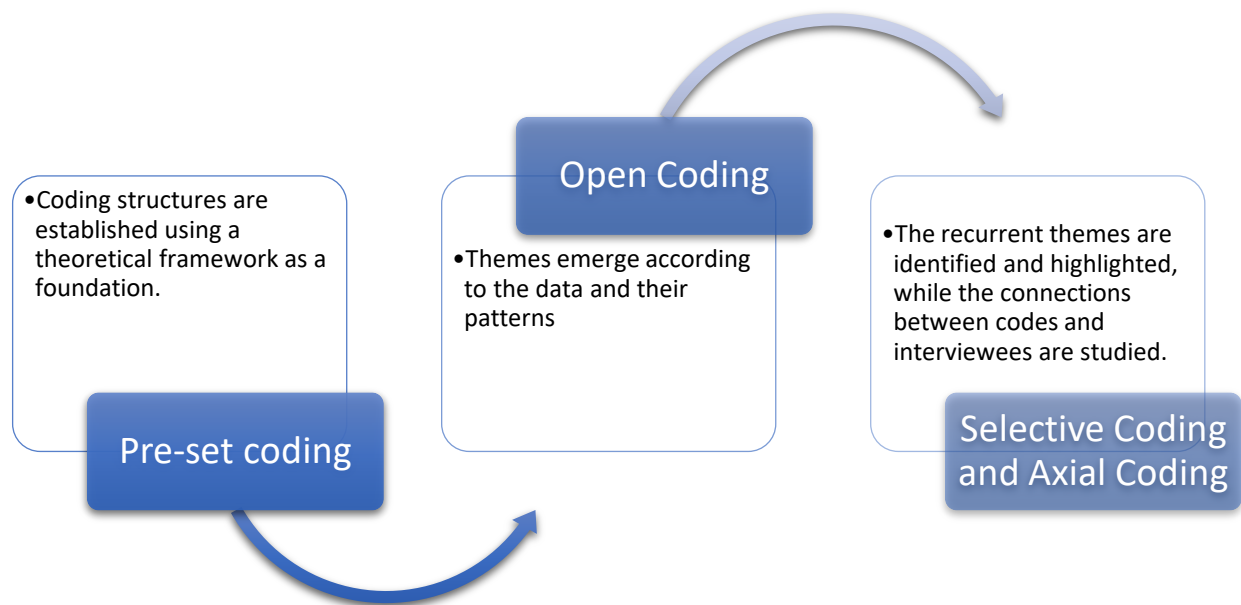


Figure 2: Themes used in analysis

4.8 Coding Strategy and Data Analysis

The analysis of the interview data followed a systematic coding process, which was essential in identifying and categorizing the key themes emerging from the data. The coding strategy was executed in three main stages: open coding, axial coding, and theoretical coding. Each stage played a crucial role in refining the categories and subcategories that ultimately shaped the study's findings. In the open coding stage, the data from each interview transcript was closely examined to identify significant phrases, concepts, and actions. This approach allowed for the identification of a broad range of potential categories without imposing any preconceived frameworks. For example, during the analysis of interviews with regulatory stakeholders, initial codes such as “regulatory influence”, “educational initiatives”, and “political alignment” were identified. These codes captured the various actions and motivations described by the participants.

The next stage involved axial coding, where the initial codes were reviewed and grouped into broader categories. This stage synthesized the data to identify patterns and relationships among the codes. For instance, the initial codes related to “regulatory influence” and “political alignment” were grouped under the category “Strategic Actions by Regulators.” Similarly, codes like “auditors’ authority” and “client relationship” from the auditors’ interviews were combined to form the category “Power Dynamics Post-IFRS”. This stage was critical in narrowing down the data to the most relevant themes, which were then organized into more manageable subcategories. In the final stage, theoretical coding, the categories and subcategories developed during axial coding were integrated into a cohesive framework. This

stage involved linking the categories to the theoretical concepts underlying the research. For example, the category “Strategic Actions by Regulators” was linked to the broader theoretical framework, illustrating how regulators’ actions contributed to the transformation of the PAAF in KSA.

To ensure the integrity of the analysis, the interviews were conducted in Arabic, focusing on the Saudi market. The researcher, being a native Saudi and fluent Arabic speaker, personally translated the interviews from Arabic to English. This interpretive translation approach preserved meaning and effectively handled cultural subtleties. Many interviewees used Bedouin proverbs and religious texts to explain their motivations and behaviours. While some expressions were challenging, the researcher’s background made the translation process insightful and enjoyable. To ensure accuracy, verification was sought from English speakers through techniques such as back-translation and validation via a third party. The translated quotes were reviewed by supervisors, including both native English speakers and non-native Arabic and English speakers, providing a double-check on the accuracy of the translation. This approach aligns with a commitment to transparent reporting of translation processes, supporting the credibility and authenticity of qualitative accounting studies based on non-English interviews.

To sum up, the research employs an interpretivist philosophy, focusing on the understanding of complex phenomena and human experiences, particularly in the context of the IFRS transformation in Saudi Arabia. The study uses an abductive approach, combining both theory and empirical data to develop new insights. I adopted qualitative methods, specifically in-depth semi-structured interviews with key stakeholders such as regulators, auditors, and CFOs, across three distinct phases. Data analysis was conducted using thematic analysis with a multi-stage coding process, including open coding (identifying and labelling key concepts from the data), axial coding (grouping related codes into broader categories), and theoretical coding (linking these categories to the theoretical framework). The research also ensures rigorous translation and validation processes to maintain the authenticity and accuracy of the data.

4.9 Ethical Considerations

This study engaged in the collection of primary research data from individuals with direct experience in the evolution of the Saudi accounting and auditing field, covering periods before, during, and after the adoption of international standards. The participant pool included professionals from various sectors, such as professional bodies, listed companies, and auditing

firms. While these participants were not directly involved in the research process, their insights were instrumental in understanding the complexities of the industry's development.

Adhering to standard ethical norms and guidelines for research involving external populations Saunders et al. (2007), the study placed a strong emphasis on ethical considerations. Before commencing the research, a comprehensive assessment of potential ethical concerns was conducted, and consultations were held with relevant advisors. Approval was obtained from the College Research Ethics Committee at Cardiff University on October 10, 2022 (SREC reference: 1375), following Cardiff University's ethical guidelines for research (see Appendix 1). The research adhered to ethical principles such as prepared participant information, which introduced the researcher, outlined the purpose of the study, and specified the type of information sought. Participants were provided with detailed information about the study's objectives and interview themes via email (see Appendix 2 and 3) and were required to provide informed consent by signing a consent form (see Appendix 4). Measures were implemented to protect the privacy of participants, with assurances that personal and identifiable data would be kept confidential and not used in any manner that could harm them (Jankowicz 2005). Transparency, honesty, and integrity in communication with participants were prioritized, with assurances given regarding their right to withdraw from the study at any time. To ensure the credibility of the research findings, participants were assured that their information would remain confidential and would not be shared with colleagues, managers, or competitors. All data, interviews, and questionnaires were anonymized and analysed collectively, without reference to any specific organization or corporation, further ensuring participant confidentiality and data integrity.

4.10 Research Quality

Ensuring research quality entails ensuring that the results are trustworthy and accurately reflect the reality aligned with the research question's purpose. Various criteria contribute to research quality, which are discussed in this section. The first four criteria focus on ensuring the trustworthiness of the research, while the fifth criterion considers the applicability of the research findings across different contexts (generalizability). Given that data are gathered from and interpreted by individuals and considering the inherent subjectivity in human nature when understanding and presenting ideas, the four aspects of reliability, validity, credibility, and reflexivity are paramount.

4.10.1 Reliability

The initial concern revolves around the consistency and accuracy of participant responses, termed reliability (Rossman and Rallis 2012). Achieving reliability poses significant challenges and is often deemed unattainable due to the dynamic and context-dependent nature of human behaviour. The continuous changes influenced by various factors make it particularly challenging to maintain consistency in qualitative studies (Cohen et al. 2001). Factors such as feeling threatened, being observed, or hesitating to express genuine opinions can lead participants to provide inaccurate information (Bryman 2012). While these factors impact the reliability of research findings, they also bear relevance to the broader concept of validity, which evaluates the accuracy and appropriateness of research methods in measuring intended outcomes. However, to ensure the integrity of interviews and participants' ability to freely express themselves, I implemented various measures as mentioned by Bryman (2012). Participants were provided with pertinent information prior to interviews to facilitate reliability in responses. Additionally, adherence to Saudi cultural norms in attire was meticulous, aiming to cultivate familiarity and trust among interviewees. Alignment of dress style with participants sought to establish rapport and enhance interaction reliability. Furthermore, meticulous attention was given to opening remarks during interviews to set a positive tone and instil confidence in the interviewer. Leveraging my familiarity with the cultural nuances and dialects of the region, interviews were conducted in a Saudi dialect to facilitate effective communication and understanding. This approach enabled language and demeanour adaptation to align with participants' preferences and backgrounds, thereby bolstering the reliability of participant responses. To enhance reliability, questions were asked in various ways and at different times. Confidentiality was emphasized to participants, assuring them that all data gathered would be used solely for research purposes without disclosing personal details. Participants were granted the freedom to express themselves openly, fostering trust and openness in the research process. Following recommendations by Arksey and Knight (1999) p 112 on "rapport-building" in interviews, participants were encouraged to share their perspectives, fostering trust and openness. I endeavoured to maintain transparency with the participants. For instance, some interviewees asked about education in the UK, and some inquired about the feasibility of pursuing a PhD alongside a professional career. These interactions were aimed at fostering open conversation and encouraging participants to speak freely, ultimately contributing to the reliability and validity of the research findings. The research adhered to a structured schedule, with one individual interview conducted per day,

each lasting between two to three hours. This approach facilitated in-depth discussions and ensured a thorough exploration of the participants' experiences and perspectives. Breaks were strategically incorporated into the interviews to prevent fatigue and maintain participant engagement, aligning with recommendations by Saunders et al. (2016) to optimize data collection quality. To ensure reliability, the researcher provided relevant information before interviews, adhered to Saudi cultural norms, and used positive opening remarks to build rapport. Interviews were conducted in a Saudi dialect, and questions were asked in different ways to maintain consistency. Confidentiality was emphasized, and a structured interview schedule with breaks was used to prevent fatigue and ensure focused responses.

4.10.2 Validity

Validity ensures that the researcher's understanding aligns closely with the viewpoints of the participants (King and Horrocks 2010). To uphold validity, I employ several strategies. Firstly, I provide participants with additional details or context related to the questions asked, aiming to facilitate their thoughtful consideration of the topics. This approach enhances the validity of the research by clarifying questions, reducing ambiguity, and minimizing potential misunderstandings. Participants gain a clearer understanding of the topics, enabling them to provide responses that accurately address the intended topics. Furthermore, I periodically rephrase participants' responses during interviews to ensure that my interpretations accurately capture their intended meanings. This practice helps to minimize misinterpretation and ensures that the data collected truly reflect participants' perspectives. Lastly, at the conclusion of each interview, I summarized the key points discussed to verify my comprehension of participants' viewpoints. This summary acts as a check to confirm that I have accurately understood and represented participants' responses, further strengthening the validity of the research process. To uphold validity, the researcher provided additional context to clarify questions and reduce misunderstandings. Participants' responses were rephrased periodically to ensure accurate interpretation, and key points were summarized at the end of each interview to verify understanding.

4.10.3 Credibility

Credibility is a critical aspect of my research, emphasizing the establishment of trustworthiness and believability in the study findings. Saunders et al. (2007) define credibility as conducting research in a reliable, unbiased manner, employing rigorous methodologies, and ensuring precision in reporting participants' observations and scripts. Similarly, credibility in qualitative

research, as described by Denzin and Lincoln (1998), pertains to the believability and trustworthiness of the data, akin to internal validity.

To maintain credibility, I meticulously captured and archived all interviews, following techniques suggested by Robson (2016) to address data validity and completeness. This involved recording interviews or taking detailed notes to prevent data distortion and ensure comprehensive data collection. Moreover, to uphold the credibility of the interviews conducted, I adopted measures to ensure the integrity of reporting findings. Interviews were meticulously recorded, transcribed, and translated to guarantee the accuracy and fidelity of the data presented. Moreover, the interview guides and questionnaire underwent rigorous review by academic supervisors to ensure question quality and relevance. This process included testing the instruments with three professionals to ensure that they understood the questions and to see whether their responses could be used to construct the reality of this context. This rigorous approach enhanced the data collection tools' robustness to ensure the research findings' validity. To maintain credibility, all interviews were recorded or detailed notes were taken to ensure data completeness and prevent distortion. Interviews were transcribed and translated accurately, and the interview guides and questionnaires were reviewed by academic supervisors and tested with professionals for clarity and relevance. This rigorous process strengthened the data collection tools and enhanced the credibility of the research.

4.10.4 Reflexivity

Reflexivity is a fundamental practice in qualitative research, acknowledged by scholars such as Hoque et al. (2017), as a means for researchers to validate their methodologies. It is an essential component wherein the researcher continuously reflects on how their own values influence the research environment and subsequently impact data collection and analysis Saunders et al. (2007). Interviews, like all qualitative research methods, present specific considerations that necessitate attention. One notable concern is the subjective nature of personal experience inherent in qualitative inquiry, which poses challenges to achieving objectivity. In interpretive studies, the researcher's role becomes central, potentially shifting the focus to researcher instead of the participant (Collins and Stockton 2018). Consequently, there are validity threats arising from the researcher's reactivity and subjectivity (Bryman 2012). Lietz et al. (2006) underscore the importance of mitigating the researcher's influence by prioritizing the participant's thoughts, feelings, and experiences over the researcher's own. Reflexivity extends to how researchers position themselves within the research context,

particularly in understanding and selecting cases. It involves critically examining the researcher's cultural background and its potential impact on case selection and interpretation of data, such as transcripts and interviews, to ensure objectivity and validity.

The present researcher, a Saudi woman, has lived through significant periods of political reform in KSA, experiencing personally the societal and governmental transformations. While her society embraces the reforms with joy, also grapples with discomfort arising from the pace of change. Her personal experiences and sentiments towards living in KSA before and during these rapid changes may have made her unduly sympathetic. As a member of Saudi society, the researcher faces the risk of reactivity and subjectivity Spenziale and Carpenter (2003) in her research endeavours. To mitigate this risk, she employs reflexivity as a methodological tool, ensuring transparency and self-awareness in her research practices. Each respondent's answers were checked for narrative accuracy and for interpretive, descriptive, theoretical, and evaluative validity. Drawing upon relevant literature, the researcher critically evaluates potential understandings, aligning her interpretations with existing scholarly discourse. The used analytical framework guides the research process, facilitating the comparison of findings with existing literature to identify both similarities and differences. As summarised in, Table 3 this rigorous approach enables the researcher to justify her contributions to the field and enhances the credibility of the research outcomes. To ensure reflexivity, the researcher continuously reflected on how her personal values and cultural background influenced the research process, particularly in data collection and interpretation. She prioritized participants' perspectives over her own, carefully checked their responses for accuracy, and aligned her interpretations with existing academic literature. By using an analytical framework and comparing findings with literature, she maintained transparency and objectivity, thereby enhancing the reflexivity of the research.

Research Quality	Definition	Measure used
Reliability	Participants consistently providing truthful information that remains unchanged over time.	<ul style="list-style-type: none"> - Taking proactive steps to address these challenges by providing pertinent information to participants. - Adhering to cultural norms and conducting interviews in a familiar dialect. - Asking questions in various ways and at different times. - Emphasizing confidentiality that All data gathered are confidential and will not be shared by anyone. - Promoting open conversation and building trust and openness. - Taking breaks.
Validity	Ensures that the researcher's	- Providing participants with additional information to clarify questions.

	comprehension aligns with the understanding of the participants.	<ul style="list-style-type: none"> - Periodically rephrasing participants' responses to ensure my interpretations align with their intended meanings, minimizing misinterpretation. - At the end of each interview, summarizing key points to confirm my understanding of participants' viewpoints.
Credibility	Ensuring that written content is accurate, aligning with truth and trustworthiness.	<ul style="list-style-type: none"> - Recording interviews or taking detailed notes for comprehensive data collection. - Transcribing recording and translating interviews.
Reflexivity	Ensuring the accuracy of the researcher's understanding and interpretation is the most appropriate.	<ul style="list-style-type: none"> - Employing reflexivity to establish trustworthiness in the research framework and data interpretations. - Conducting a thorough evaluation of potential understandings by referencing relevant literature.

Table 3: Research quality measures used

4.10.5 Transferability

Transferability is a pivotal aspect of this research endeavour, underscoring a commitment to producing findings of both practical utility and broader significance. The primary aim is to unearth insights that can serve as actionable guidance within the policymaking sphere, thereby facilitating informed decision-making processes. Additionally, a key objective is to elucidate the intricate power dynamics inherent in unstable environments, furnishing practitioners with understanding for navigating such complex landscapes effectively. The term applicability denotes the practical usefulness of the research findings (Creswell 2007). Qualitative research, with its emphasis on subjective experiences and interpretations, is susceptible to yielding diverse outcomes, especially for the researcher involved. This suggests that variations in results or understandings are more likely to occur compared to research methods that rely on objective measurements (Guba and Lincoln 1981). While acknowledging the unique nuances of the KSA landscape, this research recognizes the potential applicability of its findings to environments undergoing similar rapid societal shifts. For instance, KSA's political system is based on absolute monarchy, akin to systems found in various other nations. Additionally, the country's rapid transition from a historically conservative society to a more open and reform-oriented stance underscores its potential applicability to environments experiencing significant and swift societal shifts because of governmental transitions. Therefore, while universal generalizability may not be feasible, this research contends that its findings hold relevance in environments characterized by rapid and profound transformations, where state organizations are actively adapting to implement and enforce new directives. Although the findings may have limited generalizability to contexts unlike the specific socio-political and economic landscape of KSA, this research argues for its applicability within similar environments.

4.11 Summary

This study employed a qualitative methodology to explore the central research question, objectives, and aims. Data were collected through interviews with a diverse cohort of 37 participants, including 18 auditors, 6 regulators, and 13 CFOs. To ensure the quality of the research, several methodological safeguards were implemented addressing reliability, validity, credibility, and reflexivity.

Reliability was achieved through the use of semi-structured interview formats and consistent linguistic alignment across interviews. Validity was reinforced by providing contextual clarifications, paraphrasing responses for clarity, and summarizing salient points to capture the essence of the discourse. Credibility was established through meticulous recording procedures and systematic review of the research instruments. Reflexivity was maintained by recognizing the researcher's inherent biases and ensuring that interpretations were congruent with the extant literature.

These measures collectively preserved the integrity and dependability of the research process and its outcomes. Transferability was considered, aiming to extend the applicability of the findings beyond the specific confines of the study, particularly within the KSA. While the research was context-specific, acknowledging the unique cultural and regulatory landscape of KSA, it also suggests potential applicability in other settings experiencing comparable rapid societal and governmental changes. Despite some limitations in universal applicability, the study underscores the practical significance of its findings in dynamic contexts undergoing profound transformations.

Chapter 5: Pre-International Standards Implementation (2005-2016)

5.1 Introduction

This chapter aims to identify the triggers of the change in the strategic field of public auditing and the relevant actors. This research focuses on transforming the PAAF within the corporate context. Shifts in state priorities led to changes in the SOCPA field, which will later become a governance unit influencing the power dynamics between PAAF actors in the subsequent chapters. These proximate fields maintain recurring ties and routinely impact the field under consideration which is PAAF (Fligstein and McAdam 2011). The PAAF field's transitions unfold transitions in three phases: the Royal family field's transitions (2005-2008), the SOCPA field's transitions (2008-2016), and the strategic transitions of the PAAF field (post-2016).

5.2 2005-2008 Disturbance in the Royal Family Field

The first phase is from 2005 and 2008 in which the changes in the CMA and the MC have been affected by shocks to restructure their priorities to keep the focus on the state vision. In 2005, the state actors of the KSA represented in the Royal family decided to change the country from being closed to being open which affected all the proximate fields¹². In 2005, the former King Abdullah signed a contract with the World Trade Organization (WTO), leading to the country's accession as a member of the WTO and facilitating the integration of the Saudi economy into the global economy¹³. In addition, during this time, KSA joined the G20 increasing its influential role in the global economy as a solid industrial and financial base¹⁴. KSA has gained members' confidence after the economic and social transitions brought about by the Saudi Government's Vision, which is in line with the G20's priorities¹⁵. As prevailing view among regulators was that the enforcement of the international accounting standards was the result of this strategic decision of the state.

*"KSA is a member of the G20 group, and our presence as a member of such organizations requires us to keep pace with other countries ... We initiated **the movement to transition to international standards**, and I believe that had we not undertaken this initiative, there would have been pressure from the state, as **its directive to open the economy**" (Regulator#1).*

*"The KSA seeks **openness and expansion**, and its representation in many international organizations requires it to keep up with this, and this includes the financial sector. So, **idea of adopting international standards serves our state vision**" (Regulator#6).*

¹² <https://GAAPs.abc.net.au/news/2015-01-23/obituary-saudi-arabias-king-abdullah/6041576>

¹³ <https://shorturl.at/dpTW1>

¹⁴ <https://saudigazette.com.sa/article/570280>

¹⁵ https://GAAPs.vision2030.gov.sa/media/oisof4g/vision-2030_story-of-transformation.pdf

In addition, since 2005, the former King paved the way for the expanding of the Saudi financial market reducing the reliance on the state-owned firms and allowing foreign capital to invest in the KSA. Prince MBS described this movement as a deliberate movement undertaken by the Royal family and a treatment plan in which “shock therapy” was followed to liberate Saudi society from Islamic extremism¹⁶. The shift from conservatism to benefiting the state economically, politically, and culturally occurred through the implementation of shock therapy, is addressing the needs of Saudi society. This was clear in the country new vision

*“Vision 2030 is the overarching economic and social development strategy of the Kingdom. Its main themes are building a **thriving economy**, a vibrant society, and an ambitious nation, while one of its key pillars is for the Kingdom to **become a global investment powerhouse**” (Tadawul 2018).*

KSA, for the first time, to decide to fund its state operations from the taxes, as traditionally funding was from oil revenues not taxes. This was another disturbance factor, prompting SOCPA to recognize the increasing importance of external investors and the necessity for clarity in disclosure, rather than focusing solely on state investors. Given that private investors demand safe investment opportunities characterized by transparent disclosures in the stock markets, IFRS is seen as a critical framework to instil confidence and encourage investment in this market.

*“At that time, the government priorities **sharpened their focus towards private and international investors**. To do that, **money is afraid**, and to **attract this investment**, there must be **clarity in the financial disclosure**. Therefore, SOCPA as a legislative body, we have enacted international standards that guarantee the display of **all financial information clearly**. We have empowered the economy by providing legislation that guarantees the availability of information” (Regulator #2).*

The economic vision of the Royal family, translated into economic priorities for the CMA and the MC, centres on two main aspects: transitioning from a closed economy to becoming an attractive, open, and international economy. These shifts in priorities have impacted the strategic priorities of the CMA and the MC, aligning them with the strategic priorities of the KSA. In the context of this research, the state actors focus on the CMA and the MC, under whose chain of command SOCPA operates. As most regulators expressed:

*“The Ministry of Commerce represents the government, and **we are empowered by them to regulate the profession**” (Regulator#1).*

*“Our reference is the Ministry of Commerce **its acceptance and approval of the transformation project is a great empowerment for us**” (Regulator#3).*

¹⁶ https://GAAPs.washingtonpost.com/opinions/the-crown-prince-of-saudi-arabia-is-giving-his-country-shock-therapy/2018/02/27/fd575e2e-1bf0-11e8-9de1-147dd2df3829_story.html

The shift in the state's priorities and the broader trend toward openness, including economic openness, has resulted in a change in focus for both the MC and the CMA. They have influenced the criteria for appointing the CMA and the MC, directing their attention toward attracting external investors and facilitating their presence in the Saudi market, aligning with the state's directives. In 2006, Dr Al-Maghams, who later became the leader of the transition process, was appointed by the MC to serve as the Chairman of the Board of Directors of SOCPA. His appointment as the head of SOCPA constituted an external shock to the organization, which was then dominated by members fully supportive of the Saudi standards at that time. Fligstein and McAdam refer to these changes as 'ripple effects', portraying fields as intricate networks influencing each other, including state fields. Any alteration in one field impacts the 'proximate fields', thereby constituting a shock in related fields. This is one form of shock, arising as a change initiated in one of the 'proximate fields', in the form of an "opportunity" that ultimately results in a shock in the other tied fields, as summarised in Table 4.

The next section will elaborate on the logic of the old members in the SOCPA field and how the placement of new members is considered a shock that restructures the existing social order at that time.

The change in the KSA strategic priorities		Disturbances in proximate fields
Old	New	
State Owned Business	Private and international investors	Change in the economic state governance units' strategic priorities to regulate the stock market more efficiently and to disseminate clear and international financial and accounting data to local and international investors.
Isolation from the international economy	Integration with international economy triggered by G20	

Table 4. The Initial Exogenous Shock: A Shift in The State's Vision

5.3 2008-2016 Phase 2: SOCPA Field Exogenous Shocks

Before 2005, SOCPA was chaired by a Saudi leader who had a strong belief in the traditional Saudi accounting and auditing standards¹⁷ and he held conservative views dominated at this time in terms of having a closed economy and a lack of reliance on private and international sectors. However, due to the changes in the Royal family's political priorities, the government, represented in the Minister of Commerce, had to enforce a new CEO for SOCPA to chair the transition to international standards¹⁸. Al-Maghams, the CEO of SOCPA and the newly

¹⁷ The word standards include: (accounting standards, auditing standards, and professional ethics standards), whether they are Saudi Standards: (Saudi accounting standards, Saudi auditing standards -Saudi ethics code of the profession), or International Standards: (IFRS, ISA, and IESBA).

¹⁸ <https://abmagazine.accaglobal.com/global/articles/2022/aug/public/saudi-strengthens-the-profession.html>

appointed leader of the transitions process, had previously been a member of the old board, yet his perspectives more closely aligned with government priorities. During this period, nearly all SOCPA board members staunchly supported the longstanding standards, having actively participated in their development and upheld these standards for over two decades. However, the new leader, before appointing him to be the new leader, successfully persuaded other GUs, namely the MC and the CMA, that his views were more in harmony with the Saudi government vision's perspectives, as elaborated in his strategic actions, which helped him to be appointed as the head of SOCPA. Al-Maghams, the CEO of SOCPA narrated in his interview.

*“My views are more aligned with the **Royal family’s intentions** to open **the economy for international investors** than my previous leader of SOCPA” (new head of SOCPA - Regulator#1).*

Before being appointed as the leader of SOCPA, the new leader's views were generally well-received by younger and newer members, while they were viewed negatively by older, long-serving members of the committees. The incumbent group was labelled as the “*old guard*”, while the challengers, led by the new leader, were referred to as “*the new guard*”.

*“SOCPA used to contain two parties, **so great wars took place**. We call them **the old guard** and **the new guard**. The old guard is the ones who set **and protect the Saudi GAAP** standards developed in the eighties. Yes, I used to be with the old guard, but I’ve undergone a renewal and **embraced a more contemporary outlook**.” (new head of SOCPA- Regulator #1).*

*“A big war took place here inside SOCPA **between us** and the **old guard**. My mouth dried up as I tried **to convince them**, but in the end, we must agree in a way **that benefits the profession**, not our personal orientations” (Regulator#2).*

*“They were two teams, and we used to call them during the transition time the **old guard** and the **new guard**” (Regulator#3).*

Fligstein and McAdams' approach emphasised the importance of actors to the construction and reproduction of local orders. This case study presented evidence to support this statement. Accordingly, to achieve the objectives of implementing international standards, the new guard employed various strategic action. The new guard within the SOCPA field employed three primary strategies to build power for constructing and reproducing of their orders and roles, thereby facilitating the successful approval and enforcement of the international standards transitions plan. The first strategy involved gaining support from GUs by persuasively demonstrating that international standards align with the strategic objectives of the government. Additionally, members from these GUs were actively engaged in the process of formulating the transitions plan. The second strategy focused on managing the expectations of the old guard to ensure a smooth transition with minimal contention, particularly during the

initial phase of plan development. Simultaneously, efforts were made to build collective power, reserving the most challenging contentions for later stages when the accumulated social collective power provided the necessary leverage.

5.4. The first strategy: Convincing by using the idea of alignment with state vision

Actors engaged in strategic action must be able in an “intersubjective” manner to engage the cooperation of others (Fligstein and McAdam 2012, p.7). “This type of skill necessitates the ability to transcend individual and group self-interest, considering the interests of multiple groups to mobilize support for a shared worldview” (Fligstein and McAdam 2011, p.7). The initial strategy involved communicating and persuading that the adoption of international standards would serve as a potent catalyst in achieving the strategic objectives of the state, particularly to the GUs represented by the CMA and the MC. The CEO of SOCPA expressed strong opinions and views that resonated with the state’s vision and objectives, emphasizing that integrating international standards would enhance Saudi economic connectivity globally, bolster investor support, and facilitate economic openness. The challengers led by the current SOCPA leader to for the collective construction attribution of opportunity. He establishes communicative influence with other GUs by demonstrating that realising these strategic objectives is intricately linked to his role as the CEO of SOCPA.

*“I became the leader of the movement to adopt international standards to fulfil the government objectives. **I was determined that SOCPA shall be changed to fulfil these KSA goals because we should serve the country’s goals and directions**, and change is required to keep in line with the country’s economy and direction” (Regulator#1).*

The second evidence regarding the efforts to convince was found in the following statements, where regulators delineated a clear connection between adopting the international standards initiative and the state’s goals for internal and external stakeholders.

*“One of the state goals (indicating state as the Royal family) was to open the KSA globally, diversify the economy and bring in investors. **We in SOCPA should serve the country’s goals and directions**, and change is required to keep in line with the country’s economy and direction through the enforcement of the IFRS. **I personally found that it is necessary to propose IFRS as a mechanism for this transformation** (Regulator#1).*

*“The idea of adopting international standards was great because it is in line with the interests of the state which **made stakeholders support us** significantly as being a means to achieve the KSA’s priorities” (Regulator#2).*

The message explicitly conveyed to the state stakeholders is that the implementation of international standards will fulfil the strategic objectives of the KSA, as articulated by this regulator:

*“After the talks of the CEO of SOCPA at that time, I believe the adoption is due to the need to implement standards to open the economy and foreign investments, **we want harmony with the world** to open up KSA and facilitate foreign investment. This made me fully supporting the initiative” (Regulator #3).*

The extent of alignment convincingly demonstrated between the SOCPA CEO, and the vision of the Royal family was evident not only to internal stakeholders inside SOCPA but also to external ones in other state actors. This likely aided the transitions leader in cultivating social resources and garnering support from other state institutions. He secured backing from the CMA, which operates under the oversight of the Royal family, despite initial resistance from several stakeholders.

*“I still remember when I assumed my position in the SOCPA, before being the head of SOCPA, **I visited the Central Bank** because they have power and authority over the banking sector. **I discussed with them** the issue of the standards they apply, and the classifying of the list of auditing offices for banks, even though SOCPA authorized all offices. They were not agreed upon with me. Therefore, SOCPA escalated the matter to the higher authorities in the country, and we were answered (if SOCPA proves itself and the performance of accountants improved, then there will be acceptance and classification for all auditing offices” (Regulator#1).*

*“**Everyone seeks to serve their country and give back.** So, when the president of SOCPA presented the idea to us, we did not hesitate at all” (Regulator #5).*

*“Yes, I strongly support the adoption movement **as long as we support Vision 2030.** The credit for making this step goes to SOCPA” (Regulator #6).*

Hence, the CEO of SOCPA purposefully established a connection between adopting the international standards and the strategic priorities of the KSA for key stakeholders within the CMA, given their substantial influence over the banking sector and other industries (i.e., all listed companies), to garner their support. By persuasively conveying this message to the CMA, the regulatory body came to believe that international standards are a facilitating mechanism for realizing the state’s vision, leading to the full endorsement of the challenger i.e., SOCPA’s new guard. This conviction is evident and expressed by the majority of regulators, affiliated with the CMA, who assert that international standards enable the state to accomplish its strategic objectives.

*“After talking with the CEO of SOCPA, I definitely believed in the importance of the IFRS. The reason we took the IFRS transformation step is to emulate the experiences of successful countries and keep pace with them. Because KSA was closed in the past, now it has become more open, and the transition made it easy even for a Saudi investor to invest abroad. Indeed, after understanding the power of IFRS from the CEO of SOCPA **I strongly support the idea of converting to international standards in KSA**” (Regulator#4).*

*“CEO of SOCPA was right **when he explained to us the importance and significance of the IFRS on the KSA’s economy.** You know that the country is changing in a way that means constantly for the better, this is the main reason that KSA is adopting international standards. The country had ambitious goals and IFRS will play an important role in making them happen. For example, a foreign investor will not enter the Saudi market*

because he is not confident enough about the applied standards. Previously, KSA was applying local Saudi standards, and it has not been updated for a long time. This change made that financial laws become comparable to financial laws in the European market (Regulator #5).

This successful initiative, wherein the importance of the IFRS was convincingly conveyed to the CMA, resulted in gaining support from the CMA and other GUs. As regulators states:

*“After the CMA adopt the idea of necessity of having IFRS to achieve the state objectives, **SOCPA pledged significant support from the government.** As well as giving us the full resources to study the transformation and study the standards, this is considered governmental support. They gave us full financial support, and the project management with all governmental bodies (the Ministry of commerce, the Zakat and Tax Authority, the General Court of Audit)” (Regulator #2).*

Having successfully conveyed the message that IFRS, as “innovative action,” serve as a potent enabler for achieving the state’s strategic objectives, SOCPA’s CEO garnered robust support from other state institutions in terms of financial and human resources, organizational appropriation (Fligstein and McAdam 2012, P22). As stated by SOCA transformation leader:

*“I spoke to different officials about the importance of the IFRS, **the government financially supported the transformation project to the IFRS with nearly 20 million SR,** and my distinguished work team led to the success of the project” (Regulator#1).*

Likewise, as summarised in Table 5, he successfully persuaded the Zakat and Tax Authority that the adoption of the IFRS would enhance the KSA’s revenues, thus securing support from this institution.

*“I gained the support from the Zakat and Tax Authority (after he convinced the officials that the IFRS will increase the KSA revenues. An example of the impact of international standards on the quality of decision-making for users is, for example, the lease standard for leased assets ending in ownership. According to international standards, they are recorded as “assets,” not leases as per Saudi standard. At commencement of the lease term, finance leases should be recorded as an asset and a liability at the fair value of the asset according to IFRS 16. This benefited the Zakat law in Saudi in being able to inventories the company’s assets and calculate the Zakat percentage. **This led to the high rate of Zakat on companies.** Saudi standards used to record it as rent even though it is considered an asset” (Regulator #1).*

*“International standards are more detailed, as they present the company’s assets in more detail and provide more disclosures, **which means a higher percentage of zakat when calculated.** Therefore, the Zakat and Tax Authority was convinced of this step” (Regulator #2).*

Theme	Explanation
Convenience of the alignment with the KSA strategic objectives	The power of the role as the CEO stemmed from the urgency to make changes in SOCPA to deliver the KSA’s strategic objectives.
	Clear line of sight between the international standards transitions strategy and the strategic priorities of the KSA to the internal and external stakeholders to SOCPA for gaining power (Collective Action)

Table 5: The first strategy action of challengers in SOCPA field

5.5. The Second Strategy: Investing in social resources and collaboration between regulatory bodies:

The strategic action of the new guard involves investing in social resources, termed by the CEO of SOCPA as the “*new guard*”. During this period, the SOCPA board and experts, entrenched as an incumbent “*old guard*,” were resistant to change. The old guard staunchly supported preserving the Saudi GAAP, rejecting the IFRS. However, within SOCPA, a discrepancy existed between the new guard and the old guard the latter rejected the implementation of IFRS. The new guard acted as a challenger to the old framework (Saudi GAAP), the incumbent, accustomed to the old framework, constituted the majority, and opposed the new guard’s perspective.

Challengers, as posited by Fligstein and McAdam (2011), are often the initiators of actions, forming new groups to establish their influence (p. 10). Consistent with SAF theory, the CEO of SOCPA used his social skills to foster collective action through effective engagement with others. Thus, the strategic action was to develop a steering committee that relied on auditing firms both local firms with international branches and the Big 4, academics who studied abroad, and others who had studied abroad to mobilize the educational assets of the international standards (i.e., translation, customization, and writing up the standards). Appendix 4 below shows the background of new guard’s members, i.e., SOCPA steering committee. As most of regulators mentioned:

*“Our committees consist of two groups: first, A group related to technical matters (Big 4 and local) who had local experience and international experience of the IFRS and Saudi context. **We called them Accounting Standards Committee and Auditing Standards Committee.** The committees review each international standard separately and translate with all its appendices of disclosures and add disclosures in case the need arises. Second, a group, from a legal point of view, who adhere to laws such as the CMA regulation and the Zakat and Tax Authority regulation” (Regulator #2).*

*“In our committees, **we were keen to focus on including people who have international experience due to their understanding and awareness of the step we will take**” (Regulator #3).*

*“The **standard is looked at from several aspects before presenting it to the Roundtable:** from a technical point of view. In terms of the difficulty of the standard, can it be applied easily? And the second side, from the legal side, is the standard’s suitability to the corporate system, the CMA system, the Zakat system, the tax system, etc. And on the third side, the legal matters, for example loans, we do not say this is permissible. This is forbidden” (Regulator #1).*

The quotes indicate that SOCPA was not solely focused on appointing its steering committee to establish a supportive network for the new framework, i.e., IFRS endorsed by SOCPA. Additionally, SOCPA consciously navigated through all stages of developing this framework

to secure acceptance from other regulatory bodies before its issuance. The comprehensive evaluation of standards approaches within the SOCPA committee (i.e., steering committee) before presenting them to the Roundtable (i.e., state actors' representatives), considering technical, legal, and ethical aspects. The Roundtable aimed to gain collective approvals from regulatory bodies. This multifaceted approach aimed to facilitate the adoption process, avoid application clashes, align with corporate, CMA, Zakat, and tax systems, and adhere to legal and ethical standards. The CEO of SOCPA relied heavily on his committees to gather the required social resources for IFRS for ensuring applicability in the Saudi context. Stating:

*"I developed and **relied on the Roundtables** which were formal periodical meetings hosted by me in the SOCPA building to express their opinions on each set of standards that our committees have finished working on. Roundtables which is a committee consisting of several Persons representing several bodies from the Central Bank and the Ministry of Finance, CMA, and businessmen who work as perfectionists" (Regulatory #1).*

*"As a SOCPA, we were keen to implement the IFRS, but we do not have authority over companies. **we engaged participants in a committee from the CMA to ensure the successful enforcement of IFRS**" (Regulator#2).*

The strategic of forming specialized committees and Roundtables illustrates a meticulous process to ensure collective action through the integration of different professional and regulatory bodies on the IFRS framework. The effectiveness of strategic action lies in political acumen and resource allocation and in the nuanced application of cognitive and communicative skills to foster cooperation and shared interests among diverse groups. In the quest to bolster regulatory effectiveness, the second strategy emphasizes the investment in social resources and the cultivation of collaboration among regulatory bodies. This multifaceted approach includes direct communication with individuals rather than organizations, the active involvement of representatives from regulatory bodies, and the engagement of professionals from auditing firms, notably those affiliated with the Big 4. These approaches will be elaborated upon in subsequent sections.

Sub-theme 1: Communicating with individuals not organizations

For the steering committees, the focus was on individuals while for the roundtables, the focus was on regulatory bodies. As the steering committee aimed to develop and translate the IFRS, the roundtables were for confirmation and collective approval from the regulatory bodies. Thus, the selection of the steering committee members was a challenging process. The leader of SOCPA demonstrated a notable proficiency in social skills, of the sort described by Fligstein (2001) in his depiction of skilled social actors. These skills empower the leader to effectively select, frame lines of action, and rally individuals around these frameworks for action to

develop and translate standards. His team, as noted by Regulator#2, “*communicate with individuals directly*” buttressing the emphasis on alignment without wasting efforts and resources in debating those conflicting views on his aims. Thus, he avoided inviting organizations as the representative members could have mixed views towards the transitions; rather, he relied on specific individuals whose views supported him. This was clear to the regulator two and three, as they stated:

*“In these committees **we dealt with individuals** and owners of private auditing offices” (Regulatory#3).*

*“In our committee, **we were careful not to communicate with organizations or institutions** so as not to disrupt our affairs. We communicate with individuals directly because communication with their employers takes longer, and some may not understand what the accounting standards mean, so they may refuse” (Regulator#2).*

Sub-theme 2: Involving representatives of regulatory bodies

To secure the legitimate power required for enforcing IFRS, strategic investment in social resources was made, particularly in government officials such as CMA representatives. Strategic actors, as suggested by Ganz (2009), possess the ability to build political coalitions and allocate adequate resources to establish a hierarchical field. Prior to the completion of SOCPA’s official work on the transitions process and the subsequent enforcement of IFRS by the MC in 2017, CMA mandated that listed companies prepare for the transitions¹⁹.

*“The CMA, two years before the transformation, established a **higher committee for transformation**, and required that every company must have a plan for internal transformation, or the penalty would be suspension of listing. This plan is one of the reasons for the success and reduces the risks of being affected by the application in the early stages” (Regulator #4).*

This reveals a comprehensive and collaborative approach to implementing IFRS made by SOCPA with other regulatory frameworks. The strategic use of social resources, collaboration between regulatory bodies, establishment committees and enforcement measures depict a structured and proactive approach to achieving the desired transitions.

*“We exercise **our oversight and authority only over auditing companies**. The penalty is a warning, temporary suspension, or cancellation of each violating office. As for **listed companies, the CMA is responsible**. The penalty is suspension of financing from banks, withdrawal of listings, or withdrawal of trading in the event that international standards are not applied. SOCPA has the quality management department and periodically goes to the auditing and accounting offices and conducts periodic inspections of the auditors for each company he has audited” (Regulator #6).*

¹⁹ https://cma.org.sa/Market/News/pages/CMA_N_2255.aspx

Further, the new guard, through this process of engagement, gained endorsement from the regulatory authorities in KSA (i.e., MC, CMA, and other related legislative bodies) to take the green light to amend their regulations that may contradict the standard; this step showed to incumbent the importance of the application of the standards as they are.

*“That if there was a standard that contradicts the regulation and rules in our environment, we would **change the regulation, not the standard**. We want to keep (standards adoption)” (Regulator#1).*

Sub-theme 3: Involving representatives from auditing firm (Big 4)

With the regular presence of partners from the Big 4 firms, based on Table 6, SOCPA and the Big 4 firms became actively engaged in collaborative efforts when the working on the IFRS started. They formed a Steering Committee to evaluate the applicability of IFRS in the Saudi environment. This collaboration is seen as a significant step by SOCPA to mobilize resources and support the adoption of these standards. The relationship between SOCPA and the Big 4 audit firms is characterized as strong, particularly after the adoption of IFRS. This relationship has grown stronger over time because the SOCPA new guard needs the support and expertise of the Big 4 to feed and strengthen their current direction as the most of practitioners noticed.

*“SOCPA and Big 4 had very good relationships from the beginning as SOCPA is the regulator of this profession in the country, in the KSA. After IFRS & ISA, I think it has been stronger than ever. Because, as I said, **SOCPA itself as a regulator needs support from the Big 4 and the professional firms**, to implement IFRS in the KSA. And to have advice on how to implement it, to have the pronouncements, to develop the standard financial statements for each sector. So, it's strong. I would say, I would comment that it's the relationship **between SOCPA and the Big 4 audit firms has been stronger than ever**. And one major credit goes to international standards implementation” (BA10S).*

The auditor from a Big 4 firm elaborates on explaining and describing this relationship from his perspective:

*“... the standard of financial statements is given to them (i.e. companies) by SOCPA that how a financial statement of the company should look like. But those standards of financial statements are prepared by a working group that was developed by SOCPA. And in that working group, there were representatives **from SOCPA and there were representatives from each of the Big 4 firms**. And they all came together to develop those financial statements. So, this is one example that how they're working together to resolve the issues of the industry” (BA11S).*

This section illustrated the new guard worked on creating a form of stable social order through engaging with the regulative bodies in KSA, as theorised by Fligstein and McAdam (2011) that for a field to achieve institutionalization, it must establish stable social relations not only internally through the governance structure of SOCPA but also with external entities. Further,

being adept at engaging others, manoeuvring around more powerful actors, and possessing a general understanding of how to form political alliances is socially skilful (Fligstein 2001).

5.6. Episode of contentions within SOCPA Field

Even though the new guard were fully empowered by state institutions and social resources, they refrained from a direct clash with the incumbent, who outnumbered them and held the majority in the SOCPA field. An episode of contention refers to a sustained and contentious interaction among actors, involving the attribution of opportunities and threats, the mobilization of structures, the interactive framing of events, the impact of innovative actions, and continual mobilization throughout the conflict (McAdam et al. 2004). However, contention arises when actors violate dominant field rules regarding acceptable recognized norms and take novel actions to safeguard or promote the interests of the group (Fligstein and McAdam 2011). This is evident in this case, as outlined in this section, which illustrates the dynamics of contention during the transition process within the SOCPA field. The contentions began by challenging the incumbent's beliefs, values, and perspectives, followed by promises and ended abruptly with the truth.

Throughout this period, the new guard built their social power through collaboration with external actors and internal investment in committees and roundtables, as illustrated in the second strategy section. Over time, the incumbents' hope dwindled, leading to their departure from SOCPA and paving the way for the "*new guard*". All attempts by the incumbent were eventually found to be impractical and inapplicable, as detailed below. In the narrative of the SOCPA field, next section delves into a compelling episode marked by contention, revealing a nuanced progression across three distinct stages. Stage 1 initiates with the strategic challenge of the incumbent's rationales for resistance, skilfully navigating without direct confrontation. Subsequently, Stage 2 emerges, offering a glimpse into the promise of a seamless transition. Finally, Stage 3 unveils the climactic confrontation with the sudden truth following the acquisition of full power. The stages of this contentious episode will be elaborated upon in the subsequent sections.

Stage 1: Challenging the Incumbent's Rationales for Resistance without direct clash.

In response to the emerging crisis concerning the adoption of IFRS in the SOCPA field, an incumbent is prone to appeal to the status quo as an attempt to stabilize the situation. Two foundational rationales served as the bedrock for the incumbent's determination to uphold Saudi GAAP: the Islamic identity inherent to these standards and the imperative to safeguard the autonomy of the Saudi economy. Conversely, the opposing perspective presented counterarguments, claiming that financial accounting is not inherently tied to any religion. They argued that the Saudi GAAP was an outdated mix of various European standards and assured that SOCPA would revise and adapt IFRS to ensure its alignment with Saudi Arabia's ideological and environmental context, allowing for adjustments when necessary. This a reflection of what Fligstein (2001) said, leaders or elites face the challenge of managing multiple constituencies and need to arrange cooperation with both their allies and opponents.

Incumbent Motivations	The destabilising perspective
Religious identity	<p>1- <u>The destabilising perspective:</u></p> <p>a- Financial Accounting does not serve religious needs.</p> <p>b- The Saudi GAAP were not developed by Islamic Scholars, rather by outdated GAAP from Europe a long time ago.</p> <p>2- <u>Promising:</u> Any financial rule which violates the Islamic religion will be removed.</p>
The preservation of the country's autonomy	<p>1- <u>The destabilising perspective</u></p> <p>a- SOCPA commitment to periodic revision and endorsement.</p> <p>b- SOCPA claimed that they have the authority to depart from IFRS when circumstances warrant.</p> <p>2- <u>Promising:</u> SOCPA promises to keep amending the IFRS according to Saudi culture, and any standards that violate Islamic religious principles will be removed.</p>

Table 6: Challenger's Argument and Incumbent's Counterargument

Religious Identity

The first motivation is conservative views of the incumbent to have the title of Islamic as being made by Saudis were prevailing and represent a block for the transition's values of openness and connectedness with the global economy. The new guard appears to advocate for a more universal, non-religious categorization of financial standards.

*"Also, I still remember that in one of the sessions, a person objected to **why do you avoid Islam word, we are an Islamic environment**. Every time I had tried to manipulate them to resolve the dispute, as you **manipulate a child to distract him**. I want this project to be completed. We tried to satisfy everyone" (Regulator#1).*

*"This was noticed and mentioned by the majority of the new guard within SOCPA. At every stage of the work on international standards, they raised this objection and **strongly claimed that we would be stripped of our religious identity**" (Regulator #3).*

The incumbent's motivation for keeping Saudi GAAP is that the focus should be on attaching religious affiliations to transactions. This aligns with their argument that Saudi GAAP better

represent the Saudi environment. The first new guard contrasting logic expressed a pragmatic viewpoint that underscores the neutrality of the standards. Fligstein (2001) describes how skilled social actors engage in brokering more than blustering, presenting themselves as neutral in a situation and focusing on mediating between two groups. The new guard emphasized the importance of high-quality financial statements that provide information for decision-making, irrespective of religion.

“Clarification is the role of accounting only, not religion” (Regulator #2).

“Most of which are interested in and want Islamic transactions. But at the same time, we create standards. We do not say this is an Islamic, Jewish, or Christian transaction. It is a standard that clarifies the reality of the situation and explains the revenues and benefits” (Regulator #1).

“I do not know why they were trying to attach Islam to professional standards! The standards are legislated by us as legislators to ensure the quality of disclosure and measurement” (Regulator #3).

The second contrasting logic was that the Saudi GAAP were not developed by the Islamic scholars to reflect the Islamic identity; rather, they were a mix of European and non-European outdated standards. This is what the SOCPA’s CEO described to the researcher as:

“At that time, I convinced them that the financial statements looked like a person wearing a suit with a shemagh on his head” (Regulator#1).

The suit here refers to the typical business attire used in the West, and the shemagh refers to the formal, traditional head ware of men in KSA. Similarly, the combination of Saudi, American, and IFRS might have resulted in financial statements that lack coherence and uniformity, making it difficult for users to interpret the information accurately. The second contrasting logic reveals a troubling reality for the incumbents: the Saudi GAAP weren’t crafted by Islamic scholars to embody Islamic principles. This observation was noted by most regulators who attended the working on transformation process meetings. As Regulator #4 vividly recalls:

*“I still remember how they tried so hard to prove that international standards would remove us from the circle of Islam. When we clearly stated that the **Saudi GAAP were not based on Islam** but rather a collection of standards, they withdrew from the meeting in anger” (Regulator #4).*

In contrast, the new guard attempted to engage the old guard in rational discourse to adapt to global best practices.

Preservation of Autonomy

The incumbent claimed that the Saudi GAAP pledge them the control over accounting standards within KSA to preserve the country’s autonomy in making decisions about

accounting and financial reporting, independent of external or international influence. Historically, the Saudi society's priorities reflect conservative views, with institutional arrangements for economic activities coined as Islamic to reflect the religious identity of the KSA, made independently of external or international influence. The old guard's motivation was inherited to maintain control over accounting standards within KSA. They argued that international standards could infringe on KSA's autonomy in making decisions about accounting and financial reporting matters. They may view international standards as products of foreign entities and perceive them as less suitable for the local context. Their commitment to these standards is driven by a sense of ownership and identity. As per the consensus among the interviewees:

"They (old guard) responded that every country must have its own standards in case any emergency situation occurs in the state and its economy we are able to adjust, but the international community (means international organizations) obliges us to do things that we do not want. They said we are independent with our Saudi GAAP that preserve and are compatible with our environment as Saudis" (Regulator#1).

"They (old guards) believe that Saudi GAAP will better guarantee their independence. Their ability to change at will and mix standards from different countries is an advantage they possess and would be deprived of if they handed over this power to an external organization" (Regulator #3).

Social skill is pivotal, as defined by Fligstein (2001) as the ability to induce cooperation with others to reproduce local social orders. This is reflected in the SOCPA field when the new guard was able to counterfeit the logic behind their motivation to resist by promising the incumbent that the Saudi international standards version will be independent from the external influence, and it will be endorsed by the SOCPA as detailed in the next stage of the contention i.e., promising.

In summary, a pivotal episode of contention within the SOCPA field revolved around the perceived incongruence between international standards and the Islamic environment. The empowerment of the new guard enabled them to skillfully navigate the strategic landscape, systematically challenging the incumbents' rationales for resistance.

Stage 2: Promising a smooth transition

The previous section demonstrated ongoing debate and power struggle between the old guard and the new guard within SOCPA field. The new guard aimed to ease the contention until their power grew and matured through time. The next stage in this contention was characterized by

promises intended to reduce conflict. As detailed in Table 7, regulators reached a consensus on how to move forward:

*“They saw there is no need to fully adopt international standards. After a lot of discussions with them, they agreed to take a step towards adopting international standards, but with a condition. So, they suggested taking international standards and amending, amending and amending them until they are compatible with us and our environment as a solution to the debate between us. **We convinced the old guard that we would amend international standards to make them suitable for the Islamic environment** (Regulator#1).*

*“In the initial agreement we released, you’ll find **mentioning of adapting international standards in accordance with Islamic Sharia**. However, in practice, **we didn’t make any changes**. It was more about placating the old guard” (Regulator #3).*

The new guard convinced the old guard that their initiative would tailor international standards to align with the conservative views on independence and the protection of Islamic identity. One key promise involved the concept of “International Standards for KSA”, an implicit assurance that the standards would be adapted to suit the local context, though this promise was never intended to be fully realized.

The intention	The action (Strategic Misrepresentation)
<p>The intention is not to tailor the international standards.</p> <p><i>“We were keen not to amend the international standards, but only to review and translate each new version of the standard before adopting it.” (Regulator#1).</i></p> <p><i>We did not want to change anything in the international standards related to the presentation or method of measurement because IASB is not allowed to do so (Regulator #2).</i></p>	<p>Convinced incumbents that standards will be tailored.</p> <p><i>“We convinced the old guard that we would amend the international standards to make them suitable for the Saudi environment. So, we debated that with the International Accounting Standards Board (IASB) to appease the old guard” (Regulator#1).</i></p> <p><i>“{we convinced them that} Any standard issued externally is not approved until it is amended. the amendment only on terms that are not consistent with our culture” (Regulator #3).</i></p> <p><i>“Call it “International Standards for KSA”. The translation into Arabic and the adjustment of terms to align with what is acceptable in our environment allowed us to name our project “International Standards in accordance with the KSA’s environment”.” (Regulator #2)</i></p>

Table 7: The intentions and actions of the challenger’s promises

Despite the challenger’s implicit promises, it becomes evident that their primary intention was not to instigate substantive change but rather to appease the incumbents. This is discernible through a modest adjustment made in the disclosure practices.

*“We considered that there was not a lot of change on the international standards according to Sharia or culture. **We maintained the standards**, but we faced the problem of the issue of financing. Financing that complies with Islamic Sharia, the financial statements based on Saudi standards. For example, the Murabaha loan was called, meaning in the traditional sense a Riba loan in Sharia. So, we just added more disclosures on the loan to clarify the source of the loan. These are the standards! Clarification! For example, the company signed a loan. **This is our goal with the financial statements; they are only to display information**” (Regulator #2).*

By emphasizing adherence to standards and focusing on clarification, the new guard strategically misrepresented their intentions. They presented the initiative as one that would tailor international standards to fit local needs, particularly aligning with Islamic principles, all while knowing that the IASB would not allow substantive changes. This tactic allowed the new guard to placate the old guard, who were concerned about preserving cultural and religious identity, without making significant modifications to the standards. In reality, the “adjustments” were largely superficial focused on translations and terminological changes rather than structural amendments. This strategic misrepresentation approach was a deliberate move to ease resistance from the incumbents, ensuring a smoother transition to IFRS while still aligning with international norms.

Stage 3: The Revelation of Harsh Truths After Gaining Ultimate Power:

Over time, the new guard members increased, and the power more and more became with them. During this time, the conversation with IASB was continuous to give the signal that there is space for amendments. Finally, the two groups of new guard and old guard reached the point where IASB rejected any amendments to the standards.

*“But **the IASB refuse to amend their standards** and says that KSA adopted IFRS. The IASB said that if the IFRS standards were amended by SOCPA, KSA would not be granted (the adoption of IFRS), and thus **the new guard in SOCPA won over the old guard**” (Regulator#1).*

*“The **response from the International Standards Board was a clear standing point between us**. Consequently, **we revised the previously published agreement**, amending it from adopting international standards (in accordance with Sharia law) to (in accordance with the business environment in the KSA)” (Regulator #3).*

When the IASB rejected the proposed amendments and escalation peaked, the new guard had to seek external power against the incumbent who demanded changes in the standards. The conservative process ended with the board members and keeping the remaining who were left as a matter of respect.

*“At that time, Dr XXX, **a leader of the old guard and the last one of them in SOCPA**, was still with us, but he passed away in 20XX. Dr XXX, **after approving the transformation plan to international standards, submitted his resignation letter**. He is a moderate religious man, **but my team and I contained him and gave him a position with us**. He agreed and stayed with us until he retired. So, we as the new guards in SOCPA, started the project (international standards Transformation Plan) in 2012, and it was approved by the Minister of Commerce”. (Regulator#1).*

*“The people **who built the Saudi standards were very sad when we reached this turning point**, but they are our colleagues, so we dealt well with them and completed the process of adopting international standards.” (Regulator#3).*

The SOCPA field is deemed to have regained stability when a generalized sense of order and certainty returns. SOCPA's new guard manages to secure a victory in signing a transitions plan with the Minister of Commerce. This indicates a significant shift in the balance of power within the field. contention and eventual victory of the new guard highlight a shift in the field's power dynamics.

*"... **we get whole parties' approval** on the International standards Transformation Plan proposal i.e., the SOCPA, the Central Bank, and CMA to raise the proposal it to the ministry and it is approved to start work on the transformation plan led by SOCPA" (Regulator#1).*

*"We are very proud of SOCPA's effort to translate all the standards in five years, as it saved a lot of time. In the past, the Saudi standards used to take four years to produce one standard and were of lower quality than international standards. What is great is that the translation was done with high accuracy and discussions and rewriting, and not just translation (a distinctive experience). **The adoption was a conviction by the legislative authorities about the quality, accuracy, and benefits of international standards**" (Regulator #2).*

5.7. The role of the Big 4 in the transformation process

The board responsible for developing the transformation plan of the IFRS in KSA comprised a diverse group of 24 committee members as shown in Table 8 . The Big 4 accounting firms played a pivotal role in formulating the IFRS. This committee included a significant representation from the Big 4 accounting firms, with seven members: three from PricewaterhouseCoopers (PwC), two from Ernst & Young (EY), one from KPMG, and one from Deloitte. Additionally, three members of the committee had established collaborations with the global Big Ten, specifically with BDO International, Mazars, and Moore.

Following the implementation of IFRS, three members went on to form partnerships with global auditing firms, reflecting the increasing integration of KSA's accounting practices with international standards. The committee also included representatives from the academic sector, with two members coming from universities, which underscores the educational importance of IFRS. The corporate sector was well represented, with seven members: four from banks and three from investment funds, highlighting the financial industry's crucial role in the IFRS transformation. Regulatory perspectives were included through two members representing the CMA and one member from the Ministry of Higher Education, ensuring that educational policies aligned with new financial reporting standards. Additionally, one member represented the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), bringing insights specific to Islamic finance into the adaptation of IFRS in KSA.

Member's Name	Member's Background	Graduated From
Jihad bin Mohammed Al-amari	Represent Local audit firm and Mid-Tier: Managing partner of Dr. Muhammad Al-Amri & Partners, which is member of BDO International ²⁰ .	CPA and SOCPA Fellowship holder.
Professor Dr. Abdul Rahman bin Ibrahim Al-Hamid	Represented government, academia, and employers; positions at the General Audit Bureau, Saudi MC, and Bank Al Bilad. former assistant professor at King Saud University and member of the American Accounting Association ²¹ .	CPA Holder, PhD from the US.
Khalid bin Mohammed Al-Khowaiter	Represented employers and government: positions at Binladin, Jadwa Investment, Zakat, Tax and Customs Authority ^{22 23} .	CPA Holder.
Ihsan bin Aman Allah Makhdom	Represent Big 4: Managing Partner of Deloitte . Represent local firm: owner of Ehsan bin Amanullah Makhdom Auditing Office ^{24 25} .	SOCFA Fellowship Holder.
Suleiman bin Abdullah Al-Kharashi	Represent local firm and Mid-Tier: Managing partner of Saudi Auditing Firm) Sulaiman Abdullah Al-Kharashi Company, "Al-Kharashi & Partners Accountants and Auditors" association with Mazars ²⁶ . Representer Big 4: Former partner at PwC ²⁷ .	SOCFA Fellowship holder.
Khalil Al-Sedais	Represent Big 4: Managing Partner of KPMG ²⁸ . Represent Government: Advisory Committee of CMA ²⁹ .	SOCFA Fellowship holder.
Abdulaziz bin Saud Al-Shabibi	Represent Big 4: Former partner of EY . Represent Government: (Zakat, Tax and Customs Authority) ³⁰ . Former Advisory Board of the CMA ³¹ .	SOCFA Fellowship and CPA holder.
Fahd bin Mohammed Al-Tuaimi	Representer Big 4: Former partner for EY ³² . Represent Government: member of the Board of Directors of the Saudi Authority for Certified Valuers and a member of the Advisory Committee of the Zakat, Tax and Customs Authority ^{33 34} .	
Ali bin Abdul Rahman Al-Otaibi	Represent Big 4: PwC ^{35 36 37} .	SOCFA Fellowship holder.

²⁰ <https://shorturl.at/OUg9P>

²¹ <https://shorturl.at/Am24Y>

²² <https://shorturl.at/tPxyvz>

²³ <https://shorturl.at/MiLz0>

²⁴ <https://shorturl.at/F7yRq>

²⁵ <https://rb.gy/5f5fab>

²⁶ <https://rb.gy/s9sv5v>

²⁷ <https://rb.gy/qpq2bp>

²⁸ <https://rb.gy/3ccnzv>

²⁹ <https://elaph.com/Web/Economics/2016/1/1068234.html>

³⁰ <https://shorturl.at/FRrkf>

³¹ https://cma.org.sa/market/news/pages/cma_n_2183.aspx

³² <https://shorturl.at/38nAd>

³³ <https://shorturl.at/cy8Xe>

³⁴ <https://socpa.org.sa/Socpa/About-Socpa/Board-of-Directors/11.aspx>

³⁵ <https://shorturl.at/Kip5x>

³⁶ <https://shorturl.at/mnEbG>

³⁷ <https://socpa.org.sa/Socpa/About-Socpa/Board-of-Directors/97.aspx>

Professor Dr. Tawfiq bin Abdul Mohsen Al-Khayal	Represent Universities: Vice Dean of King Abdulaziz University ³⁸ . Represent Government: A member of the Board of Directors of the General Authority for the Guardianship of Minors' Funds ³⁹ .	PhD from the UK.
Sami bin Muhammad Al- Shurafa	Represent Government: Director General of the General Department of Financial Statements and Auditors at the CMA ⁴⁰ .	
Ahmed bin Muhammad Al- Shanibir	Represent Employers: Member of the Board of Directors of joint stock companies ⁴¹ . Former member in IASB for the IFRS adoption Group ⁴² .	CPA and a SOCPA Fellowship holder.
Dr. Abdul Malik bin Abdullah Al- Hogail	Represent Employers: Board of Directors of several joint-stock companies and a member of the Represent Government: Audit Committee in CMA ⁴³ .	PhD from the US.
Dr. Amr bin Khaled Kurdi	Represent Big 4: Former for PwC in US PwC Represent Auditors: Former Chairman of audit committees and Directors of several joint-stock companies. Represent academic: Former assistant professor at King Fahd University of Petroleum and Minerals ⁴⁴ .	PhD from the USA.
Dr. Abdul Rahman bin Muhammad Al- Razin	Represent Body: AAOIFI ⁴⁵ . He also serves on the SOCPA accounting standards committee for two terms, held positions as vice chairman and chairman of the First Instance Tax and Zakat Appeal Committee, and is currently involved with the Tax Appeal Committee, the Bankruptcy Commission in KSA, and the AAOIFI Accounting and Education Boards	PhD from the UK.
Dr. Walid bin Mohammed Al- Shabani	Represent University: Associate Professor at King Saud University, owner of auditing and training firm ⁴⁶ .	PhD from the US and SOCPA Fellowship holder
Abdullah bin Ahmed Salem Balamash	Present local firm and Mid-Tier: Partner at local auditing firm. El Sayed El Ayouty & Co association with Moore Global ^{47 48} .	SOCPA Fellowship
Khalid bin Muhammad Al- Sulai'	Represent Employer: Board of Directors and audit committees of many joint stock companies. Represent Government: a member of the CMA & Saudi Society of Internal Auditors ^{49 50}	CPA holder.

³⁸ <https://shorturl.at/p5UQc>

³⁹ <https://shorturl.at/uygHq>

⁴⁰ <https://cma.org.sa/AboutCMA/Pages/AboutCMA.aspx>

⁴¹ <https://shorturl.at/S7njm>

⁴² <https://socpa.org.sa/Socpa/Media-Center/News/Old/189.aspx>

⁴³ <https://t.ly/oQuV6>

⁴⁴ <https://shorturl.at/B6ESF>

⁴⁵ <https://aaoifi.com/members/?lang=en>

⁴⁶ <https://www.dr-waleed.com/?action=details&id=65>

⁴⁷ <https://shorturl.at/kISqv>

⁴⁸ <https://x.com/abcpa98?lang=ar-x-fm>

⁴⁹ <https://shorturl.at/4f7oM>

⁵⁰ <https://shorturl.at/sOnH0>

Mohammed bin Abdulaziz Al-Shaya	Represent Employer: Director at different banks and insurance companies ⁵¹ .	MSc from USA.
Abdullah bin Ali Al Khalifa	Represent Employer: CEO in several banks, Banque Saudi France and Al Rajhi Bank, and currently CEO of Enmaa Bank ⁵² .	CPA and MSc from USA.
Khaled bin Ali Ateen	Present local firm: partner Abdul Rahman Saleh Al-Madhem and Khaled Ali Ateen Ayman Muqahim Al-Muqahim International Accountants ⁵³	CPA and SOCPA Fellowship
Ahmed Al Sheikh	Represent employer: Board Member in several banks. Present government: Represent Government: Former Secretary General of the Finance Committee at the Royal Court; held roles at the KSA Monetary Agency and Capital Market Authority; chaired the Saudi Society of Internal Auditors government committee ⁵⁴ .	
Dr. Muhammad bin Abdullah Al Abbas	Represent government: Member of Shura Council Member, Represent University: Dean, College of Business King Khalid University and Al Yamamah University ⁵⁵ .	PhD from UK.
Dr. Nasser bin Al-Saadoun	Represent University: Assistant Professor at Saud University. Represent Government: Member of the Saudi Authority for Accredited Evaluators. Represent employer: Board member of a several of Investment Funds ⁵⁶ .	PhD from Australia.

Table 8: Members' Details of Committee for the transformation plan of the IFRS in KSA

5.8. SOCPA power model

The Saudi State underwent a significant transformation as the priorities of the Royal family shifted from conservative and oil-based to open, liberal, modernized, and reliant on the private sector. This shift precipitated considerable disruptions among various authorities and regulatory bodies within the kingdom, with a particular focus in this research on the SOCPA.

This transformation was markedly impactful on SOCPA, which was divided into two factions: incumbents, who favored the Saudi GAAP, and challengers, who advocated for the adoption of the IFRS. Initially, the incumbents held the majority and dominated SOCPA, while the challengers, though fewer, leveraged this shift to align with broader state policies by demonstrating how IFRS could support the state's new orientation. Over time, the influence of

⁵¹ <https://shorturl.at/HiJU3>

⁵² <https://shorturl.at/wPPlx>

⁵³ <https://n9.cl/3lbid>

⁵⁴ <https://n9.cl/g57u8>

⁵⁵ <https://www.shura.gov.sa/wps/wcm/connect/ShuraArabic/internet/cv/mohammed+abdullah+alabas>

⁵⁶ <https://n9.cl/ery79>

the challengers increased, as illustrated in the diagram below, culminating in the appointment of a key challenger as the head of SOCPA by the Minister of Commerce.

This appointment heightened tensions and led the challengers to adopt two primary strategies. The first involved socially excluding incumbents from IFRS meetings and workshops, instead inviting stakeholders from various regulatory bodies such as the CMA, the Tax Authority, the Ministry of Education, and representatives from the Big 4 firms. This diverse participation helped align state and technical actors to develop a Saudi-specific version of the IFRS.

The second strategy involved managing the perceptions of the incumbents. Challengers avoided direct confrontations, countering the incumbents' arguments indirectly and later engaging in strategic misrepresentation by suggesting that the IFRS would be detached from the IASB and customized to the Saudi context, despite knowing this would not occur. In the final stage, as the challengers gained complete control, they disclosed that the IFRS would remain aligned with the IASB standards without significant customization, maintaining updates in conjunction with the IASB.

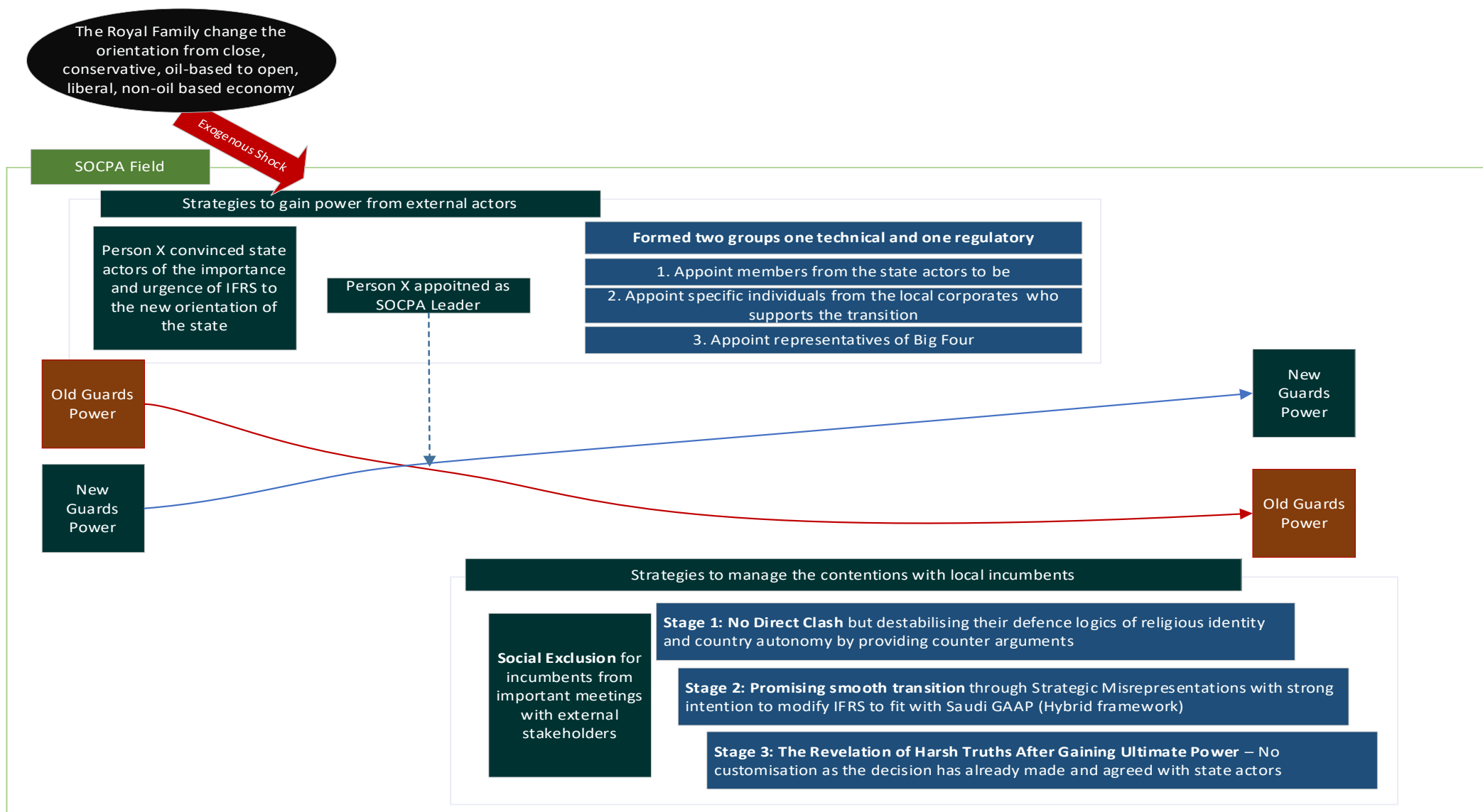


Figure 3: SOCPA Field

5.9. Discussion

This chapter applies SAF theory to analyse the dynamics preceding IFRS adoption in KSA, offering a contextualized understanding of the pre-adoption phase within SOCPA. The findings deepen our understanding of regulatory transformation through contested power relations among state-affiliated professionals in governance-centric contexts like KSA. The identification of incumbents (the old guard) and challengers (the new guard) within SOCPA aligns with Fligstein and McAdam's (2012) conceptualization of field actors engaged in institutional struggles. In line with SAF theory, the challengers' formation of alliances with international audit firms and reformist state actors exemplifies strategic coalition-building. This reflects prior work (Greenwood et al., 2002; 2011) on resource mobilization and institutional logic shifts in professional fields. However, this study extends SAF applications beyond Western democratic contexts by situating the theory within a state-led transformation in an authoritarian setting. The centrality of state ideology and strategies in this process highlights the state's dual role as both a field shock and an embedded actor, resonating with Suddaby et al. (2007) and Greenwood et al. (2014). By foregrounding Vision-driven reforms as mechanisms of field reconfiguration, the study shows how national priorities redefined from the top catalysed structural shifts within SOCPA. This extends SAF theory by integrating structural state-induced pressures alongside actor-based contestation. The chapter introduces a staged model of field contention, wherein challengers tactically sequence their interventions: covertly contesting incumbent rationales, promising continuity to ease resistance, and revealing full reform agendas post-power consolidation. This adaptive model complements Risi and Wickert's (2017) insights into layered change processes, offering a more granular understanding of strategic action in resistant regulatory fields. The concept of strategic misrepresentation is introduced as a novel contribution to SAF theory. Distinct from legislative layering (Alon et al., 2019) or perception manipulation (Christensen et al., 2021), strategic misrepresentation involves the deliberate distortion of reform intentions to reduce institutional friction. In this case, framing IFRS as harmonizable with Saudi GAAP functioned as a tactical entry point to facilitate reform. This finding challenges assumptions in IFRS literature regarding transparency and consensus, revealing how institutional entrepreneurs use misrepresenting to neutralize opposition in culturally and ideologically entrenched environments. Finally, the interconnectedness between the governance and professional fields reinforces Emir Bayer and Johnson's (2008) notion of field embedding. The activation of

SOCPA's transformation through broader Vision-aligned governance reforms illustrates how change in one field can transmit as shock across others. This underscores the interdependence of professional and governance fields, positioning institutional change as a relational process embedded in state structures. The chapter thereby strengthens SAF theory by demonstrating how transformations in transitional states are driven not only by actor strategies but also by the interplay of proximate institutional fields.

5.10. Summary of SOCPA Field

Utilizing the framework of SAF theory, this chapter reconceptualizes the described dynamics in the SOCPA field. Within the SOCPA field, a distinction emerges between incumbent actors and an emerging new guard. This field witnessed a perturbation, largely attributed to the Royal vision's shift in the KSA's foundational strategic objectives and culture. This alteration exemplifies the dynamics of a SAF wherein a potent coalition of new guard, leveraging their resources and alliances with both state and non-state actors including eminent audit firms engages in strategic action against a less coordinated incumbent resistance.

Regarding internal dynamics, the introduction of new guard representative to a pivotal role in the SOCPA field precipitated the development of frameworks. These structures are engineered to oversee and ascertain adherence to the established norms, rules, and membership criteria inherent to the field. Although these mechanisms are ostensibly designed to safeguard the interests of the entire SAF, it is pivotal to acknowledge that they often mirror and reinforce the strategic actions and logics of incumbents, thereby buttressing existing power structures and safeguarding core values such as Islamic principles and institutional autonomy. The upcoming section will provide a detailed exploration of the PAAF as a proximate field to the SOCPA field.

Chapter 6: Restructure of the Power Balance: Governance Perspective

6.1. Introduction

This chapter aims to address the second research objective which is developing a governance-based model to understand the shift in the power dynamics across the strategic actors of the field triggered by the GU enforcements. This chapter examines the profound impact of the adoption and enforcement of the IFRS through SOCPA and CMA (the governance units- GUs) on the field. This chapter delves into the subsequent sections to elucidate the critical function of GUs in recalibrating the distribution of power within the domain. It is posited that GUs play a pivotal role in crafting and supervising the compliance mechanisms with emergent regulatory norms, often privileging the prerogatives of established entities over new entrants.

This move constituted an exogenous shock within the field of public auditing. The enforcement of the IFRS was not an isolated event; it coincided with substantial modifications in corporate governance regulations, ensuring the framework's effective application. This chapter delves into this social movement, highlighting its role in reshaping and reconfiguring power dynamics within the public auditing field. The focus here is on the regulatory transformation that altered the relational dynamics between external auditors and CFOs in the field.

This chapter aims to analyse the process of power reconfiguration among these actors due to enforcement of new regulations for enforcing the IFRS. This analysis will be framed in the context of the role of these GUs (Section 6.2) in transforming the role of the auditor (section 6.3) within the ecosystem and endorsement of the new role through a new penalty system (Section 6.4), the enforcement of third-party agency through the delineation of roles and powers (Section 6.5), and the augmentation of auditors' instrumental power via the restructuring of disclosure arrangements (Section 6.7). Through this examination, the chapter aims to provide a comprehensive understanding of the dynamic interplay of power and governance in the realm of public auditing under the SAF theory.

6.2 Governance Units (GUs)

The preceding chapter elucidated the disturbances within the Royal Family field and their subsequent impact on the prevailing logic governing the country's economic activities. This transformation exerted a significant influence on the GUs, culminating in an external shock to

the PAAF. To ensure this stability, the purpose of this expansion of the area of responsibility and governance was to rebalance the power between incumbents (i.e. CFOs) and challengers (auditors) to reduce the fraud in the financial statements that could be caused from the auditors' lack of professionalism. A GU strategic actions to restructure the power balance in the field is through the regulatory changes and the establishment of new rules and norms that redefine the rights and obligations of actors within a field (Fligstein and McAdam 2012). For the purposes of this research, two key GUs are identified: SOCPA, responsible for regulating the practices of auditors, and the CMA, tasked with overseeing corporate reporting practices to the stock market. The influence of SOCPA, particularly in the realm of regulatory power, is conspicuously evident:

*"SOCPA was given the confidence of the government, and it had a clearer voice and power in **regulating the profession now**" (Regulator#2).*

CMA determined the auditors allowed to provide audit service for the listed companies and not allow any auditor licensed by SOCPA as was previously during the Saudi GAAP area. By the implementation of the IFRS, CMA had an extended role to regulate not only listed companies in the Saudi market but also gives the licence to, and inspects, the auditing firms to be qualified for working with these organisations. The enforcement of CMA to regulate auditors comes with the IFRS as institutional reforms for enforcing IFRS successfully.

*"Previously, **there was no direct oversight of auditors from the CMA**. I do not know what the reason was and why it was not established. **Previously, the supervision process was carried out through communication with SOCPA** because **SOCPA were the one who had the authority to supervise all auditing and accounting offices**. CMA did not have authority over the auditor, and when we receive any information or knowledge that there is a failure in specific financial statements and we know that it is from the auditor, we used to contact SOCPA. (Regulator #5).*

The CMA took an active and serious role towards the enforcement of the IFRS.

*"The **CMA is responsible** and owning for the application of the IFRS on corporates" (Regulator #2).*

*"In 2018, **CMA created a department called the Control Department that carries out supervision and inspection tours of the 15 audit offices that it approved to conduct audit services for listed companies**" (Regulator#3).*

*"**CMA is a third party** in the relationship of the company and the external auditor, that monitors those who are concerned with the market. The third party **monitors the relationship, and both parties know that someone is riding on the relationship, and this is putting pressure on them**. There is a third party watching closely, meaning they are **walking right, because they are afraid of the oversight of the CMA**" (CFO#12).*

The CMA's role in this context exemplifies how GUs enforce norms and rules within a strategic action field. The CMA's oversight function serves to reinforce the established rules and

standards, thereby ensuring that field actors align with the expected norms and regulatory frameworks. CMA, moved from inspecting the listed firms only to inspecting the auditing process by having inspection tours, to ensure the compliance to the IFRS. This reflects a form of panoptic surveillance, as described by Foucault, where constant oversight disciplines actors and ensures conformity through the threat of severe consequences for non-compliance.

*“CMA’s goal is a fraud-free market, this **cannot be there without enable auditors, so penalties have been imposed on companies that fail to fully comply with international standards**” (Regulator #4).*

*“CMA had to take the step of **creating inspection tours to make sure about IFRS compliance**, we are a separate body from SOCPA, so we have to do **our role to clean the market**” (Regulator#5).*

*“We implement a periodic inspection plan for an annual sample of audit offices registered with CMA, and a special **examination to ensure the compliance of auditing registered offices to conduct an operation for establishments subject to CMA’s supervision**” (Regulator #6).*

To ensure the reports are aligned with SOCPA requirements of the IFRS, the CMA officials had the full power not only inspecting the auditing process but also, they can examine the financial statements to ensure they are fully aligned with IFRS and auditing practices in the field. This panoptic approach, as strict as possible, reflects Foucault’s concept of surveillance, where constant observation and the threat of punishment regulate behaviour and ensure compliance. Deviations from the standards can result in severe consequences, including imprisonment, bans on work and travel, and the seizure of property. Foucault’s view of how surveillance operates through power dynamics aligns with the SAF theory, where GUs such as the CMA work together to reshape the field. The CMA’s role exemplifies how GUs impose oversight and control to enforce norms and standards, thereby restructuring power relations within the auditing field. By aligning auditors’ practices with international standards and maintaining a system of regular inspections, the CMA effectively reconfigures the strategic action field, reinforcing its authority and ensuring field actors adhere to the expected frameworks.

*“According to the rules and regulations of CMA, there are **penalties that include imprisonment, a fine, a ban on work and travel, and seizure of property**” (Regulator #6).*

“Every year, CMA examines a sample of the financial statements of listed companies to assess the extent of their compliance with the international accounting standards approved and issued by the SOCPA and examine the items of the statements” (Regulator #4).

The new governing laws regulate the disputes between the listed firms and auditors to be resolved by another auditing firm not by a regulatory body. In other words, it can be presumed

that GUs gave full power for the auditors to solve disagreements in their favor. Possible escalations to the SOCPA or CMA will go back to the auditors who will have the final decision and the power of interpretation with no space for the CFOs to dispute or disagree.

*“So, SOCPA told us we would suggest that you agree with your external auditors and if they agree with what you’re doing, you can move ahead. So, they said they just close it with your external audit!! So, because of this, we could not take the opinion which was given to us by our consultants!! And unfortunately, we took the **opinion of our external auditors and to close it just to make them happy**, and we closed it!! So, this is basically the type of support you get from SOCPA and IASB. We get nothing” (CFO#2).*

*“Unfortunately, SOCPA **always supports the opinion of the external auditor**. We were placed in these scenarios a lot when adopting IFRS, which have no benefit other than losing company’s money and time and delaying the publication of our financial statements” (CFO#4).*

This power has not been perceived only by the CFO, but also by auditor who understands their power and their capacity to reshape the field practices. This dynamic illustrates how the GUs have empowered auditors to reshape field practices, aligning with the SAF, where GUs influence the balance of power among field actors. By granting auditors interpretive authority, the GUs have shifted the regulatory landscape, echoing Foucault’s ideas on power structures and control, where one group’s dominance leaves little room for resistance from others.

*“International standards gave the auditor the **power to argue and the strength of the argument**, so he argues and relies on the standard with no space for objection from the companies” (BA18S).*

In summary, functioning as a governance unit, the CMA and SOCPA possess the authority to influence the conduct of other actors within the field, including listed companies and auditors, through its regulatory prerogatives. This exercise of authority embodies a fundamental tenet of the SAF theory, wherein power dynamics and the roles of influential actors serve as fundamental determinants of the field’s structure and operations. Through the establishment of clear repercussions for non-compliance and the proactive monitoring of adherence to standards, the CMA assumes a pivotal role in upholding the integrity and reliability of financial reporting practices. As will be detailed in the next section, the collaborative efforts between the GUs (i.e. CMA and SOCPA) are making disturbance in the field which led to the reallocation of power within the field.

6.3 Changing the role of the Auditor

The GUs’ imposition of IFRS brought about a shock and disturbance to the PAAF field in the KSA. With this enforcement, they enforced governance power to the challengers, i.e. auditors, and disempowered the incumbents, i.e. the listed companies. The strategic decisions made by

GUs, including the delineation of roles by the CMA and the SOCPA, reshaped the dynamics among PAAF field key players. These strategic decisions influenced listed companies in dealing with the auditor from a bookkeeper making up numbers to an independent powerful position within the corporate hierarchy.

This departed from the historical role depicted in the auditor narrative, colloquially referred to as “*Abu Shanta*,” which means the guy of the bag. Previously, the “*Abu Shanta*” figure used to visit corporations while holding his bag, tasked with “*make-up*” for the numbers for companies to please the CFOs for securing reappointment. The dependence on auditors for financial adjustments is evident in the scandals surrounding listed companies such as MMG and Mobily before 2017, which have been described as the “Enron of Saudi Arabia” (Zerban 2018, 1-18). Mobily’s misreporting of contracts led to significant restatements, revealing systemic issues, including violations of corporate governance regulations by its board members, who failed to uphold the integrity of financial reporting. In 2018, the verdict concluded with the conviction of these board members, resulting in several penalties, including a substantial fine⁵⁷.

The 2017 audit report for MMG⁵⁸ illustrates this shift, as the external auditor refused to express an opinion on the financial statements due to uncertainties about the company’s viability. MMG’s financial statements were based on incomplete data from previous years, including missing bank statements and unaccounted liabilities, which led to the company being withdrawn from the market by the CMA⁵⁹. The report also noted significant restrictions on auditors’ ability to assess assets and liabilities, reinforcing their limited power prior to regulatory reforms. This highlights past management mistakes and inadequate controls, reflecting the challenges auditors faced in verifying records before stricter IFRS standards.

However, the enforcement of CMA laws and the regulatory changes initiated by SOCPA, and the MC disrupted this dynamic, transforming auditors into independent and powerful actors within the corporate structure. This departure from the historical “*Abu Shanta*” role is evidenced by actions taken against CFOs who previously leveraged their capital to control auditors (Bourdieu 1986). The subsequent overhaul of the governance framework positioned auditors not as facilitators of management’s desires, but as gatekeepers of financial accuracy.

*“I honestly thank SOCPA because it **ended the history of Abu Shanta offices**. Abu Shanta offices are offices that provide accounting and auditing services. You give them your budget with several statements and invoices, and they issue you financial statements*

⁵⁷ <https://english.aawsat.com/home/article/1299266/saudi-arabia-fines-7-ex-members-mobily-bod-current-member>

⁵⁸ <http://argaamplus.s3.amazonaws.com/c20f0c31-ee6b-4462-b25b-934a9a72f37a.pdf>

⁵⁹ https://cma.org.sa/Market/NEWS/pages/CMA_N_2237.aspx

according to what you want. The phenomenon of Abu Shanta offices existed before the 2000s and continued until 2017” (MA2E).

This indicates that the phenomenon of “*Abu Shanta*” offices, which provided services by manipulating financial statements according to client desires, was prevalent before 2017. The actions taken by GU have put an end to this practice.

*“In the past, companies used to go to any auditors, and **say put on make-up for me**, which means make the financial statements look right” (MA1E).*

*“Most companies, before adoption, rely on auditors. That means **they are playing with their numbers** throughout the year, and they are waiting to the auditor to make them work” (BA8J).*

Such practices reflected a lack of integrity in financial reporting, showcasing how the “*Abu Shanta*” phenomenon was prevalent before 2017. The enforcement of CMA laws and regulations from SOCPA transformed auditors into independent professionals, reducing the pressure from management to produce misleading financial statements. This shift can be understood through Bourdieu’s (1986) concept of capital transformation, where economic capital, previously used by CFOs to control auditors, needed to undergo transformation to be effective in the field. In this case, auditors transitioned from being enablers of management to gatekeepers of financial accuracy. The reference to companies approaching auditors or “*Abu Shanta*” to “put on make-up” for their financial statements highlights the laxity and questionable practices prevalent in the past. The regulatory changes enforced by SOCPA have disrupted this traditional approach, as SAF theory described, where exogenous shock reshapes the dynamics within a field.

*“The legislative authorities have increased their activity in the market, so I cannot say that there is a supportive relationship with the auditor. **The regulator bodies’ goal is to guarantee unlimited power to the auditors over us. Abu Shanta died**” (CFO#8).*

This emphasizes that legislative authorities have become more active, indicating a shift in power dynamics. According to SAF theory, these legislative actions play a role in shaping the field, redistributing power, and altering the relationships between actors. Structured around the introduction of new regulatory norms, this chapter is organized to address the implications of these changes through several key dimensions. Specifically, as summarised in **Error! Reference source not found.**, it will examine the imposition of GU penalties (Section 6.4), the reconfiguration of governance structures (Section 6.5), and the dynamics of instrumental power (Section 6.6). Each section contributes to an integrated analysis of how GU shape the regulatory landscape in favour of challengers, thereby influencing the competitive dynamics within the field.

	Before		After	
	CFO	Auditors	CFO	Auditors
The role of the auditor	High	Low	Low	High
	The role of auditor was just “ <i>Abu Shantha</i> ” meaning the role is just to fake up numbers to submit the financial disclosure as having no official powers		CMA pledge the auditor’s power to set enforcements to ensure the auditors have legitimate power to ensure the independency of the auditor disclosures.	
Penalties (Section 6.4)	High	Low	Low	High
	Low penalty. No inspection tours on the auditor from regulatory (CMA) or legislative bodies (i.e. SOCPA). Any auditor holding a SOCPA license can audit listed companies. There is no maximum mandatory period for contracting with an external auditor.		High penalty on auditors makes them stricter when they work with CFO and CFOs have the empathy and respect for this penalty. There is designated list of audit firms allowed to audit companies listed by CMA. Five years is a maximum mandatory period for contracting with an external auditor.	
Governance (Section 6.5)	High	Low	Low	High
	CFO can appoint or dismiss auditors anytime without issues.		Enforcement of the internal audit committee reporting the board member responsible for appointing the auditors. Enforcement of third-party segregation of duties, evaluation services, and arbitrary cases of disagreements.	
Auditors Instrumental Power (Section 6.6)	High	Low	Low	High
	Auditors could not make a clear qualified statement, no capacity to withdraw, and their role to delay the publication was limited		Auditors, by endorsement power from CMA and detailed reporting of IFRS, received the power to qualify statements, withdraw, or delay their publication. The external auditor has the right to refuse to give his opinion and mention that in the report, issue the report with a reservation opinion, or withdraw from the audit process with an explanation of his reasons in accordance with the new Companies Act by MC.	

Table 9: The transformation of the Auditor’s role and power due to governance changes

6.4 GU Panoptic Approach

Prior to the implementation of the new IFRS regulations governing the relationship between auditors and corporates, penalties were minimal, and oversight by regulatory bodies was not stringent, which did not significantly influence the auditor-corporate relationship. This leniency often led auditors to prioritize the interests of the companies over those of external stakeholders (e.g., shareholders). The insufficiency of punitive measures and the lax enforcement of existing regulations undermined the foundational principles of auditor independence and accountability.

The establishment of strict panoptic system by CMA brings about three significant changes: first, auditors now perceive the penalty system as stringent (sub-theme 1); second, there is a perception that their operations and relationships with clients are under close scrutiny by regulatory bodies (sub-theme 2); and third, CFOs understand that auditors are compelled to

reject unlawful work due to the strictness of the penalty system and the intensified supervision from regulatory bodies (Sub-theme 3). These changes collectively enhance the enforcement environment, reinforcing the principles of compliance and auditor accountability. As summarized in this quotation:

*“After the implementation of international standards, the **penalties increased** and the level **of supervision increased**, and I think the reason is that the previous standards were very dark and vague. The reason for the blurry vision of the regulatory authorities is because companies were **able to say what they wanted** and what **strengthened their interests**. But now the **situation has changed**, the CFOs never asks for possible cooking books as before, now transparency **has become very, very, very high**” (LA5E).*

Theme	Explanation
Strict Penalty System	The cost of violation is significantly higher than the return from involving in avoid collusion with the CFOs. The panoptic system made the auditors have the strong justification of rejection to involve in the risky commitments that could affect their sustainability in the field.
Perception of being under supervision	The panoptic system makes the auditors and CFOs perceive that they are under constant scrutiny, making them avoid potential misconduct or unnecessary interventions from the CFOs.
CFOs perceive the punitively of the penalty system	CFO understands the Auditors reasons to reject to involve in possible collusions due to their perception of the strict penalty system with a strong perception of being under supervision. This perception makes the CFO avoid introducing possible collisions.

Table 10: The effect of the new panoptic system on the collusion

Sub-theme 1: Strict penalty system

The first sub-theme is about the perception of having a strict penalty system. After the new regulations, the penalty system becomes closer and stricter with significant fines that could lead to withdrawal of the license of the auditors. These measures include warnings, cautions, and suspensions lasting up to one year. Importantly, any repeat infractions within a two-year period will lead to the revocation of the auditing license. Additionally, this framework imposes substantial financial repercussions for violations, with fines reaching up to 500,000 riyals (\$133,000). Beyond financial penalties, the system rigorously addresses criminal misconduct, such as the deliberate certification of reports with misleading, incomplete, or falsely appended information. Offenders face severe punitive actions, including imprisonment for up to five years and fines amounting to two million riyals (\$533,000). The effectiveness of governance structures within such fields is contingent upon the establishment of comprehensive regulatory mechanisms that ensure compliance and deter malfeasance. The perception of threat of penalties serves as a potent motivator for auditors to adhere to ethical standards, reinforcing their authority within the field and contributing to the overall stability and reliability of financial reporting. The cost of violation is significantly higher than the return from avoiding

collusion with CFOs. The panoptic system allows auditors a strong justification to reject risky commitments that could affect their sustainability in the field. This reflects Foucault's idea of power through surveillance, where the panoptic system enables auditors to resist pressures for collusion.

*"The problem with SOCPA is that it does not only penalize the **withdrawal of the license** to practice the profession or the temporary suspension when the auditor makes any mistake. But they defame the auditing firm, and **this harms the reputation** of the auditing firm in the market and, accordingly, its value. Take, for example, what happened to Deloitte" (MA1E).*

*"**I am afraid** of the punishments imposed by SOCPA! **SOCPA twists the auditor's arm**, and the auditor concentrates a lot in his dealings with companies" (MA2E).*

From a panoptic approach, this situation illustrates how regulatory frameworks can shift the balance of power by imposing significant consequences for actions that align too closely with the interests of CFOs, potentially at the expense of ethical standards and professional integrity.

*"It is true that I, as an auditor, if I find mistakes and refuse to audit the financial statements of the company without issuing a qualified opinions the company wants, **I will lose the amount of money, but I will gain my reputation in the market**" (BA12S).*

The auditors avoid collusion with the CFOs because of the fear of losing their reputation or license. The auditors' rhetorical questions point to a critical evaluation of the trade-offs involved in yielding to company pressures versus adhering to regulatory standards and professional ethics.

*"As an auditor, what will I benefit from if I do what the company tells me and get a warning or defamation from SOCPA! What will this company offer me **if I lose my reputation or my license**" (BA16S).*

*"The auditor, wants to preserve his **reputation**, will not be happy to work with a suspicious company. Now the auditor's reputation in the market is very important" (MA1E).*

Thus, these strict punishments made the auditors have the power of rejection to involve in the risky commitments that could affect their sustainability in the field. These strict rules do not only affect the perception of the auditors but also the perception of the corporates who understood the motivations of the auditors to be strict in the relationship.

Sub-theme 2: Perception of being under supervision

The second sub-theme of the panoptic approach is the auditors and CFOs' perceptions that their relationship is closely monitored by the GUs. Due to these enforcements, with the periodical tours from the CMA, auditors feel more they are under observation which reduces their space for freedom to accept interventions

from the CFOs, which in turn improves their power to reduce the potential misconduct as a reflection of pressure from the CFO. This perception reflects two key aspects. First, it aligns with Foucault's (1975) notion of panopticism, where individuals self-regulate due to the belief that they are constantly being observed. In the auditing field, the perception of ongoing surveillance and the threat of penalties reinforce auditors' adherence to ethical standards and limit the influence of CFOs. Second, it aligns with SAF theory, which emphasizes how regulatory institutions exert control over the field by enforcing rules and asserting authority. This institutional oversight ensures that participants comply with established norms and standards, reshaping power dynamics within the field.

*“SOCPA conducts **periodic inspection tours** and has **cancelled a large number of licences**” (MA4E).*

*“**The auditors’ control has increased** due to the development of new systems following the adoption of international standards, making them more cautious” (MA17S).*

*“Auditing firms are more empowered to be transparent because they are **audited heavily by SOCPA**” (BA13S).*

To sum up, the apprehension associated with the perception that the auditors' operations and relations are closely monitored impact make the auditors adopt a more cautious and risk-averse approach in their auditing practices, thereby diminishing their susceptibility to manipulation by CFOs as was previously the case. This shift towards greater caution and risk aversion among auditors reflects a strategic adaptation to the enhanced regulatory environment and the rigorous enforcement of standards. It underscores the effectiveness of stringent penalties and increased scrutiny in recalibrating the power dynamics within the field, empowering auditors to uphold the integrity of their work against undue influence.

Sub-theme 3: the understanding of the CFOs of the Auditors' penalty system

The timeliness and certainty of penalties not only shape auditors' attitudes towards the adherence to IFRS but also alter CFOs' perceptions, leading them to adopt a more understanding stance towards auditors. This shift facilitates a supportive environment that bolsters the auditors' ascending power within the professional relationship. Such a dynamic underscores the broader impact of regulatory measures, demonstrating that they not only direct auditors' compliance behaviours but also influence the power equilibrium between auditors and CFOs

*“What can we do? Even **the external auditors were terrified of the penalties**” (CFO#3).*

The fear expressed by the CFO suggests that the threat of penalties has a coercive effect on auditors, influencing their decisions and actions. The regulatory framework acts as a form of institutional control, constraining the behaviour of auditors and imposing consequences for non-compliance.

*“The external auditor is **helpless**. Because they have 4 or 5 oversight bodies that demand more things from them than the things, they demand from us” (CFO#8).*

*“I adoption IFRS put the external auditors in **sadder positions** than we do. Because they are **required to implement** it, even if its troubles and complications are more, (CFO#1).
“SOCPA and CMA check them periodically with strong punishments, **Praise be to God, we are in this place, not in the place of the auditors**” (CFO#5).*

These quotes illustrate the complex interplay of power, status, and regulatory dynamics within the auditing profession. This scenario indeed creates an opportunity for CFOs to acknowledge the increasing authority of auditors within the professional relationship, as well as the enhanced bargaining power auditors possess in dictating the requirements for financial statement disclosures. Such recognition reflects an adjustment in the balance of power, where auditors, backed by stringent regulatory standards and penalties, assert greater influence over the financial reporting process. This shift not only accentuates the auditors' elevated role in ensuring compliance and integrity but also highlights the evolving dynamics of accountability and collaboration between CFOs and auditors in the pursuit of transparent and reliable financial disclosures.

*“We faced challenges because the level of expectations with **our external auditor differed**. Because now the external auditor will not give you his report **unless your financial statements are good** because he is **afraid** that his **license will be revoked**, and he is also **afraid for his reputation** in the market” (CFO#13).*

*“IFRS put more responsibility on the external auditor, and he **has higher obligations and higher risks**. It is possible that the adoption coincided with the intensity of control and **examination of the quality of the auditors' work**” (CFO#4).*

To summarize, while CFOs may implicitly acknowledge the empowerment of auditors within the field, their expressions of sympathy or empathy also serve strategic purposes, potentially influencing perceptions of collaboration and solidarity among actors in response to regulatory pressures. This represents another form of power shift: initially, auditors were perceived as supportive allies to their clients due to empathy. However, with the introduction of a strict penalty system and heightened supervision, this empathy has transformed. Auditors are now compelled to adhere strictly to regulations, as the potential costs of non-compliance are prohibitive. This shift changes the dynamic from auditors being supportive due to empathy, to

a scenario where adherence to the law is non-negotiable due to the severe consequences of violations.

6.5 GU Restructuring of the Governance Power

SAF theory, which focuses on the interactions and power relations among actors within social fields, provides a lens through which to understand the impact of regulatory changes and the adoption of international standards on the auditing field. In the context of auditing, the GU restructuring has evidently shifted governance power towards auditors at the expense of the listed companies and their actors (i.e. financial managers). This shift is achieved through the establishment of clear rules and boundaries that delineate the responsibilities and obligations of both parties, enhancing the auditors' authority and their ability to enforce compliance and ensure integrity in financial reporting.

As believed by auditors, these new rules reflected on the clarity and transparency brought about by international standards, which have amplified the auditors' voices in the stock market. This clarity in roles and responsibilities, according to SAF theory, equates to an increase in the auditors' power and influence within the field, facilitating their ability to act as effective governors within the financial reporting field.

There are three governance mechanisms evidenced in this research that made this reconfiguration of the power balance between auditors and CFOs in this strategic field as summarized in Table 11. They are enforcement and disclosure of the engagement letter (Section 6.5.1), redistribution of the appointment and dismissal power across the actors in the field (Section 6.5.2), and enforcement of internal audit committee as an emergent actor with significant power in the field (Section 6.5.3).

Theme	Description
Engagement Letter	Instead of vague relations, responsibilities, and accountability that can be abused by the CFO, the letter specifies the accepted and unaccepted relations, responsibilities and accountabilities of each of the actors.
Appointment and Dismissal Power	Instead of capacity to dismiss auditors at any time by CFO, the auditors' position is protected by GU and CFO cannot dismiss them. Indeed, auditors now has the right to dismiss which can affect the corporate reputation and share price.
Internal Audit Committee	By law, it is required to have AC in the governance structure to raise the power of auditors over accountants and CFOs in the firm. The AC increased the social relations with the board and make CFOs career vulnerable to the Auditors escalations.

Table 11: Restructuring the governance power

6.5.1 Engagement Letters

In the realm of corporate governance, the introduction of engagement letters marks a significant evolution catalysed by international standards. These letters, alongside independent reports on transactions involving related parties, represent crucial innovations aimed at enhancing transparency and accountability within audit processes. Essentially, an engagement letter serves as a formal agreement between an auditor and a client, delineating the parameters of the audit, including scope, responsibilities, and other pertinent details (IAASB, 2007). By providing a clear roadmap for the audit engagement, engagement letters play a pivotal role in preventing misunderstandings and ensuring clarity between auditors and clients. From the perspective of SAF, this formalization can be interpreted as a mechanism that bolsters the governance structure of the field. By providing auditors with explicit mandates and authority, engagement letters contribute to the overall enhancement of governance practices within the field. Moreover, the implementation of engagement letters represents a proactive step towards aligning with international best practices and standards.

*“In the past, there were **no clear contracts**, responsibilities and roles were vague enough to be abused by the CFOs. Now everything is clear, international standards made our voices heard in the stock market” (LA5E).*

*“The **new engagement contracts** set boundaries for interacting with the external auditor and formalize the relationship, but they also grant the auditor the authority to demand more than what the standards require. As a result, I believe the international standards clarified the terms of **engagement but strained the relationship**” (CFO#8).*

*“Companies are no longer able to **put pressure on auditors** to fix what they wanted in their books, yes, **now the standards stand between you and me**. Everything is clearly stated in the **engagement letter**” (MA9SY).*

The adoption of these standardized procedures demonstrates a commitment to upholding global norms of transparency and accountability. This not only fosters trust between auditors and clients but also enhances the credibility of the auditing process in the eyes of stakeholders. This formalization of the audit process fills a notable gap that existed under previous Saudi standards:

*“Now, due to the new regulations **we have a letter of engagement** with the final report. These contracts did not previously exist during the days of Saudi standards, so international standards regulated the process. Also, transactions from related parties are issued an independent report. Because international **standards are clear, there is better governance**” (MA9SY).*

In these contracts and engagement letters, the auditors' roles are defined, improving the bureaucratic power. These new contracts highlighted the role of regulations issued by SOCPA and the MC in strengthening the position of external auditors:

*“Adopting international standards is not only what supported our position and made it stronger, but the **regulations issued by SOCPA, CMA and the Ministry of Commerce** required **engagement letter to disclose clearly the external auditor’s responsibilities** and clarified the company’s responsibilities, and this is what supports our position” (MA1E).*

The explicit in engagement letter delineation of responsibilities outlined in regulations signifies a strategic strengthening of the field’s challengers, namely auditors, through regulatory backing. By providing a clear framework of responsibilities and obligations, regulations empower auditors to assert their authority and influence over the field’s practices. With defined roles and responsibilities, auditors are better equipped and empowered to navigate complex audit engagements and uphold the integrity and transparency of the auditing profession. The strategic reinforcement of auditors’ governance power through regulatory mechanisms, according to SAF theory, strengthening auditors’ capacity to govern and shape the field’s practices, regulations effectively elevate auditors from mere participants to influential actors within the governance ecosystem.

6.5.2 Appointment and Dismissal Power

Prior to the enactment of legislation mandating compliance with IFRS and ISA, the CFO possessed unilateral authority to select, appoint, and terminate the services of external auditors. This concentration of power effectively diminished the autonomy of external auditors, rendering their status as independent entities largely nominal. Within the framework of power and SAF theories, the prerogative to appoint and dismiss auditors at will, without the necessity of providing a rationale, positioned the CFO in a dominant role within the SAF of corporate governance. This dynamic underscored a significant power imbalance, where the external auditor’s position was contingent upon the CFO’s discretion.

Sub-theme 1: The old system - Power with the CFOs

The absence of mechanisms for auditors to communicate the circumstances of their dismissal among their peers further exacerbated this imbalance, essentially compelling auditors to conform to the directives of the CFOs. Consequently, before the CMA’s enforcement of regulatory standards aimed at enhancing auditor independence and accountability, the SAF was characterized by a skewed distribution of power, favoring the CFOs, and undermining the foundational principle of auditor independence.

*“In the old days, it was easy for the company to put pressure on us. Yes, previously, it depended on relationships and keeping things **going or pressuring the auditor**” (MA4E).*

*“IFRS facilitated the audit process and regulated the market. the company used to put pressure on the auditors and say **would dispense with you** if you **did not do what we wanted**. Now, the argument is according to the standards, and no one can say it to the face that we **will dispense with you**.” (MA17S).*

LA7S highlights a historical context where the relationship between companies and auditors was perfunctory, governed by a quid pro quo arrangement that prioritized financial compensation over rigorous audit integrity.

*“Clearly, in the past, companies used to deal with the auditor on the principle that they are more understanding and deal with the auditor as **if you came, we give you an amount of money, and you audit and walk away.** But the situation now is different. I also think that companies are now looking at the auditor from a different perspective” (LA7S).*

The shift to a different perspective signifies a movement towards recognizing the auditors’ role as integral to corporate governance and financial transparency, underpinned by a regulatory framework that curtails the CFO’s unilateral authority and enhances auditor independence.

*“In the past, problems with the external auditor were not mentioned, and if they did arise, he and I would sit at a table and **solve them in just one day.** I never needed to get a consultant, and we never went back to the audit committee. If I am not happy with him, **I will change him in the next day**” (CFO#7).*

This practice, deeply embedded in the SAF of corporate governance, underscores a significant power imbalance, where auditors felt compelled to align their interests with those of CFOs to ensure continuity in their professional engagements.

*“Before, I could **easily replace the auditor,** and the auditor was more cooperative with us” (CFO#8).*

Thus, the auditor’s ability to expand their market engagement historically hinged on appeasing CFOs and cultivating personal relationships with them, a strategy aimed at securing reappointment and maintaining business relations.

Sub-theme 2: the Shock in the field- The enforcement of the new regulations

The new Saudi Companies Law⁶⁰ restricted the capacity of the organizations to dismiss the auditor in the second paragraph of Article 18 (Bureau of Experts at The Council of Ministers 2022). In addition, in the third paragraph, it gave the auditor the right to retire or submit his resignation. But the companies did not resort to the option of isolating the auditor, but rather resisted him in various forms and tried to negotiate with him. This new law enforced by CMA changed the power dynamics as now the auditor has the decision to leave, and the same auditor cannot be reappointed after 5 years of engagements with a capacity to share experience with the next auditor. This perceived change by the CFOs gives the power to the auditor against the CFO as detailed in the CFO7 quotation:

*“The CMA issued a decision requiring the external audit to be changed **every five years.** When the auditor is changed, the new auditor sits with the old auditor and **asks him about***

⁶⁰ <https://laws.boe.gov.sa/BoeLaws/Laws/LawDetails/a8376aca-1bc3-49d4-9027-aed900b555af/1>

*us, and he has the option of refusing to deal with us if he finds that the risk with us is high. So, **the external auditor has an upper hand**" (CFO#7).*

In addition to the limited capacity of CFOs to dismiss auditors within the five-year period, auditors have the right to withdraw and disclose their reasons for doing so. This withdrawal can have a detrimental effect on the company's reputation and share price, marking a negative aspect of the company's statements.

*"In both cases, the auditor's qualified opinion or withdrawal from the audit process is considered **a black point in the company's statements**" (BA8J).*

Moreover, this withdrawal is perceived to influence the company capacity to find another licenced auditor which are only 15 authorised offices to do auditing. The new auditor, as perceived by the CFOs and auditors, will doubt the integrity of the board members. This scrutiny creates a fear of potential repercussions or negative perceptions that could arise if the reasons for changing auditors are questionable. As from the auditors' perspective engaging with this "*suspicious client*" is a reputational risk for them:

*"The auditor's withdrawal from the audit process is never in the interest of the company, because if the company tries to contract with a new auditor, the first question he will ask is **why the old auditor left you at a critical time.**" (BA12S).*

The same perception is captured by the CFOs. That auditors calculated the audit risk and how it could influence their market reputation. According to the CFO perception, withdrawal or comments from the current auditor could be affect the estimation of the risk of engagement and thus either increase the price or avoid working with the firm.

*"But his withdrawal is not in our interest because you are forced to appoint a new auditor, and the new auditor will **create a risk estimate for the project** and ask why the previous auditor withdrew, and this **increases the risk of the engagement**" (CFO#13).*

Sub-theme 3: Shift in the power in the field from Corporates to Auditors

This shift contrasts the previous practice of informal power exerted by companies over auditors with a current state where auditors' "*voices became clear*". This transformation can be understood through the lens of power and SAF theories, which suggest that the enforcement of laws by the CMA reconfigured the power relations within the field.

*"Previously, when there was a problem between the auditor and the company, the company used to tell the auditor, **walk with us, or next year, we will not take you.** Now, **our voices became clear**" (MA17S).*

The same perception for the CFO as these appointments and withdrawal legislation had dramatic effects of the power distribution between auditors and CFOs

"For example, the possibility that you are increasing the percentage of profits or manipulating the numbers, and for this reason the external auditor withdrew. Therefore,

*the auditor began to have a **strong influence** on us and **became very conservative** (CFO#6).*

This withdrawal power influenced the bargaining power dynamics between the auditors and CFOs. As evidenced, before the auditor was enforced to obey the CFOs, now the auditor can insist on his/her position and the CFOs must accept. According to the CFOs auditors can now “*twist the arms of the company*” by using the withdrawal instrument to enforce his/her opinion:

*“In the event of a disagreement with the auditor, I try to argue with him if the point is not essential, and if he is not convinced, he can withdraw, the external auditor now easily **twists the arm of the company**, and in the end, **the auditor becomes like a judge**. In the end, we **don’t have the luxury of selection**. We accept the opinion of the external auditor. Your brother is obliged, not a hero!” (CFO#13).*

The same evidence is captured in the auditor’s narrative as they can now impose their views freely without the fear of being dismissed:

*“The relationship became fraught with tension because the discussion increased, but in the end the **company forces to submit to the opinion**, the auditor is **now able to easily withdraw himself from the audit process**” (BA18S).*

*“If the external auditor is not convinced of what you say, he withdraws from the process. The problem is that when you sign a contract with him at the beginning of the fiscal year and he start working with you and then he withdrew, **it is difficult to get a second auditor**” (CFO#8).*

Indeed, this change in power, as perceived by auditors, helped them to reduce the level of manipulation in the financial statements compared to before the IFRS.

*“The space for manipulation of external **auditors has been narrowed**. The companies now became afraid of changing the auditors because everything is published on Tadawul by name, so if they bring another auditor, he will **ask why the previous one left you!**” (BA13S).*

6.5.3 Internal Audit Committee Power

With the IFRS, the Company Act was issued to regulate auditing profession and governance structure. The enforcement of internal audit committee, Article 71 of the 2017 regulations emphasizes the establishment of independent units or departments within companies to assess and manage risks and perform internal auditing duties. These units may also engage external entities for these tasks. Article 72 regulations now mandate the establishment and function of internal audit committees within listed companies, highlighting their critical role in fostering effective corporate governance practices. The following section will cover three sub-themes: the previous system where the GU was absent, the implementation of this GU, and its effects on the power dynamics between auditors and CFOs.

Sub-theme 1: The old system-power with the CFO

Prior to the imposition of IFRS and the establishment of Corporate Governance Regulations by the CMA, there was a notable gap in the legal framework governing listed companies in KSA, particularly concerning the oversight of internal audit committees. This lack of regulatory attention is highlighted by the significant evolution in regulatory practices and alignment with international standards over the past seven years.

*“If you had come to KSA seven years ago, there would have **been no awareness of the value and importance of the internal audit committee**” (BA13S).*

*“With the shift to international standards, **awareness of governance** in companies increased because international standards have high requirements compared to the old standards. The old standards are somewhat limited, so **the responsibilities of the auditor and companies increased**” (BA8J).*

This statement underscores the evolving landscape shaped by these regulatory changes. The evidence of the comparatively weaker position of auditors relative to CFOs, will be detailed in the next section, highlighting issues such as the power of appointment and dismissal. Historically, auditors lacked a dedicated internal unit to support their position, limiting their capacity to operate independently and report directly to the CFO. The Companies Law and earlier iterations of CMA regulations did not adequately address the existence or roles of internal audit committees, reflecting a significant oversight in regulatory practices.

Sub-theme 2: the shock in the field – Enforcing the Auditor to be part of the board

The emergence of the internal audit committee as a new Governance Units (GUs) legislated by law has significantly shifted power dynamics within the corporate governance landscape. Empowered with direct reporting responsibilities to the board of directors and tasked with selecting and appointing external auditors, the internal audit committee has begun to erode the traditional authority held by CFOs in these areas. This shift is largely attributed to the adoption of IFRS, which has encouraged companies to prioritize robust corporate governance and internal audit practices. It started from the awareness about its importance, as one CFO noted,

*“IFRS have motivated companies to pay more attention to corporate governance. They became more interested **in the subject of internal audit**. They created an internal **audit committee** and the awareness about internal audit is raised after adopting international standards” (CFO#1).*

*“Attention has become more precise in internal auditing than before the adoption of international standards, and **it has affected the relationship**, between the internal audit committee and the board of directors and between **the internal audit committee** and the **external auditor**” (CFO#12).*

*“We are attending meetings with the **audit committee periodically**. In the past, I had not heard of an audit committee. The **interest in internal audit is very new**. in 2021, the internal audit profession was revived” (MA2E).*

The external auditor now becomes a member of the auditing committee chaired by the internal auditing committee to form the Board Audit Committee, which reports directly to the board of directors, underscoring their enhanced role and influence within the governance landscape. These perceived consequences signify a notable change in the power dynamics within the corporate governance framework. This change empowers the direct social connection between auditors and those charged with governance.

*“Audit committee, obligated by international standards of auditing, ISA, to have **communication** with those charged with governance. So, after the end of the auditor, during the audit, to have **a communication with the audit committee**. The level of **presence** of external auditor in the meeting with audit committee has been **increased**” (BA12S).*

The proximity of the auditing committee to board members has made a shock to the strategic field of the CFOs as now auditors become closer to the board members through this board., which improved communications and influenced the board,

*“Auditors now **are attending our quarterly** audit committee meetings. So, whatever disagreements they have with us or complex accounting treatment, they **directly report to the board**, they present all these things in the audit committee, quarterly audit committee meeting. This is really a power, a clear power” (CFO#3).*

*“In the past, the level of attendance of the external auditor at Board of Directors meetings was **almost non-existent**, and it was lenient. Now **he works with them continuously**” (LA5E).*

The increased presence of external auditors in audit committee meetings, indicating a significant rise compared to previous levels. This heightened presence suggests a closer integration of auditors into the governance structure, with their involvement extending to various sections of the board audit committee meetings:

*“The level **of present of an external auditor in the meeting with the Audit Committee**, now **they are always there**. But maybe it was **not that much**, but now **they are always there**. They’re always a part of the BAC committee (The Board Audit Committee Our own BAC). Maybe for one section or two sections of the meeting they are not there. But all other sections of the meeting, they are always there. The level of their present I would say it’s at least 50% more” (CFO#2).*

To sum up, the board of directors has shifted its focus from relying on CFOs to placing greater trust in their auditing committees. This transition stems from the perception that auditing committees offer greater transparency and independence, consequently diminishing the relational power of CFOs within organizations. This shift is seen as a potential threat to the traditional power dynamics within the CFO role.

Sub-theme 3: the shift in the power to the Auditor

The empowerment of external auditors facilitated by enforcing the Internal Auditing Committee (ICA) has significantly shifted the governance dynamics within organizations. This enhanced position allows auditors to exert increased relational social power, positioning them closer to the board members and ensuring their inputs are prioritized over those of the CFOs during board meetings. Key shifts include a marked increase in the presence of external auditors at board meetings, highlighting a growing board preference, which pledges relational power, for independent audit insights. An auditor reflected,

*“The importance of the external **auditor has increased**; board members now **appreciate hearing the perspectives of an independent entity**” (MA14U).*

*“ICA has **endowed the auditor with more power**, as our auditors now directly communicate with the audit committee and the management of the company” (CFO#3).*

This shift in power dynamics endows external auditors with the authority to enforce compliance on CFOs, sometimes against their internal judgements. An illustrative incident involved external auditors imposing last-minute requirements during financial statement preparations, using threats of escalation to enforce compliance by using their position on the auditing committee and their relations with their managers (i.e. board).

*“We were preparing the financial statements when the external auditor presented unexpected demands. Despite our pushback, **they threatened to report us to the board audit committee if we did not comply**” (CFO#2).*

This connection increases the power of the auditor versus the CFOs, who are now vulnerable to the auditors’ opinions and judgements. This is a strong sign of changing power dynamics between the auditors and CFOs in the field.

*“The external auditor is selected by the internal auditor and the internal auditor is directly linked to the Board of Directors. If we oppose him and he withdraws, this is **not in my favour as a CFO**, as the **Board of Directors knows that the external auditor withdrew from the process!!** But in the past, the **external auditor was not as aggressive** with us as he is now. Previously, **things were resolved amicably** because we were humans and mistakes were normal, but now the external auditor has begun to **scrutinize everything and clash with us**” (CFO#7).*

The power is not balanced between auditors and CFOs. The auditor, using their social resources, become dominating the relationship with the CFOs. This made CFOs worry and increased caution “*Caution increased; controversy increased*” in response to shake in their fields due to this new GUs. This highlights the challenges introduced by heightened collaboration between external auditors and senior management, particularly in relation to the CFO.

*“The relationship between the external auditor and senior management has become stronger, so caution is necessary. Caution increased; controversy increased. They simply can **report this the CEO and Board members which can ruin my career**” (CFO#15).*

The CFO could be stressed if the auditor withdraw as it could have adverse effect on his/her relationship with the board of directors, internal audit committee and CEO, which indeed, could affect their job security.

*“If the auditor withdraws, you **lose your trust** in front of the Board of Directors, the Internal Audit committee, and the CEO..... this affects **my job security**” (CFO#8).*

This social connection is perceived by auditors as an effective method for exerting dominance over CFOs and enforcing their decisions. The following quotation illustrates this dynamic, where an auditor threatens a CFO by stating he will cc the CFO’s boss about his ‘resistance’:

*“And I will put this on email, and I will propose an adjusting entry. Keeping **your boss in CC**, your **company’s CFO in CC or your executive in CC**. So, how would you take it?
“Naturally, resistance comes in. They try to argue. **I know how to deal with them**” (BA12S).*

Consequently, due to their socially relational power with the board of directors, coupled with the board’s capacity to jeopardize the CFOs’ careers, the CFOs encountered a conflict of interest. They had to choose between appeasing the auditors to safeguard their positions or aligning with the board’s directives based on their personal judgements of what was correct.

*“At the end of the day, you must close it with your **external auditor and make them happy**. Exactly. That is what they all say. Which makes our life very difficult, because we are fighting with them on every day for **what our company wants**, for what our executive management wants. And then at the end of the day, you must **only make external auditor happy**. For me auditors are more **important than anybody else**” (CFO#2).*

*“I am trying to resolve our issues with the auditor **without escalating to the CEO or the Board of Directors**. Any escalation could affect my position as CFO. I care more about making the auditor happy than making the best interest of my company” (CFO#10).*

*“At the end the audit report is just words on paper. But as a manager, I **have responsibilities**, so in the end I amend the amendments **requested by the external auditor**” (CFO#13).*

Overall, the reconfiguration of power dynamics within organizations has fundamentally altered the traditional hierarchy. CFOs, previously at the apex of organizational power, now find their influence diminished relative to that of internal and external auditors. This shift is facilitated by the strengthening of the auditing committee, which not only fosters closer relationships between internal and external auditors but also positions the committee nearer to board members, thus empowering it to challenge and influence CFOs decisively. The refined focus on internal auditing, especially following the adoption of international standards, has significantly impacted the interactions among the internal audit committee, the board of directors, and external auditors, fostering a governance structure that prioritizes transparency, independence, and accountability.

6.6. GU Empowerment of Instrumental Power to Auditors

The radical shift in the relationship between auditors and CFOs has not only been driven by governance changes but also by the introduction of two key powers granted to auditor's withdrawal power and transactional power. These powers enable auditors to enforce their auditing practices over CFOs. Under transactional power, auditors wield two instrumental tools: the capacity to issue a qualified opinion on financial statements and the ability to delay the submission of financial statements to the stock market. Both instruments significantly impact the company's market value and can even halt trading of their stocks. According to Carpenter and Krause's (2015) view on transactional authority, the auditor's influence here is not solely due to formal mechanisms. Instead, it is part of a transactional process where auditors issue opinions based on their perception of compliance, and CFOs respond accordingly. CFOs know that a clean audit report is a transactional response to well-prepared financial statements that comply with auditing standards. This dynamic shift the balance of power towards the auditor, who becomes central to shaping financial disclosures.

6.6.1. Issuing a Qualified Opinion

As an element of transactional power, the first instrumental tool is the issuance of a qualified opinion. A qualified opinion is an audit report qualification that highlights significant concerns or limitations found during the audit. The fear of receiving such an opinion and the reluctance to change auditors indicate that auditors hold substantial influence over a company's reputation and credibility. This influence exemplifies the core of transactional power, as the auditor's ability to issue a qualified opinion forces the CFO to respond to potential risks and ensures compliance with auditing standards.

*"The way we deal with the client has changed a lot. From being Abu Shanta as pursuing the client's satisfaction to being able to give our opinion and give them time to think about our decision. Then we hold successive meetings; if we agree, the amendment is made according to what I, as the auditor, **see or issue a qualified opinion**" (MA2E).*

The transactional power exerted here involves not only the formal act of issuing a qualified opinion but also the ongoing negotiation and interaction with the CFO. This dynamic shift the balance of authority toward the auditor, allowing them to reinforce their position within the financial reporting process. In this transactional dynamic relationship, CFOs understand that receiving a clean audit report is a direct response to their compliance with standards and the preparation of well-structured financial statements. The auditor's approval is essentially a transactional exchange, where adherence to accounting standards and transparency on the

CFO's part leads to the auditor's validation of the financial reports. This mutual understanding underpins the collaborative yet authoritative role of the auditor in the financial reporting process. The auditor perceives this instrument as empowering but also as a responsibility, as misuse can lead to revocation of the auditing license.

"It is not in the company's interest to obtain an unqualified opinion, but I am not willing to lose my reputation in the market or withdraw my license. So, I give an unqualified opinion if the error is fundamental" (LA3E).

Qualified statements serve as a key mechanism in transactional power, allowing auditors to take over incumbent auditing practices by asserting their influence in interactions with CFOs. From the auditors' perspective, the power to issue qualified opinions restructures their relationships with clients, reducing subjectivity and reinforcing their authority:

"IFRS reorganised the relationship previously it depended on relationships and customer satisfaction. The space for manipulation of external auditors has been narrowed. The companies now became afraid of the qualified opinion from the auditor" (BA13S).

"The company does not like the qualified opinion and avoids obtaining it because it is considered as a black spot in its financial statements" (BA8J).

"Now, as an external auditor, I am able to argue with the company and convince them or give them a qualified opinion" (MA15U).

The transactional authority exerted through these negotiations allows auditors to have their voice heard and their concerns addressed, making it a "serious matter" for CFOs. This power can directly impact the company's market value, as indicated by CFO testimonies. CFOs recognize the weight of a qualified opinion and the potential negative impact on investor confidence and company reputation:

"An auditor holds the authority to issue a disclaimer of opinion when they cannot obtain adequate and sufficient audit evidence. This may also occur if they believe undetected misstatements could be both significant and widespread. This is a serious matter for us" (CFO#12).

"The companies now became afraid of the qualified opinion from the auditor. At the same time, they are afraid of changing the auditors because everything is published on Tadawul by name!" (MA2E).

This dynamic underscores the importance of auditors in shaping the company's image and the challenges companies face in managing their reputation within the strategic action field. The ability to issue a qualified opinion has been perceived as an enabler mechanism for challengers to take over the incumbents and as a defence mechanism by the auditor in case of resistance from the CFO:

"In some cases, if the auditor disagrees, a financial statement is issued with a mention in his auditor's report (that he has a qualified opinion on these financial statements). And

*this **affects the company in the future**, so if it resorted after that to another auditing firm, it would be careful with the company” (LA5E).*

*“In case of a **strong resistance** from the CFO to collaborate with us, I would issue its **audit report with a qualified opinion**, or issue the auditor’s report, mentioning that the auditor declined to state his opinion with express the reasons. In either case, these opinions in their reports are harmful to their company” (BA13S).*

*“In cases where we reached a dead end with the client. We held meetings and raised the issue to the upper management, but the company rejects the level of disclosure that we require and at the same time refuses to reserve an opinion. Therefore, we **refuse to complete the audit process**” (MA9SY).*

The mention of “indifferently” in CFO#6’s statement suggests a shift in the frequency and approach to issuing qualified opinions, particularly after the adoption of IFRS. This practice, which may not have been common during Saudi GAAP, became more prevalent as auditors began issuing qualified opinions more readily under IFRS, signifying stricter adherence to international standards. This change reflects the growing assertiveness of auditors, who now act with greater authority, holding companies to higher standards of transparency and compliance. As a result, companies experience delays in releasing financial statements, a consequence of the auditors’ increased control.

*“The relationship between us and the auditor is unstable and has ebbs and flows. For example, the auditor now **indifferently** gives a **qualified opinion**, and thus we **delay publishing our financial statements**” (CFO#6).*

This dynamic underscore the importance of auditors in shaping the company’s image and demonstrates the challenges companies face in maintaining control over their reputation. The transactional power of auditors, enhanced by the ability to issue a qualified opinion, alters the balance of control between auditors and CFOs, reinforcing auditors’ positions as strategic actors.

To sum up, the qualified opinion report gives power to the auditor over the CFOs because companies fear that a qualified opinion could negatively impact their reputation, investor confidence, and access to financing. This fear indicates a power dynamic where the auditors’ opinions hold considerable weight, influencing the perception and credibility of the company. The fear expressed by companies in the quote highlights the power dynamics between companies and auditors within the strategic action field. Companies depend on auditors to provide assurance on their financial statements, which influences stakeholders’ perceptions and decisions. This shift in power dynamics illustrates the rebalancing of power between auditors and CFOs within the strategic action field.

6.6.2. Postponing the Release of Financial Statement

The second instrumental or procedural power that enhances the auditors' bargaining and negotiation capacity with the CFOs is their authority to "delay" the issuance of the financial statements in the stock market (known as Tadawul in KSA). The "delay" instrumental power is defined in this research as the capacity of the auditor to postpone the submission of the financial statements to the stock market in cases of disagreement flagged between the external auditor and the CFOs in listed companies until the CFOs agree to align their accounting and financial practices with the auditors' practices. This delay affects the market value of the company and could halt trading in their stock on the market.

*"After the companies realized that the lengthy **negotiations led to delaying the** issuance of their financial statements and thus delaying their presentation in the market, which affected the value of their shares, for example XXX company, they began to accept and take the auditor's opinion without lengthening the negotiations" (BA18S).*

*"Several companies were late in disclosing their financial reports, and this affected by the suspension of their trading. The reason **for the delay** was the long negotiation with the external auditor and the auditor's delay in issuing his report" (MA4E).*

The auditors are aware of this instrumental power in influencing the incumbents' practices, and they are using it in disagreement as a threat to CFOs and their listed companies.

*"Disagreement over the accounting treatments and disclosures and presentation of financial statements between auditor and the clients because they believe that it's good to continue things as they were before, there is always disagreements, and we warn them of their financial disclosures **will be delayed because of this time wasted in the debating**" (BA12S).*

The same awareness and perception are convinced by the CFOs which made them believe that any disagreement with auditors will harm them.

*"Disagreements led to **a delay in publishing** our financial statement which affected our shares on the market. Naturally, the relationship with the external auditor is ruined" (CFO#8).*

This negotiation power is frequently highlighted by CFOs, who feel they are losing control to auditors. The auditors enforce their opinions and condition the release of financial statements on the acceptance of their decisions, as delays during negotiations negatively impact the timely publication of company reports.

*"This year, our shares went down in the market, and this is the reason for the delay in publishing the financial statements compared to our competitors. **This delay causes fear and doubts among the investors**" (CFO#3).*

*"We, considered the largest company in the Middle East, were late because of the auditor, which caused the value of our stock to decline in the market because investors were afraid, **because were we late!!** Due to delay in publishing report as we disagreed with auditors on several financial presentation issues" (CFO#9).*

This determinantal shift of the power due to this instrumental power has been evidenced severally and made the CFO feel being weakened and oppressed, in the field compared to the Saudi Standards which was giving them unlimited power over auditors.

“The external auditor hinders us from Publishing our financial statements on time, or even handing them over to a bank that takes a loan early and start a project! I’m talking to you now and I feel oppressed! Because this stupid person delayed us by a stupid point. Such big stories did not happen in the past with Saudi GAAP. Definitely, if we stay with Saudi standards, it will be better” (CFO#7).

In light of SAF, this section illustrates the rebalancing of authority between auditors and CFOs, showcasing how regulatory changes and the introduction of international standards transform the interactions and power relations within the financial reporting field. The authority to delay financial statements not only empowers auditors but also reflects the strategic actions and responses of both auditors and CFOs as they navigate their evolving roles in the marketplace.

6.7. Governance Based Model

The governance-based model comprises two distinct mechanisms that reinforce the auditors’ influence over CFOs. The first mechanism involves a panoptic strategy implemented by the CMA, which subjects both auditors and CFOs to continuous surveillance via “regular inspection tours”. The stringent penalty system enforced by both regulatory bodies, CMA and SOCPA, cultivates a sympathetic attitude in CFOs towards auditors, thereby discouraging the initiation of collusive behaviours. This mechanism in general enhances the power of the auditor as protecting them from possible pressures from the CFOs. The second mechanism operates through governance arrangements, resulting in five significant modifications in the auditor-CFO relationship. Prior to disputes, two changes increase the auditors’ influence: firstly, the clarity of roles and responsibilities outlined in the engagement letter, which prevents auditors from performing accounting tasks, thereby reinforcing their bureaucratic power through duties segregation and conflict of interest prevention. Secondly, increasing the presence of external auditors in audit committee meetings enhances their proximity to the board of directors, thereby increasing their relational power and amplifying their influence over CFOs through their connection with the board. Following the onset of disputes, three additional powers come into play: withdrawal power, transactional power involving qualified opinions, and the power to delay financial disclosures. Withdrawal power stems from an auditor’s ability to resign, potentially damaging the firm’s reputation, impacting its share price, and jeopardizing the CFO’s position. Transactional power derives from issuing qualified opinions, which serve as a

tool to reveal concerns potentially affecting the company's financial standing; and the delay in financial disclosures, which can also influence the market price of shares.

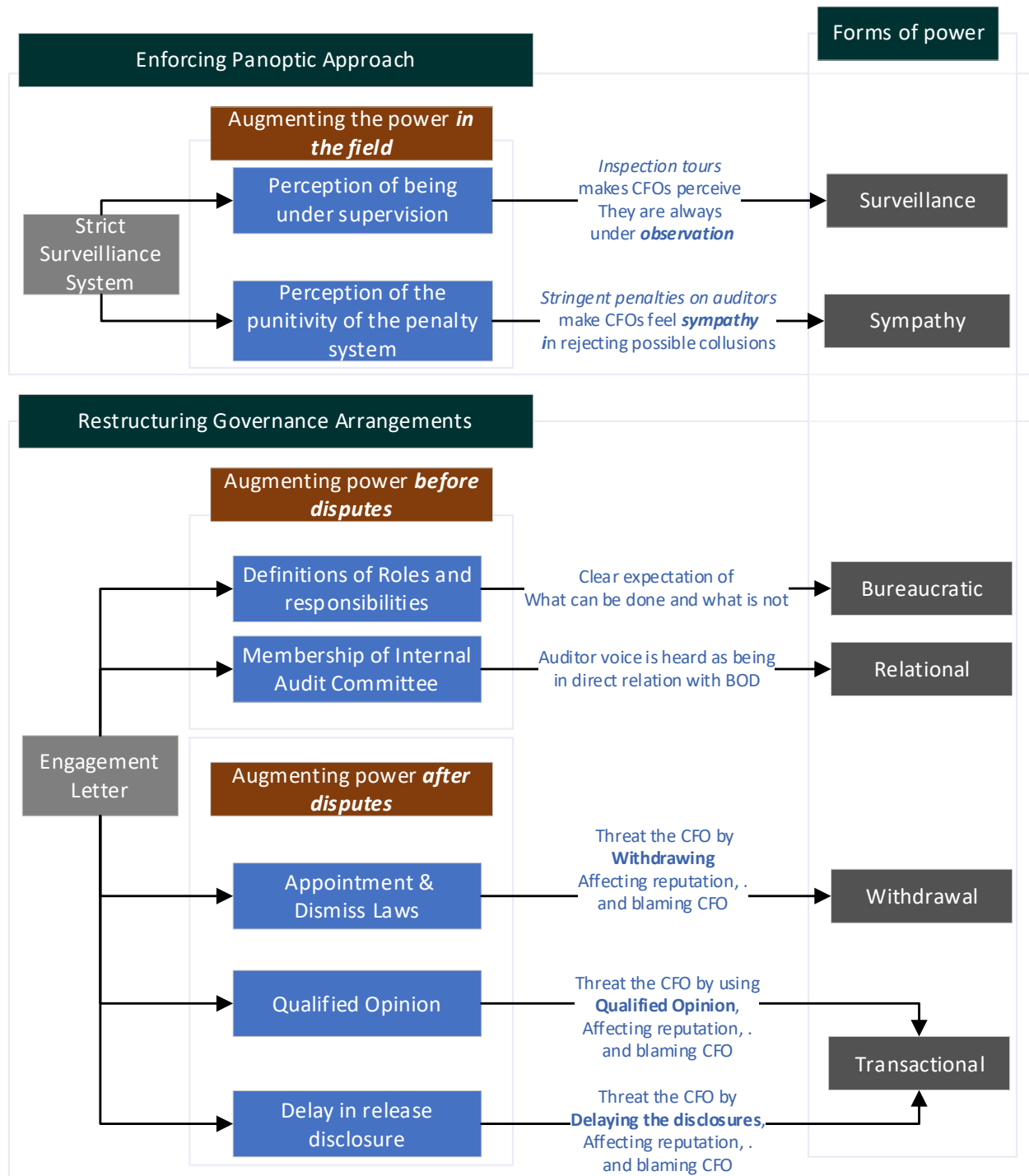


Figure 4: Governance Model

6.8 Discussion

The findings of this chapter demonstrate how the adoption of IFRS/ISA, coupled with regulatory reforms in KSA, reshaped governance structures and recalibrated the power dynamics between CFOs and auditors. This transformation aligns with and extends multiple strands of literature on auditor independence, regulatory governance, and power reconfiguration within strategic action fields. The shift in auditor-CFO relations reflects SAF theory's core mechanisms, particularly the displacement of incumbents (CFOs) by challengers (auditors) as field control is contested and restructured (Fligstein and McAdam 2012). The regulatory overhaul marked by the introduction of sanctions and the strengthening of audit committee oversight created a new institutional environment that enabled auditors to assert dominance. This supports Seo and Creed's (2002) view that exogenous shocks can reconstitute power hierarchies by embedding novel rules, norms, and surveillance practices. In line with DeFond and Zhang (2014), the findings show that IFRS adoption can enhance auditor independence, especially when institutionalized through governance mechanisms that formalize their authority. Distinct from mature Western economies (Wieczynska 2016), the Saudi transition triggered a more abrupt shift due to the previously dominant position of CFOs and limited enforcement under Saudi GAAP. The results reinforce arguments by Ball (2016) and Afeltra et al. (2024) that international standards alone are insufficient for effective reform unless accompanied by strong institutional backing. Here, the emergence of a panoptic regulatory system featuring inspections, penalties, and delineated roles demonstrates how oversight infrastructures can discipline both auditors and CFOs, reducing opportunities for collusion and enhancing transparency. This supports the findings of O Cualain and Tawiah (2023) on the disciplining effects of regulatory visibility. This study further advances governance literature by illustrating how audit committees function as sources of social and relational power for auditors. Consistent with Krismiaji and Surifah (2020), the auditors' closer proximity to boards empowered them to confront CFOs and resist pressure. This development fostered vertical accountability, constrained financial manipulation, and improved audit quality. Additionally, the deployment of qualified audit opinions and delayed report issuance as enforcement tools extends Shibasaki and Toyokura's (2020) insights on their disciplinary utility. Unlike U.S.-based studies (Cipriano et al. 2017), where clients can easily dismiss

auditors, this research reveals that governance reforms in KSA constrain such practices. These constraints are reinforced by the scarcity of licensed firms, as highlighted by Pan et al. (2023), contributing to a power shift toward auditors. Finally, the study introduces a novel insight: the strategic delay of financial report issuance as an enforcement mechanism. This tactic largely unexplored in existing literature is explained here as an outcome of intensified regulatory scrutiny and limited auditor availability. The resulting oligopolistic structure amplifies auditors' influence and adds a new dimension to understanding institutional enforcement in emerging and under-regulated markets.

6.9 Summary

The landscape of public auditing has witnessed a shift in power dynamics, redefining the roles and influence of key stakeholders. Traditionally, companies being audited, or the incumbents, held sway, shaping financial statements and audit procedures according to their preferences. However, the introduction of IFRS/ISA by the SOCPA, alongside other governance regulatory and law changes, has disrupted this status quo. This chapter delves into the transformative impact of these regulations, examining how they have reshaped power dynamics within the field. The chapter dissected the intricate process of power reconfiguration, focusing on the evolving relationships between external auditors and CFOs. The emergence of external consultants further emphasizes this realignment of power. The analysis is contextualized within the framework of a new penalty system, delineation of roles and powers, and the augmentation of auditors' instrumental power through restructuring of disclosure arrangements. Furthermore, the exploration extends to the empowerment of instrumental power to auditors through tactics like issuing a qualified opinion and postponing the release of financial statements. These strategies underscore auditors' heightened authority in shaping corporate compliance and financial reporting practices.

In conclusion, this chapter enriches our understanding of the evolving landscape of public auditing, laying the foundation for a deeper comprehension of power dynamics in the subsequent chapter. The forthcoming exploration, "Restructure of Power Dynamics: Framework Perspective," will provide further insights into the structural frameworks underpinning these power shifts, offering a comprehensive view of the evolving power dynamics within the field of public auditing.

Chapter 7: Restructure of Power Dynamics: Resource-Based Perspective

7.1. Introduction

This chapter aims to address the third research objective which is developing a resource-based model to explain the change in the power dynamics across the strategic actors. The decision to implement IFRS has caused a significant resource shock within the strategic action field. The actor with the highest adaptability was able to cope with this change effectively, thereby gaining power. Big 4 auditing firms were ready for the shock. Local auditing firms, due to their specialization, were able to quickly rebuild their resources, unlike corporations which did not invest similar efforts and time. This disparity resulted in a shift of knowledge power from corporations to auditors. This chapter is divided into three sections to support these arguments: the disruption caused by the resource shock, the utilization of this disruption for resource building, and the resulting shift in power dynamics due to the change in knowledge power within the field.

7.2. Disruption in the field: Resource perspective

The implementation of the IFRS within the PAAF sector in KSA precipitated significant field-level shocks, primarily due to resource scarcity. This observation is corroborated by key actors identified in this research: regulators, auditors, Big 4, and CFOs of Saudi listed companies. Both the labour markets for auditors and CFOs were unprepared for the abrupt enforcement of IFRS, resulting in widespread resource disarray within the field. The ongoing resource shocks associated with the annual updates to the IFRS perpetuate a state of disruption, leaving both auditors and CFOs grappling with the need for continual updates process that demands additional effort and resources. This disarray compelled both incumbents (i.e., CFOs) and challengers (i.e., auditors) to confront and adapt to the new dynamics. As will be detailed in the next section, all the actors were not prepared enough for this field shock, except for the Big 4 in KSA.

Sub-theme 1: Lack of Collaboration Among Academic Institutions

Regulators provide concrete illustrations of the theoretical constructs posited by SAF theory, such as field shock and actor response. They reveal how sudden regulatory changes can disrupt established practices and how actors within the field must mobilize new resources and develop strategies to cope with these changes. These adjustments reflect the ongoing negotiation of

power and capacity within the field, as each actor strives to secure their position and influence under the new regulatory framework. This section focuses on the resource scarcity and disruption caused by the abrupt IFRS adoption, highlighting the limited efforts of SOCPA to stabilize the field through training and education initiatives. It also addresses the resistance from the other institutions such as universities which was resulting boundary disputes, emphasizing the ongoing adaptation and power dynamics among auditors and CFOs.

The first quotations are from regulators #3 and #1 who highlighted a fundamental challenge at the company level due to a general lack of awareness “ignorance” and a scarcity of experts in the field.

*“At the companies’ level, they faced difficulties in implementation due **to ignorance and the lack of experts so far**” (Regulator #3).*

*“**Finding qualified people** is one of the biggest difficulties facing any transformation. Because you introduced a new culture and new terminology. We know that there is a **shortage of qualified people**” (Regulator #1).*

From a SAF perspective, this quotation accentuates the shock to the field caused by the introduction of IFRS, which aligns with the broader narrative of resource scarcity. The reference to “ignorance”, “lack of experts”, and “shortage of qualified people” suggests a severe deficit in informational and human capital within the field at the time of IFRS adoption. In the same vein, the quotation from the Regulator #4 come to support the same claim. This regulator confirms the acute scarcity of expertise, emphasizing it as the principal challenge for listed companies. The mention of “*finding qualified people*” human capabilities resonate with the initial assessment of the labour market being unprepared. The reference to “*technical problems*” systems suggests additional layers of complexity in adapting to IFRS, pointing to infrastructural and technological inadequacies that needed to be addressed. The statement that “*the market was able to absorb this problem*” indicates a form of resilience and adaptability within the field due to the existence of well-prepared actors: The Big 4.

*“It is true that there is **a great lack of expertise** in the market, and the **biggest challenge** facing listed companies is **finding qualified people** (human capabilities). The company also faced **technical problems** (systems), but the **market was able to absorb this problem**” (Regulator #4).*

The regulator’s recognition of this deficit prompted proactive measures to address it before significant issues arose in the field. As stated, “*Finding qualified people is one of the biggest challenges*”, pushed them to take proactive approach to stabilize the field in a short period by collaborating with educational actors in the field, i.e. universities. This proactive approach is

supposed to ensure that professionals are better equipped to handle the complexities of international standards, thereby mitigating potential disruptions, and enhancing overall field stability. The educational initiatives by SOCPA represent attempts to stabilize the field by increasing the competency of field actors through improved knowledge dissemination. As regulator #2's quote indicates an effort by SOCPA to address the resource shock by enhancing the knowledge and skills of field actors through training programs. It shows SOCPA's strategic initiative to stabilize the field by increasing the competency of auditors and CFOs. By communicating directly with universities, SOCPA aimed to integrate IFRS-related content into academic curricula, thereby creating a pipeline of knowledgeable professionals who could support the transition.

*"We do not have authority over universities, so **we cannot force them to include our curricula**. However, at the beginning of adopting the standards, **we posted paid courses on our website** for those in the sector **who wanted to develop and educate themselves**" (Regulator #2).*

However, resistance from educational institutions can be seen as a barrier to these stabilization efforts, impacting the overall alignment and coherence within the field. Regulator#2 quote indicates an effort by the SOCPA to address the resource shock by enhancing the knowledge and skills of field actors through training programs. It shows SOCPA's strategic initiative to stabilize the field by increasing the competency of auditors and CFOs. By communicating directly with universities, SOCPA aimed to integrate IFRS-related content into academic curricula, thereby creating a pipeline of knowledgeable professionals who could support the transition.

*"The SOCPA helped provide training...**communicated directly with Saudi universities...but no way**" (Regulator#2).*

Regulator #3 and Audit #2 quotes highlight and reflected on resistance from educational institutions to the changes promoted by SOCPA. Such resistance can be seen as a barrier to the stabilization efforts and reflects the challenges in achieving alignment and coherence within the strategic action field. Universities' refusal to incorporate new learning materials indicates a lack of readiness or willingness to adapt to the new regulatory environment, thereby exacerbating the resource scarcity and prolonging the period of disruption.

"Most of universities refused to include our books in their curricula" (Regulator#3).

*"SOCPA translated many books to contribute to education and the inclusion of books in universities, **but the universities rejected us** and said that you **are just a professional body** and **opposed the inclusion of books** that we translated in universities" (Regulator#1).*

This conclusion is supported by evidence quoted from both auditors and CFOs who have identified this institutional gap. These quotes indicate that universities' reluctance stemmed from a perceived boundary between regulatory and educational roles. Universities viewed their role as distinct from that of SOCPA and were not prepared to collaborate or adapt their curricula. This institutional gap in the educational landscape left auditors and CFOs underprepared for the transition to IFRS, a sentiment echoed by both groups:

*"...especially since our **Saudi universities did not teach students** with their curricula international standards..." (LA7S).*

*"I am a graduate of a Saudi university, and there is no subject in our curricula at the university covered the international standards. So, in the labor market, we were **hassled**." (CFO#6).*

Regulators #1 and 2 quote provides a concrete example of the pushback from academic institutions. The explicit university rejections underscore the tension between regulatory bodies and educational institutions. The university's response reflects a perception that regulatory bodies should not interfere with academic matters, indicating a clear boundary dispute within the field. This resistance further complicates the efforts to enhance the human capital necessary to manage the IFRS transition effectively.

*"Almost all **the universities initially refused to include our books** in their curricula. Kxxx xxx University even explicitly told us, (You are just a regulatory body. Do you even want to interfere with the university curricula?)" (Regulator #1).*

*"SOCPA did its part, but **the universities did not do their part by creating curricula, training faculty members, or sending their members to attend SOCPA seminars and lectures**" (Regulator #2).*

Due to the institutional challenge arising from the lack of collaboration between universities and the SOCPA, SOCPA attempted to fill this role. However, their efforts appear to have been ineffective, resulting in an institutional gap within the field. This has subsequently left the field experiencing a knowledge-resource shock.

*"It is **not our job to educate practitioners!** This is universities' role!" (Regulator#1).*

*"Universities are not collaborating. We are **not an educational institution**, but we provide **training courses and books**. We looked at courses in Europe that were translated into more than one language, so we translated them into Arabic, and every time we adopted the updating of the standard, we launched a training course in the market, and to help companies implement" (Regulator#2).*

*"We, as SOCPA, designed a training bag for each employee and adjusted 16 bags; each bag has three standards. We **usually do not provide** any course or certificate" (Regulator#3).*

This institutional gap of the educational support was clear in most of the auditors' and CFOs' voices. They complained as not only being well-prepared but also no institutional arrangements for having this role of increase the awareness and educate the accountants and auditors.

*"SOCPA did **not provide useful** educational support, it only offered books for free" (LA5E).*

*"Because lack of educational support is something which you can **say might have hurt us**" (CFO#2).*

*"SOCPA translated the IFRS and attached the book to their electronic library, which is the **only thing that SOCPA provided for free**" (BA11S).*

*"The firm's management chose me to attend a conference on the adoption of IFRS held by SOCPA in 2016, and we obtained a certificate of attendance. The speaker spoke in English, which was a good conference, **but I did not benefit from anything**. It is only a mandatory step of SOCPA on auditing firms to attend this conference" (MA2E).*

*"There is no support from SOCPA, I **didn't see any educational support from SOCPA**" (CFO#4).*

This institutional gap led some local auditors and CFOs to approach the SOCPA seeking educational programs. However, this request was seen as unconventional because SOCPA does not traditionally perceive itself as having an educational role.

*"We opened the door for inquiries to companies and auditors to refer to us in case there is a problem with the standards, whether the standard does not carry sufficient clarifications and details. The **funny thing** is that we received inquiries from companies asking to teach them to apply the standards, but they were answered that it is not our role to teach you!!" (Regulator#2).*

Due to the institutional gap for providing educational services to help accountant with IFRS. Many Big 4 consultants have changed their career and offered educational programmes to fill this gap.

*"Adopting the **IFRS opened many doors of livelihood**, and I am one of them. My experience with IFRS **enabled me to hold paid educational and training** courses, and every time a new standard was adopted in KSA, I launch a training course for it" (BA13S).*

*"My work in a company (one of the Big 4) during the period of adopting IFRS gave me **heavy experience**, but unfortunately in the end I only receive a salary from them. Therefore, I benefited from this experience and **opened an office for accounting services**, in which we **provide training services and consultations** on everything related to international standards (BA18S).*

To sum up, the GUs (i.e. regulators) are aware of the shock in the field due to the resource's scarcity. Although initiatives were taken to stabilise this field in shortest period, these initiatives are acknowledged to be ineffective and so actors must work independently to restore the

stability of the field. This theme reflects the CFOs and auditors' perceptions of the sudden disruption or field shock in SAF terms, where both actors were not given adequate resources or preparation time to adapt to the new standard and its updates. There are two perceived shocks here: the first-time shock that comes from the lack of preparedness and the second is a wave of shocks come from every update of the IFRS. Furthermore, this resource shock created opportunistic strategic choice for the Big 4 to fill the auditing and accountancy consultancy gap with a premium price; with no clear market offering for the educational programmes.

Sub-theme 2: Lack of Preparedness of the local actors

When IFRS enforced, local actors were not prepared for this change. The incumbents had a stable field during the Saudi GAAP time and had excessive power as detailed in the former chapter. They have the required Knowledge, Skills, and Behaviour (KSB) to have the knowledge power with the Saudi GAAP. The IFRS is a game changer because it is perceived by CFOs as a complete different in the scope, nature, and aspects, which could make their KSBs irrelevant.

*“International standards are more **complex**, require more time, more **skills**, and more **techniques**. This is **not present** in Saudi standards. Unfortunately, this is what created the accumulations, meaning that **it changed day and night** to international standards, which are considered more **comprehensive compared** to Saudi standards, which are considered basic accounting standards. The international standards **cover all accounting** treatments, **economic actions**, and **company business models this made our knowledge on accounting obsolete and useless**” (CFO#13).*

The challengers as auditors were in shock as they were not prepared by having the required knowledge resources for this task. As commented by one of the local auditors, that IFRS for both auditors and CFOs was like “*Hieroglyphs*.”

*“I wish that SOCPA was firm in the decision to adopt IFRS and had prepared the market. As the auditor, I am required to issue the right audit report, or I will be punished. The **company does not know how to represent** the standards in its statements, and they **argue** with us as if we are the wrong ones” (LA5E).*

*“When SOCPA imposed international standards, it was as if it had imposed a new language that **the accountants themselves did not understand**, as if it were a **collection of hieroglyphs**” (MA17S).*

The lack of preparedness was extreme in some cases as one of the auditors highlighted that his client did not know that the IFRS is applied, and they do not know based knowledge on the IFRS.

*“One of the listed companies **was not aware** that when a new standard is applied and a specific accounting policy is changed, the financial statements are supposed to be presented in three debit and credit columns: the current year, the last year, and the opening year, although **this is a fundamental mistake!!**” (BA6U).*

*“It was clear to us that the accountants **did not have knowledge or preparation** for international standards. **we were suffering from many things**. For example, they were not familiar with the end-of-service reward standard and its representation. Some companies were not aware that actuarial evaluation was required” (BA11S).*

Bourdieu’s concept of habitus and capital is evident in the experience of local actors (CFOs and auditors) whose knowledge, skills, and behaviour were perfectly aligned with the Saudi GAAP. The sudden shift to IFRS rendered their existing habitus obsolete, creating uncertainty and discomfort, as their previously relevant KSB no longer provided them the power and authority they once held. This aligns with Bourdieu’s idea that capital (in this case, knowledge) is field specific, and when the field changes, so do the rules of power. The sudden transition has disrupted the field’s power structure, leaving CFOs and auditors grappling to maintain their positions. For CFOs they were shocked by the IFRS as a standard and shocked as they do not have the knowledge resources to develop their accounting records aligned with it. This resources-based shock had an immersive effect on their capacity to cope with enforcement of the IFRS. This enforcement of the IFRS precipitated a profound shock for CFOs, who perceived a significant loss in their expertise and power. For these key actors, the established order was turned “*upside down*,” disrupting their traditional practices and strategic positions within the field.

*“I do not see that this decision has been prepared for, but it was a **surprise** that turned us **upside down**. We felt **handless**” (CFO#2).*

*“...we **were shocked** by the adoption decision...we do not have sufficient capacity and awareness.” (CFO#13).*

*“I appreciate that we need to convert to international standards, but we **do not have sufficient capacity and awareness**” (CFO#9).*

This lack of preparedness created three issues: preferences of the CFOs for the GAAP to the new IFRS, perception of the CFOs that they are being thrown in the sea without learning how to swim, and this creates tensions between auditors and CFOs.

a. Preference of the well-known GAAP to the new IFRS

The realignment of power is also a critical component of SAF theory. As auditors attempt to enforce the new IFRS standards, they assume a more dominant role in the field, while CFOs, who lack the necessary resources and expertise to manage the transition, lose their influence. This shifting power dynamic is a central element of SAF theory, illustrating how the introduction of new standards disrupts established field hierarchies. Because of lack of familiarity of the IFRs to the CFOs, CFOs exhibited a positive attitude towards GAAP and IFRS negatively, characterizing them as complex, incomprehensible, and difficult to understand. Despite the translation of the standards into Arabic, CFOs often attributed the

complexity to the original English source, suggesting that such claims may reflect perceptual biases rather than actual intricacies.

*“The way international standards are written is very **complex, incomprehensible, and difficult to understand**. I tend to love **Saudi GAAP language** that is actually written in an easy, explained language that **makes it easy for the reader to understand**. I think the reason is that international standards were written in Britain or Europe, and the **British language is complex** and does not suit our field. The language of Saudi GAAP is easier and suits us more.” (CFO#7).*

*“I see that Saudi standards are **better in the way of dealing**. Because it is as **simple** as what I and the external auditor can understand. We used to just open **the SOCPA book and read and understood**. It is easy. But the IFRS is highly **complex and complicated** the relationship with the auditor and opened the door to questioning the credibility” (CFO#8).*

*“In the past, the **subject was clearer**, now in its flexibility by adapting treatments or disclosure perspectives.” (CFO#1).*

b. Into the sea without knowing how to swim

The CFOs acknowledged their lack of preparedness to these shocks. This lack of preparedness potentially altered the power dynamics within the field as the CFO depicted their experience of this shock as they are “*without tools*” “*without support*” and being “*into the sea without knowing how to swim*”.

*“SOCPA through us **to the war without tools**.” (CFO#2).*

*“The decision-makers threw us into **the sea without teaching us how to swim**. We almost **drowned**.” (CFO#8).*

*“What SOCPA is doing is **pressure**, not support.” (CFO#6).*

Auditors documented similar perceptions towards the CFOs. As perceived by auditors, the CFOs lack of awareness created tensions in the relations and created challenges to correct their “*fundamental mistakes*”. The term “*almost non-existent*” indicates that the level of preparedness was extremely low, further corroborating the severe knowledge deficit within the field.

*“I’ve witnessed this thing that management here and the resources that were already here before the implementation of IFRS, **they’re not too well trained** or too much thorough with the IFRS knowledge” (LA5E).*

*“The customer is **unaware** of his responsibilities and international standards ...” (MA15U).*

*“Awareness was almost **non-existent**” (MA9SY).*

c. *Clashes and Contentions*

The lack of preparedness and awareness among auditors and their clients indicates a field where the existing structures (norms, knowledge, skills) were misaligned with the new institutional demands, resulting in resistance to conversion of IFRS, rejection of the IFRS, and perception of being “not bounded by it.” This was a clash momentum between auditors and CFOs.

*“The entire company, from its director to its internal auditor, **does not have any knowledge** of international standards and is waiting for you.... They were not prepared and **did not accept the issue of conversion, nor did they have any awareness or understanding** of the issue. Their **lack of awareness, awareness, and lack of preparation made the situation more difficult, tensions and clashes**” (MA14U).*

*“The companies’ lack of familiarity with international standards and **their ignorance** made the **situation worse** when the implementation of international standards began. When I asked them to comply with international standards, they thought that I, as an external auditor, **was making it difficult for them!!** And when he thinks that this is a complication on my part, his response is, this is a complication on your part, and **I am not bound by it.**” (BA18S).*

*“But unfortunately, many of them were not clearly aware of the issue and we faced difficulty **with them, difficulty in accepting them**” (MA1E).*

This theme reflects a broad lack of understanding and readiness for the transition to IFRS. The auditors point out that both themselves and their clientele were significantly unprepared for the complexities and requirements of the new standards.

*“I see a lack of familiarity with international standards and a lack of adequate preparation for them was a main **reason for the tension between us and our clients**” (BA13S).*

Companies were unprepared, leading to friction and inefficiencies as they attempted to navigate the new regulatory landscape without adequate preparation or understanding. The first aspect of the clash was due to vagueness of the roles. This lack of awareness led to unawareness of responsibilities making the communications and efforts increased.

*“But sometimes the client is **unaware of his responsibilities** and is not familiar with international standards, and here the problems **in communicating with the client increase**” (MA14U).*

Due to the confused roles, the metaphorical “*heads hitting each other*” underscores the confusion and conflict experienced during the initial phase of adoption.

*“**Heads hit each other** at the beginning because the companies were not ready at all for the adoption step...” (MA4E).*

*“Most of the companies did not even know what the international standards meant, which created many **unnecessary arguments with them**” (BA10S).*

The second aspect of the clash was due to misconceptions and misunderstandings as the CFOs kept using Saudi GAAP as a reference while IFRS is fundamentally different in presentation requirements. This created “technical wars” between the old practices supported by the CFOs and accountants working for companies and new IFRS practices supported by the auditors.

*“You have what we can say **technical wars**. You have wars, the auditors and the management have war on the technical grounds. So, it’s like four big heads are on that side of the table. And four **big heads are on this side of the table**. And both are very much capable of presenting their view back by **technical knowledge**. So, it makes **complicated**” (BA12S).*

*“And then after series of **talks and negotiations** and meetings and sort of what we can say. **It’s a war**. To me, it’s a war. So, after series of meetings **and technical interpretation**, technical discussions. There is a point when auditor and client meet. And after that, that particular audit issue is resolved. And then we move forward. So, it makes **audit very complicated**” (BA8J).*

These same perception is captured by the CFO#1 who defined the differences in the “viewpoints” regarding the methods of preparation and presentation of the disclosure created clashes.

*“There was a **clash with** the external auditor, I mean the **difference of viewpoints** in the method of preparing and presenting the financial statements and the mathematical treatments, and with the IFRS increased. (CFO#1).*

The third aspect concerns the perceived arrogance of CFOs, which may stem from a fear of job insecurity. This insecurity arises from the potential for appearing ignorant in front of their managers, leading to concerns that they do not merit their positions or compensation as CFOs. CFOs may resist the auditors’ implementation of IFRS due to a reluctance to be perceived as uninformed. This resistance often arises from a lack of awareness and a perceived deficiency in relevant knowledge. Such arrogance, combined with a pretense of understanding, contributes to their rejection of IFRS, thereby complicating its implementation.

*“The external auditor always insists on his opinion! **I don’t know why they like to prove themselves!** When we object to their opinion, we present our objection and justification based on IFRS, but the objection and lack of collaboration of the external auditor with us forced us to hold many meetings to convince him. In the end, **no one was harmed except us**” (CFO#4).*

*“They do not understand, but **they are arrogant and pretend that they know**. But then we discover that he **does not know the correct way** to represent his numbers according to the requirements of IFRS.” (BA18S).*

The resistance to adopting IFRS among CFOs may stem from a reluctance to appear uninformed in front of their superiors. Given that CFOs receive substantial compensation, a perceived lack of proficiency in presenting IFRS disclosures could potentially jeopardize their positions.

*“The CFOs have opposed and **gotten us tired**. Not only for their **poor knowledge**, but they don’t want **to look bad in front of their managers**” (BA12S).*

*“If you are an accounting professional, you **are taking 50,000 riyal as a finance manager** in a company and a guy like me comes in at the end of the year and says, **Boss, you’re not doing your work properly**. This should be done like this. **It’s sort of a resistance**. The nature is of resistance” (BA10S).*

*“In the first year, companies **were refusing to comply** with international standards in a very, very big way. I think this is due to the fact that the senior management and people with positions in the company’s board of directors **see that the company’s numbers have changed and fallen**. They are afraid of the impact of the decline **in numbers on their positions and their job security**” (MA15U).*

This personal rejection of the IFRS due to the fear of appearing unqualified for their positions causes CFOs to be perceived as inflexible as a “rock” and unyielding, rather than approachable and human.

*“Dealing with CFO is like you’re dealing with **a rock, not a human being**” (BA13S).*

*“Due to their lack of awareness and knowledge, there is always a resistance. I come up and I say you that what you’re doing for last five years is wrong. The correct treatment is for IFRS this. So, **naturally you will resist** because it will have a question **mark on your competence** as well in **front of the management**, in front of the **executives**. So, there is **always disagreements and resistance**” (BA8J).*

To summarize, this theme exemplifies a significant field-level shock as outlined in SAF theory. The sudden introduction of IFRS disrupted established practices and assumptions, leading to ambiguous relationships between actors, as well as widespread misunderstanding and misconceptions. Furthermore, this shift fostered a perception among CFOs that their job security was compromised due to apparent deficiencies in merit, stemming from their unfamiliarity with IFRS. Such ignorance has resulted in contentious interactions, including clashes, debates, and arguments, signifying a profound disconnect between long-standing practices within the field and the new demands imposed by international standards, which in turn affects actor interactions.

Theme	Description
Confusions of roles and responsibilities	Lack of awareness leads to confusion of the roles and responsibilities leading to increased communications
Misunderstands and misconception	Lack of awareness creates misunderstandings and misconceptions leading to technical wars
Perception of lack of job security	Lack of awareness creates perception of lack of job security for the CFOs making them appeared to be arrogant, arguing, and debating to protect their faces in front of their managers and board of directors.

Table 12: Lack of Preparedness of the local actors

Sub-theme 3: Continuous Improvement that requires resources

Indeed, the shock was not once when IFRS enforced, it is a wave of shocks come with every update of the IFRS. CFO#8 expresses exhaustion with SOCPA’s continual adoption of IFRS updates, while CFO#5 laments the increased complexity brought about by frequent updates.

“I wish SOCPA would stop adopting every update that is released on IFRS. Because, frankly, we are tired. All we have said is salvation; we have reached the balance stage, but new updates shake us” (CFO# 8).

“The old standards were better, more stable, and smoother for us to use the SOCPA book. But now the situation has become different. Every standard and every update of IASB issued, SOCPA adopted it and committed us to it, even more complicated” (CFO#5).

In SAF terms, the rapid updates of international standards represent ongoing field-level challenges that necessitate continuous adaptation by field actors. The slow pace of updates in Saudi standards likely constrained the actors’ capacity to respond effectively to global economic and political changes, thus positioning them at a disadvantage within the field.

“International standards keep pace with the developments...Saudi standards were not updated” (BA18S).

“At the beginning of adoption, society did not accept the idea of continuous updating of standards and needing for continuous learning” (MA15U).

Based on the auditors’ perspective, this rapid pace of renewal necessitates frequent changes for companies, adding to the complexity and challenges of compliance with international standards.

“International standards are renewed quickly and regularly compared to Saudi standards. This creates difficulty because with every renewal, companies need to change” (BA13S).

However, their experience was severed because auditing for them is a profession and sustainability of their operations are highly depending on their capacity to adapt and learn fast as will be detailed in the next section (the auditors’ strategies).

Sub-theme 4: Emergence of the new actor -The Big 4

Although having the field perceived to be shocked by the three established actors: GUs, incumbents, and challengers, Big 4, as an embedded actor, was well prepared for this transition. Having the critical nature of the unpreparedness within the field, which has necessitated the emergence of the Big 4 to bridge the expertise gap and facilitate compliance with international standard. Indeed, the Big 4 was one of the actors induced the GU to shake this field by having the IFRS enforced in this time frame.

“The relationship between SOCPA and Big 4 became stronger because they are two sides working to support each other to shape the Saudi auditing profession and the accounting profession, which is considered a subsidiary of the profession, Big 4 was working effectively with SOCPA to instruct this standard” (BA10S).

Indeed, the Big 4 were not only well prepared but also have knowledge of the lack of preparedness of the actors for this movement.

*“In 2016, our firm, Big 4, offered us scary numbers as a result for a survey about the readiness of the listed companies for adoption. Everyone was surprised that **more than 85% of the listed companies** responded that **they were not ready for the adoption step**, and the rest were skeptical and apprehensive” (BA12S).*

The recognized expertise of the Big 4 has elevated their status, rendering them indispensable for listed companies. This signifies the power of the Big 4 within the emerging consultancy field, with their influence growing as they adeptly meet the demand for expertise in a swiftly evolving regulatory environment. They were able to absorb and benefit from the shock in a very short period taking advantage of the other actor in the field.

*“For the listed companies, they relied on Big 4’s expertise, and the **demand for them increased** after adoption IFRS. Big 4, due to **their experience**, were able to provide experts in a short time for large companies when they were forced to adopt” (Regulator #3).*

*“Big 4 were ready in KSA to be the consultants. They are operating in the Saudi market according to Saudi standards, but they **had knowledge, data, and people qualified to international standards**. Therefore, with the adoption of international standards, they **were not affected** and are considered **ready for this step**. The majority of listed companies **rely on them**” (CFO#12).*

Given the Big 4 perceived expertise and knowledge, CFOs confer legitimacy upon auditors, thereby acknowledging their knowledge power.

*“The Big 4, because they have the ability to **get their specialists in European countries**, so it is easy for them to seek advice, not like companies, because companies, after the adoption, are keen to **bring experts and consultations**. Now it is easy for the external auditor to force you to **say the standard** says so and the **Interpretations (IFRC)** say so” (CFO#1).*

*“We rushed to the Big 4 when IFRS were adopted. Because Big 4 **has its experts in the countries that had applied IFRS** for a long time” (CFO#3).*

Auditors are perceived as having substantial experience in other countries, having previously demonstrated their capabilities. This perception leads CFOs to place their trust in these auditors, hiring them for both auditing and accountancy consultancy services.

“The Big 4 answers many times with solutions to similar cases that have happened with its branches in developed countries and convinces the company and the dispute is resolved (CFO#1).

*“As auditor for the **big 4 companies**, they sent us during the accreditation period to their branches outside the KSA. We took courses. Therefore, in my dealings with companies, I worked on the principle of “follow the middle course; If you can’t do that, do something close to it.” I mean, you could say that sometimes we work for them. It was a challenge for us at the time, as we were teaching them to do this and not do this” (BA18S).*

The Big 4 were able to gain market space as they were the only prepared actor in the market and have access to international resources, putting them in an opportunistic position in the field and charging significant fees.

*“Big 4 took advantage of the opportunity to adopt international **standards and shine in the market**, and the reason is that **the market was not qualified**. The Big 4 also lured qualified individuals known to the market and made them their partners. They lured distinguished young people with experience in the Saudi market. In addition, they have strong data, so **they are the best on the market!**” (CFO#12).*

*“We, as Big 4 firm, **had available internal learning resources**, but SOCPA had no role in preparing or training us” (BA8J).*

*“In the Big 4 we have a specialised consultant who **help me when I need**” (BA18S).*

The term “embedded” emphasizes the idea that these actors are not independent agents but are situated within a larger social context. Their deep integration into regulatory structures, extensive networks, and influence within the business context make them pivotal players in guiding organizations through the adoption of IFRS. These actors are not isolated entities; instead, they are connected to and influenced by the social structures, relationships, and norms within a particular field. This made some of auditors feel that this preparedness made them dominate the market in a very short time.

*“It is **a monopoly and dominance**, the major, majorly this profession is, the profession is regulated by SOCPA, but the big players are Big 4. Okay. And Big 4, it’s especially big three. They’re PWC, EY and KPMG. Yes. Okay. Most of the big, huge, large clients, large clients like Aramco, for example, are with PWC. Okay. I’m just giving you an example. Major banks, banks, all the big five banks are with KPMG and EY as a joint audit. Okay. Any big company, public investment fund is with KPMG” (LA7S).*

*“The **demands of the audit firms have increased significantly**. Unfortunately, in KSA, there are only 15 big firms, international and local. The rest of them are very small low - tier firms which are not good for the companies, big companies to take on board with because these small firms do not have such resources or technical competencies to deal with listed clients” (BA12S).*

According to SAF theory, embedded social actors, as being in this case study of Big 4, navigate and participate in social arenas through purposeful and strategic actions that consider the field’s structures, rules, and relationships. Their ability to mobilize resources, build networks, negotiate rules, and adapt to changing conditions plays a significant role in their success within a given social context. Their adaptability and commitment to long-term connections further solidify their embedded role in facilitating this transition.

7.3 Leveraging Field Disruptions: Building Resources Strategies

In navigating the disruptions brought forth by the transition to international standards in KSA, actors within the PAAF field have employed various strategies to bolster their resources and strategic positions. Drawing from the lens of SAF theory, the approaches taken by auditors, CFOs, and regulatory bodies to adapt to the evolving landscape and capitalize on the shifting dynamics were analysed.

7.3.1. Regulators' Perspective

The GUs, i.e. regulator, acknowledged the disparity in reactions and building resources strategies, between auditors and companies during the implementation of international standards. While auditors benefited from their strategies (i.e. training, recruiting international consultants, having centralized experienced units, and leveraging economies of scale through repetitions), to navigate the challenges posed by the standards, companies lagged, lacking the necessary updates and understanding. This highlights how auditors invested in developing their skills and knowledge to adapt to the changes, while corporates exhibited resistance or negligence in keeping pace with international standards.

*“International standards were a challenge in starting to implement them, and the biggest challenge **was for the companies more** than the auditors. The reason is that the auditors **received internal training**, especially in large offices, in determining this, and this helped the **auditors a lot**. We noticed that the companies were not **updated regarding international standards, they significantly behind**” (Regulator#5).*

*“Other Auditing firms have **attracted foreign experts from outside the country**, for example from their offices located outside the country in countries that have been applying international **standards to transfer expertise**. Some offices have sent their employees to Europe to study and **come to Joint stock companies in the KSA**,” (Regulator #3).*

7.3.2. Auditors' Perspective

As organisations, the auditing firms had to cope up with these enforcement by developing strategies to sustain and, possibly indirectly, to gain superior power in the field. These strategies are alterations to their value proposition offerings, investing in auditing skills, behaviour, and knowledge, leveraging on their possible international ties and expertise in other markets, recruitment from the international markets, develop a specialised auditing office, and leveraging on their economies of scale of learning by doing through repeating this service to many clients.

Sub-theme 1: Alterations to their value proposition offerings

Previously, before the IFRS, the business model was reliant on sales orientation as no differentiation in the auditing services due to the availability of the knowledge and expertise in the market and was led mainly by the client. However, due to this shock in the field, the auditing firms reconfigured their resources and their priorities to push for more knowledge-based resources over sales resources. The auditor's statement highlights a significant shift in organizational priorities brought about by the adoption of international standards. Previously, companies primarily focused on sales-related activities, neglecting investments in financial expertise and qualifications. However, with the adoption of these standards, there has been a noticeable change in Saudi culture, with increased emphasis on the finance department and the recruitment of qualified individuals. This suggests that auditors recognized the importance of investing in learning and qualifications to meet the demands of the new standards, while companies shifted their focus from sales-centric approaches to prioritizing financial competency and compliance.

"The adoption changed the Saudi culture in that the interest in the financial department within the company was all attention only to the sales department. Now the owners are paying attention to the finance department and bringing in qualified people" (BA11S).

The BA16S statement underscores the transformative impact of international standards on the Saudi environment, particularly in fostering a culture of continuous learning. as the result of the necessity for auditors to adapt and continually update their skills to navigate the complexities of the new standards. The emphasis on continuous learning reflects auditors' recognition of the dynamic nature of international standards and the need to stay abreast of ongoing updates to remain competitive in the labor market. Overall, as evidenced previously in the main theme, this change created the culture continuous learning and established accounting norms of being actively interested in learning and professional development to meet the evolving demands of their profession.

*"One of the most important things that international standards have introduced to our Saudi environment is the **culture of continuous learning**. Because if you are not prepared to learn periodically, you will not be able to **survive in the labor market**. International standards are updating constantly" (BA16S).*

Sub-theme 2: Having a specialized auditing office

Recognizing the importance of reallocating resources to develop knowledge bases and restabilize the field, thereby gaining power from incumbents, CFOs, several challenger auditing organizations have invested in specialized offices. These offices centralize knowledge and expedite its dissemination, enhancing the learning process across all accountants within

the organization. Additionally, an innovative solution involves the creation of new entities within the auditing firms to leverage these knowledge resources more effectively.

*“My firm established **in house department for accounting consultations**. We have the possibility to consult this **department for free regarding** a specific accounting treatment that we do not know how its representation. For example, measuring inventory in IFRS has a specific detail, for example in inventory related to companies that sell goods. We **have a consulting department**. We ask it and give it the complete case, and it gives us **the answer with its reference** in the standards” (BA11S).*

This decision represents an innovative action to address the knowledge skills gap within the strategic field. By creating specialized offices that centralize knowledge and provide consultancy support, organizations enhance their ability to respond quickly and effectively to complex challenges. As evidenced in the MA4E quotation, the strategic creation of specialized support offices within the firm. These offices not only provide necessary consultancy but also act as knowledge hubs, consolidating expertise and enabling auditors to tackle challenges with increased confidence and efficiency. This move stabilizes the field by equipping challengers (auditors) with the tools needed to navigate complex audits, thereby shifting the power dynamics in favor of the auditing organization.

*“So, every one of us was trying and doing their best to solve these challenges. Our firm had **a specialized office** for supporting us with consultancies and help to support our back. This gave **us confidence and helped us to cope faster**” (MA4E).*

*“For example, when I audit a company and there is a complex accounting treatment, this does not mean that I will refuse to audit this company because it has many complex accounting treatments that are **incorrectly represented**. My organization offered me **sufficient resources to read, research, consult, and give my opinion on these treatments**. In our company auditing office (specialized office), we have many treatments (examples and cases) that we learn from it” (BA8J).*

BA8J, an auditor from one of the Big 4 firms, shared insights into how these firms internalized IFRS Knowledge, Skills, and Behaviours (KSBs) through continuous education programs. This approach allowed them to adapt more efficiently to the IFRS transformation:

*“We have **an internal center giving** us in-house training and courses. This made us the experts and faster to absorb and deal with the transformation” (BA8J).*

MA17S, an auditor from a mid-tier firm, highlighted the reliance on their centralized offices due to the limited expertise available in the field. These offices attracted international experts to train their employees, helping them address the knowledge gap:

*“Many people do not have the knowledge to do it, so they resort to our centralized offices. In this office, we have attracted experts from countries that adhere to international standards and have **trained our employees**” (MA17S).*

This infrastructure boosts confidence and enables auditors to cope with challenges more efficiently. The strategic use of centralized knowledge hubs is critical for redistributing power within the field, as it equips challengers (auditors) with the necessary tools to handle complexities effectively, thereby enhancing their stature and influence within the field. This auditor highlights the accessibility to a rich repository of resources, including case studies and examples, which are crucial for dealing with complex accounting treatments. The mention of an organization's investment in resources for research and consultation signifies a deliberate strategy to enhance the firm's competency and resilience against operational challenges. This approach not only strengthens the organization's position in the field but also empowers individual auditors, enabling them to perform their duties with higher authority and expertise, as evidenced in the following quotations.

Sub-theme 3: Experience of doing and repetition (economies of scale)

Given the specialized nature of their profession, auditors can leverage economies of scale by implementing the same updates across multiple corporations. This approach enhances the efficiency of their efforts compared to CFOs, who generally conduct these updates only once a year. Consequently, this dynamic has elevated the expertise and strategic power of auditors within the strategic action field, while simultaneously diminishing the influence and strategic position of CFOs. The ability to apply knowledge across various corporations efficiently illustrates the concept of leveraging economies of scale. By handling numerous cases, auditors refine their skills and increase their knowledge base more rapidly than CFOs, who typically focus on a single company's updates annually. This frequent exposure not only solidifies auditors' expertise but also enhances their strategic power within the field, as their opinions are often more informed and accurate.

*"In fact, I do not know why companies are discussing us and objecting to our requirements and comments, even in the end they will follow what I say. I know very well what I am saying and am **more familiar with the standards than them**, since I am doing this everyday" (MA14U).*

The auditor's confidence in their superior knowledge of standards underscores their strategic positioning. The repeated engagement with standards and regulations across various contexts enables auditors to assert their expertise effectively. This dynamic often leads to companies eventually adhering to auditors' recommendations, highlighting the auditors' growing influence and authority in the strategic field.

*"We are experts because, in one day, we face many cases **from different clients, and this makes us experts**, so our opinion in most cases is the most correct. But companies **are wasting time**" (MA2E).*

*“As an auditor, I go through more **than one company in one day**, meaning more than one case. I mean, I have awareness, and the knowledgeable more than one who prepares the financial statements within the company. Therefore, to relieve my head from a headache, I teach them how to prepare their numbers according to the requirements of IFRS. Therefore, I see the stage of 2017 and 2018 as a stage in which we colluded with clients” (BA6U).*

This statement from a CFO acknowledges the superior knowledge and expertise of auditors due to their specialization. The emphasis on standards as the connecting link and the recognition of the auditors’ greater familiarity with IFRS highlights the strategic asset of specialized knowledge. This expertise not only differentiates auditors from CFOs but also enhances their power and authority within the strategic action field. Auditors’ deep understanding and frequent application of these standards position them as key actors capable of guiding and influencing the field’s regulatory practices.

*“The link that connects accountants and auditors is the standard. As practitioners, we have noticed the difference between the person **who has knowledge and experience in IFRS** and those who do not. The auditors, by virtue **of his precise specialization**, is **more knowledgeable**” (CFO#1).*

*“The company does not only have a finance department, its costs, and its supervisory bodies. Unlike auditing firms, **whose primary activity is accounting and auditing and they are specialised**, we have various expenses and other activities.” (CFO#5).*

To sum, auditors leverage economies of scale to enhance efficiency and expertise, strategically position themselves through specialized knowledge, and use their deep understanding of standards as a strategic asset. These actions consolidate their power and influence within the strategic action field, often at the expense of CFOs’ traditional authority. This dynamic shift illustrates the evolving power structure within the field, driven by the strategic actions and specialized capabilities of auditing firms.

7.3.3. Corporates’ Perspective: Lack of Adaptability

Within the SAF theory framework, corporates and CFOs were not adequately prepared for the disruption caused by the adoption of IFRS. This lack of preparedness resulted in a slower adaptation process for CFOs compared to auditing firms. Auditing firms adapted more quickly by actively developing their skills through recruiting international expertise and providing comprehensive training programs for their staff. In contrast, many corporates engaged in inefficient and ineffective strategies to build their knowledge resources to adapt to IFRS requirements, ultimately losing power to the auditing firms. Corporates primarily employed two strategies to cope with the disruption in the field: building resources internally and

outsourcing financial services to consultants. However, both strategies undermined the power of the corporates (incumbents) in favour of the auditing firms (challengers).

Sub-theme 1: Internally building resources

By hiring IFRS experts, including those from the Big 4 auditing firms, and investing in training programs for their larger team, these corporates are addressing the knowledge gap and improving their in-house capabilities. This proactive approach reflects a recognition of the need to strategically reallocate resources to build internal expertise and reduce dependence on external consultants. The move to bring in external experts and provide extensive training demonstrates an understanding of the strategic action field's demands.

By enhancing their team's skill set, these corporates are attempting to regain power and influence within the field, challenging the dominant position of the auditing firms. This action also indicates a shift towards a more balanced power dynamic, where corporates are no longer entirely reliant on external auditors for compliance with IFRS.

*“By 2017, 2018, we brought a couple of resources who were IFRS experts, and from the market, a couple of them from Big 4. And the larger team who were not IFRS experts, we **have also upgraded their skill set, trainings and all that**. So yes, the current team which are preparing our financial statements in house, their skill set has enhanced quite a bit. And they have a very good grip, if not on the whole standards, but definitely on IFRS” (CFO#2).*

Internally building resources proved to be slow and insufficient to meet the new standards, while reliance on external consultants highlighted the corporates' dependency and lack of in-house expertise. These approaches weakened the incumbents' position, thereby consolidating the power and influence of the auditing firms within the strategic action field.

*“There was no awareness of the international standards, and there **was no investment in employees' knowledge** in the sector or the accounting department within the company. The lack of internal investment made them out of **the blue and feeling hectic about the IFRS**” (BA11S).*

This quotation illustrates the significant resource constraints faced by corporates in adapting to IFRS. CFOs are caught in a bind between the time-consuming process of building in-house expertise and the financial burden of hiring external consultants. These constraints lead to pushback and resistance to change, reflecting the corporates' inadequate preparedness and inefficient strategies. This situation underscores the incumbents' struggle to adapt swiftly and effectively, thereby weakening their position within the strategic action field. The reliance on external consultants not only indicates a lack of internal capacity but also shifts power to auditing firms that can provide the necessary expertise and resources more efficiently.

*“If you need in house resources to do it, it will cost them their time **and they don’t have time**. If you want somebody else from outside to come and do it, you will **have to hire a consultant**. Right? So, it would **cost you money**. So, both things, when you don’t have, and somebody is asking you to do something, then there will always **be pushback, right**.” (CFO#5).*

Sub-theme 2: Outsourcing the resources

Due the institutional gap of lack of educational provider for IFRS, e.g. universities, and the ineffective educational services offered by SOCPA which is not specialised institution in education, CFOs found themselves in a necessity to outsource accounting services to be aligned with IFRS requirements. The perceived short notice of building up knowledge resources internally made the only strategy available for the CFOs to alleviate this disruption in the field is to rely on their financial resources to outsource accountancy consultancy services.

*“SOCPA support is just by providing guidance timelines, a **detailed circular was issued**, explaining to us that these are the key areas which we believe will be affected by IFRS. But you **need to carry out your own gap studies**, that kind of support material and all that educational support **and general guidance**, and how we should approach this issue, **we should hire a consultant and how this matter should be taken**” (CFO#2).*

*“And we did not have enough experience with IFRS, even until now the market needs it. The **external auditor helped us with many** accounting treatments to represent them correctly in our statements” (CFO#3).*

*“The amounts we paid for the transformation were not only **for external auditing**, but also to **cover consultancy services** for our weak points in the team. The adoption was sudden as I did not have a team qualified to international standards” (CFO#11).*

This perception is similarly acknowledged by auditors.

*“The companies had an obstacle, not understanding the language of applying international standards in the KSA, so they **resorted to contracting with audit firms**. Weak experience or weak qualifications of our accountants means this is one of the reasons that contributed to the large revenues of audit offices. Although they could have applied what was in the book as we did!” (BA16S).*

The decision to outsource financial expertise is strongly associated with the Big 4 accounting firms, which dominate approximately 80% of the Saudi market, as CFO#12 highlighted. Companies are increasingly compelled to engage the Big 4, not only for auditing services but also for their financial and accountancy expertise:

*“The **problems with the external auditor arise over disclosures and estimates**, as we are **always asked for documents and justifications**. We solved this problem by relying 80% on Big 4” (CFO#12).*

*“All listed companies had **to hire a consultant** to come on board and implement IFRS, because these companies did not **have IFRS expertise in-house**. then all the gaps would be implemented within the system. **We would remove those gaps and update our system**.*

*So, **the consultant, 99% of all the listed companies hired Big 4 firms**, as you know, Ernst and Young, Deloitte, KPMG, PwC (CFO#3).*

The financial burdens of relying on outsourcing accountancy services were significant due to this lack of preparedness. Financial burdens associated with compliance highlight the resource inequalities within the field.

*"We resorted **completely to Big 4** because its reputation in the market is better, it has better experience than local companies, it has **professional experience**, and the level of quality of service provided is excellent. Therefore, in 2017 **I invested in my team by relying on Big 4**, which **cost us a fortune**" (CFO#11).*

*"They cost us **hundreds of thousands of Riyals**" (CFO#12).*

*"It is overburdening the costs of **these consultants** due to the IFRS adoption" (CFO #3).*

The CFOs perceived that the Big 4 and international auditing firms are more competent as they have access to international resources. Thus, they believed that investing in their services could be a more valuable option than building up their international resources

*"As a big company, **we totally relied on Big 4**. The Big 4 can bring their specialists from European countries, and they also have cases like what we are going through in their offices abroad." (CFO#1).*

*"We **hired one** of the Big 4 firms to do the gap analysis initially, because we have subsidiaries in UAE, and Jordan. And apart from GCC, I'm saying. So, we hired one of the Big 4 to do **the gap analysis for us to align our financial reporting with IFRS**" (CFO#3).*

*"We relied on **Big 4** because most of them **come from outside the country** and have experience in countries that have applied international standards for a long time, and this experience is what made the difference in the Saudi market." (CFO#8).*

Reliance on outsourcing has significant challenges faced by corporates in adapting to the new IFRS standards. Despite hiring top-tier external consultants from the Big 4 well in advance, unexpected last-minute requirements created significant obstacles. This highlights the inherent complexity and unpredictability of the transition process. The slow response and the sudden emergence of new requirements indicate a lack of preparedness and adaptability among the external consultants and the internal teams, illustrating the difficulties in achieving a seamless transition.

*"The same guys who are sort of carrying out a SOCPA GAAP. So, they were very slow to come up with requirements, **they were very slow to comply**. And I mean, even we had hired an external consultant way ahead of the required timeline and we were thinking that we were prepared. But even then, there were **these last-minute requirements** which really took us by surprise" (CFO#1).*

The second challenge is too much reliance on external resources, even those from the highly reputable Big 4. Despite their expertise and adherence to global best practices, these consultants were still caught off guard by last-minute changes. This dependency reveals a strategic

vulnerability, where even the best external resources cannot always foresee and manage all complexities of the transition. This highlights a power imbalance where corporates, despite significant investment in external expertise, remain vulnerable to unexpected changes, reinforcing the strategic advantage of auditing firms that are better positioned to navigate these complexities.

*“Despite the fact that we are not talking about low quality consultants, we’re talking about **Big 4** consultants who are globally benchmark, who are follow world class best practices (i.e., Big 4). And despite all that, **every now and then something would creep up, come out at the very last minute**” (CFO # 5).*

The third challenge is the continuity and transition issues. The same teams responsible for auditing under the old SOCPA GAAP standards were expected to quickly switch to IFRS compliance. This abrupt transition underscores the significant challenges in retraining and reorienting staff to new standards within a short timeframe. It illustrates the strategic difficulties faced by both corporates and their consultants in adapting to new regulatory environments, emphasizing the need for more robust internal capabilities and long-term planning to mitigate such issues.

*“When **I say last minute**, I mean you don’t have time to do it. Given if you have enough time, you can do anything. But something when it comes **out at the very last minute**, then it’s very difficult because the problem was that it was the same external audit team was working on the 2016 KSA GAAP. So, the same team, when they started working in 2017 if I audit, it was the same employee for the audit team. So, you can imagine that in short notice, you can just turn a switch off and make **the same team IFRS compliant**” (CFO 6).*

The significant challenges and strategic vulnerabilities faced by corporates in adapting to IFRS, despite proactive efforts and reliance on top-tier external consultants. The analysis highlights the need for robust internal capabilities and long-term planning to navigate the complexities of regulatory transitions. These insights support the argument that the strategic positioning and adaptability of auditing firms provide them with a considerable advantage within the strategic action field, consolidating their power and influence over corporates that struggle with these transitions. From SAF theory perspective, these quotes reflect the unequal distribution of resources and the resulting power dynamics within the field. Auditing firms, with their focused activities and expertise, are better positioned to adapt quickly to the new standards. In contrast, companies with diverse operational needs face greater challenges, widening the gap between more resource-capable entities and those that are resource-constrained. This disparity can lead to shifts in power dynamics, where auditing firms and better-prepared companies gain an advantage, further reinforcing their positions within the field.

Challenges	Description
Unexpected last-minute requirements	Due to reliance on outside vendors, last minutes requirements create delays
The continuity and transition issues.	Lack of internal capabilities and long-term planning make the organisation struggle with every update. The organisation is not resilient enough to face regulatory changes.
Strategic vulnerability	Where even the best external resources cannot always foresee and manage all complexities of the transition. A power imbalance where corporates, despite significant investment in external expertise, remain vulnerable to unexpected changes, reinforcing the strategic advantage of auditing firms that are better positioned to navigate these complexities

Table 13: Corporates' Perspective

7.3.4. Auditors versus CFOs as individuals

Two primary factors contributed to this differential adaptation process and the accumulation of necessary resources: the motivation for professional sustainability and the age-related adaptability differences between CFOs and auditors.

Sub-theme 1: Motivation for Professional Sustainability

Auditors had a strong motivation to develop resources in a short period of time to manage this shock and to gain power in the field. If they had failed to do so, the SAF may simply collapse and become unorganized social space because of field will be lacking the service provider of the auditing functions.

*“After the adoption of IFRS and its continuous update, **the nature of our work as auditors and accountants requires us to develop continuously.** Otherwise, you will become useless as doctors.” (LA3E).*

Auditors realized the continuous professional development and acknowledged the dynamic nature of their profession, paralleling it with the continual development required in medical practice. Despite initial resistance from some companies, the imposition of new accounting legislation by KSA's highest authorities compelled auditors to embrace change. This underscores the non-negotiable nature of professional development in response to evolving standards, aligning with the structural imperatives outlined by SAF. As evidenced in MA4E and LA7S quotations, auditors were felt to be enforced by superior GU to develop a proactive approach to staying in the field and to become relevant and effective amidst evolving regulatory landscapes to maintain their professions

*“This is **imposed by the highest authorities in KSA** regarding accounting legislation. Whether you accept or reject, **you will follow this change**, and if you **refuse**, you are the one **who loses**, so everyone is forced. You have no choice but to develop yourself from your knowledge to keep pace with change, otherwise you will **be dispensed with in the market**” (MA4E).*

*“The standards forced the accountant and the auditor to acquire new experiences and **acquire new information**” (LA7S).*

To sum up, auditors’ perspective section, for auditors, adaptability is essential for sustaining their profession. The pressure to remain relevant and effective in their field drove auditing firms to quickly enhance their knowledge resources. This urgency to adapt and innovate contrasts with the CFO career trajectory, where there is less immediate pressure to develop new skills at the same pace. These dynamic allowed auditors, as challengers, to build their knowledge base and power more rapidly than CFOs.

Sub-theme 2: Age-related adaptability differences between CFOs and auditors

The second, is the nature of the CFO role, typically a senior position, often correlates with older age compared to auditing roles. This age difference can influence the ability and willingness to adapt to new auditing and financial standards. Older CFOs might find it more challenging to undergo the learning process required to keep up with rapid changes, whereas auditors, generally younger and in less entrenched positions, may find it easier to acquire and apply new knowledge. A significant age-related challenge faced by older financial professionals in adapting to new international standards. The below quotation points out that older employees, particularly those who have been in the field since the 1980s and 1990s, struggle to update their skills. This difficulty in adapting is attributed to their long-established habits and the considerable shift required by the new standards. The inability to professionally develop creates a significant knowledge gap, reinforcing the auditors’ argument that older CFOs and financial managers are less adaptable, thereby widening the power distance in favour of the more agile and younger auditing professionals.

*“With all due respect to everyone, before international standards, most of the workers in the finance department **of listed companies were poorly qualified**. For example, the **old people here from the 1990s and 1980s, they over fifty years old!!** Sorry, but how will he understand you?! My bro, at your age it is difficult to learn, **leave your place to the youth**. These people when international standards in 2017 applied, they are basically **unable to developing themselves professionally**, certainly because they had not before. I have seen a lot of such a case myself” (BA6U).*

*“The old CFOs **do not want to learn** and **do not want to leave their position** for experienced people with IFRS to take their position in the company, as you know, the company pays them very high salaries” (LA3E).*

This issue is perceived as being phenomenal in this sector. The predominance of older professionals, many of whom are over 60, highlights the significant generational gap in expertise. This gap underscores the argument that younger auditors, who are more likely to be

familiar with international standards, hold a strategic advantage. The reliance on older professionals who are less capable of adapting to new standards further consolidates the power shift towards auditing firms that have strategically invested in training and international expertise.

*“I can assure you that the **Saudi youth** who are familiar with international standards within listed companies are a very, **very small community** because most of them are **above 60 years old and some of them 70 or more**” (CFO#13).*

The auditors have depicted the situation as a communication challenge that create contentions over the time. They (auditors BA8J, MA17S, and BA18S) describe the challenges in communicating with older professionals who rely on outdated knowledge and are reluctant to learn new standards. This resistance to change creates a significant barrier to effective implementation of international standards, further reinforcing the strategic advantage of younger, more adaptable auditors. The professional stagnation of older CFOs and financial managers, coupled with their reluctance to learn from younger colleagues, exacerbates the knowledge resource gap, creates tensions in the relations and finally shifts power dynamics in favor of auditing firms.

*“Our problem is with people with old experience (financial managers) who are over 45 and he sees himself as having grown up to read and learn. Therefore, the **clash with this class always brings us to a dead end**. Because no matter how much you talk to him based on the criterion, he understands and is **based on his old, ancient experience**” (BA8J).*

*“Some are financial managers from when the company was established until it became listed in the market, meaning only that his **professional experience is more than 30 years**. **This type did not understand** that everything had changed in one financial year, which is 2017, and that everything he knew had become useless and that he was not ready to develop himself and learn from someone younger than him” (MA17S).*

*“The most common reason for the nature of tensions is when the client does not understand anything about **IFRS standards and does not want to learn**. One of the most common problems we **encountered was the *Shayban**. He from the 1980s, has been using **Saudi GAAP**. One book from SOCPA does not evolve or change, and now you come and want to convince him that the standards have changed and that he must **follow them and that he must learn!!**” (BA18S).*

*Shayban: It is a colloquial word for old people who are intolerant, reject change, and modernity and do not accept different points of view in various aspects of life. They always tend to live the way they used to.

7.4. Shift in the power balance from the CFOs to Auditors: Knowledge Based Perspective

The adoption of IFRS has increased the complexity of accounting standards, necessitating specialized knowledge and frequent auditing processes. This shift has elevated the authority

and influence of auditors, positioning them as key challengers capable of navigating the new regulatory environment more effectively than the incumbents. This dynamic underscore the evolving power structure within the strategic action field, driven by the strategic actions and expertise of auditing firms. Compared to the previous GAAP, under the simpler Saudi standards, CFOs and internal teams were on equal footing with auditors. But due to expertise and rareness of these expertise in the IFRS, the power has moved to the auditor, as confessed by CFO #11.

*“As much as international standards require more detail and clarification, the lines of dealing with the external auditor have been drawn for us, but the external auditor **still has more experience than the company**, and **his experience is rare and empowers him**. But in the past, we were completely familiar with Saudi standards, so the external auditor could not argue with us” (CFO#11).*

Auditors’ expertise in these complex standards makes their decisions and opinions crucial for compliance and accuracy. This dynamic further shift power towards auditors, reinforcing their role as key actors within the strategic action field.

*“IFRS make auditing process frequency more and make auditor decision or auditor opinion more important than before. Because **we are the experts**. No one knows IFRS better than an auditing professional” (BA10S).*

*“The auditor used to embarrass us because **he had more understanding** than us, and we used to hand him all the information” (CFO#8).*

The shift in power from CFOs as incumbents to auditors as challengers within the strategic action field. This shift is largely driven by the adoption of IFRS, which has increased the complexity of accounting standards and heightened the reliance on auditors’ expertise. During the early stages of adoption, auditors’ greater knowledge led to a dynamic where companies were dependent on them for guidance. Over time, companies have begun to catch up and engage more critically with auditors. The complexity and depth of international standards, compared to the simpler Saudi standards, have significantly enhanced auditors’ strategic position. The lack of familiarity among corporate accountants with these standards further consolidates auditors’ power, making them indispensable in the financial reporting process.

*“After applying international accounting standards, **our authority as auditors became stronger. The reason is ability**, I always link it to the **issue of ability**. The old Saudi standards were simple standards, they were only nine or ten standards, but in international standards there is a standard, and beneath each standard, as they said, is a sea of information, a sea of accounting treatments. **Yes, our authority has also become strong due to the lack of familiarity of corporate accountants with international standards sufficiently**” (BA16S).*

*“Usually, if I asked the customer to amend the data, he would procrastinate, procrastinate, procrastinate, then he would come to you **in a friendly way asking you for help and I help**” (LA7S).*

As companies navigate these intricate standards, they often rely on auditors for their specialized knowledge. This reliance enhances auditors' strategic power within the field, positioning them as essential authorities in ensuring compliance and accurate financial reporting.

*"In many cases, the auditor has more knowledge of an accounting standard than the company, so the **company may become dependent on the auditor** for his opinion. In general, it can be said that international standards have increased the importance of the auditor's opinion and point of view in specific transactions involving a lot of complexity within the company" (BA11S).*

*"As an audible voice, why does the auditor **have his voice audible**, because when the person **becomes more training**, he **becomes capable**, he takes information from you **faster and easier**. Financially and accurately in financial management, so it certainly became easier, **faster and more accurate**. As an auditor, I now have **many tools and many ways to deal with the company**. I can communicate my voice in a better way" (BA18S).*

Companies had to align closely with auditors' requirements, sometimes resorting to indirect learning and shortcuts. This dependency on auditors' guidance underscores their elevated authority and the power shift within the strategic action field.

*"At the beginning of the adoption, we were lost, and the comments of auditors were many, and in the end, **we had to satisfy auditors** and do what they wants in order to obtain a clean auditing report and **not delay the date** of publishing our financial statements, so we reached a solution that we sit with the auditor and hear what he wants and **indirectly learn from him** how we can **do what he wants**. Yes, **it's a kind of manipulation but we must make shortcuts since in the end, we must obey them**" (CFO#4).*

*"In the beginning, we did not understand international standards, but now, if the auditor asks for information, I ask him what he wants with it, and **I understand from him exactly what he wants**, and I discuss with him and **give him only according to his need**, and not all the information." (CFO#8).*

7.5. CFOs turmoil

The final outcomes in the power balance between auditors and CFOs are moving from the CFO threatening the auditors jobs and contracts, to be the CFO his/herself job security is threatened. Many CFOs are not able to cope with the IFRS as new knowledge, which lead to enforcing them to leave their departments, organisations, or even the country.

*"Almost this category of **financial managers with old experience could not maintain their positions after 2019 in KSA**. He was forced to leave KSA if he was a non-Saudi, but if he was a Saudi, he was forced to leave the Finance Department, go to the Operations Department, or go to the Internal Audit Department or any other department" (BA6U).*

*"Because the **owners of the companies** realized that our problem with the application is **not the application**, but the **type of people we deal with** (financial managers with old experience. So, the **old ones are forced to leave KSA** or leave **the finance department**. Because the owner of the company is **impossible to lose everything because of another person**, and the company does not stand on another person" (BA12S).*

Some managers are de-promoted, while others reduced their salaries by half.

*“Some of them I know **moved from a financial manager to the employment department**, and this affected his status and income. For some of them, their salaries decreased by 50%” (MA2E).*

Indeed, the recruitment criteria of the CFOs have shifted significantly from number of years of experience to the knowledge of IFRS, making the number of years of experience irrelevance matter.

*“Before adopting the IFRS, the company was concerned with the number of years of experience, but now it is concerned with the knowledge of the IFRS. **Experience is no longer important** if you do not have IFRS knowledgeable” (CFO#1).*

*“They would have **appointed competent financial managers** from the beginning who were capable and committed to issuing financial statements in the final form required at the specified time to deliver them to the external auditor. Not of years of experience becomes a minor factor” (MA14U).*

This shift increased the power of young accountants versus the old managers, making a bigger number of CFOs in youth age

*“I see that **IFRS have placed young men in leadership positions**, unfortunately equating them with those have respected long term experience” (CFO#6).*

7.6. Resource-Based Model

The disruption within the field began with a lack of collaboration among Saudi institutions, notably as a university declined to participate, creating an institutional void in the field of PAAF. Consequently, most field actors were unprepared, except for the Big 4 accounting firms. These firms, fully prepared for the transition, exploited this monopolistic opportunity to increase their fees by seven to ten times the usual rate, as detailed in the subsequent chapter. This pricing strategy also cemented their control over approximately 80% of the market.

Furthermore, corporate entities harbored a strong belief that only international firms possessed the adequate resources necessary for proper auditing, leading to a widespread shift in auditing contracts to the Big 4. In response, local firms initiated corrective measures by establishing collaborations and partnerships with mid-tier auditing firms in the UK and US for two primary reasons: to gain access to technical resources and to demonstrate their competence in offering these services. Consequently, of the 15 auditing firms authorized to deliver these services, four were classified as Big 4, three as local firms, one as an Arabic regional firm, and the remaining Saudi local firms had established partnerships with mid-tier auditing firms.

Following their alliances with mid-tier firms, local firms strategized to enhance their capabilities by hiring staff from overseas, investing in internal education, or sending employees abroad for training, and by expanding their auditing offices to provide technical support to auditors. This allowed auditors to rapidly enhance their skills, leveraging repetitions and economies of scale.

Corporate strategies diverged, as they found that internally educating their staff was neither efficient nor effective. This led them to increasingly rely on outsourcing consultancy services from the Big 4, or in some cases, boards of directors would replace CFOs with former employees of the Big 4. The transition to IFRS posed significant challenges for many CFOs, particularly older ones accustomed to previous standards. Their struggle to adapt often forced career changes, departures from their organizations, or even emigration for those from international backgrounds.

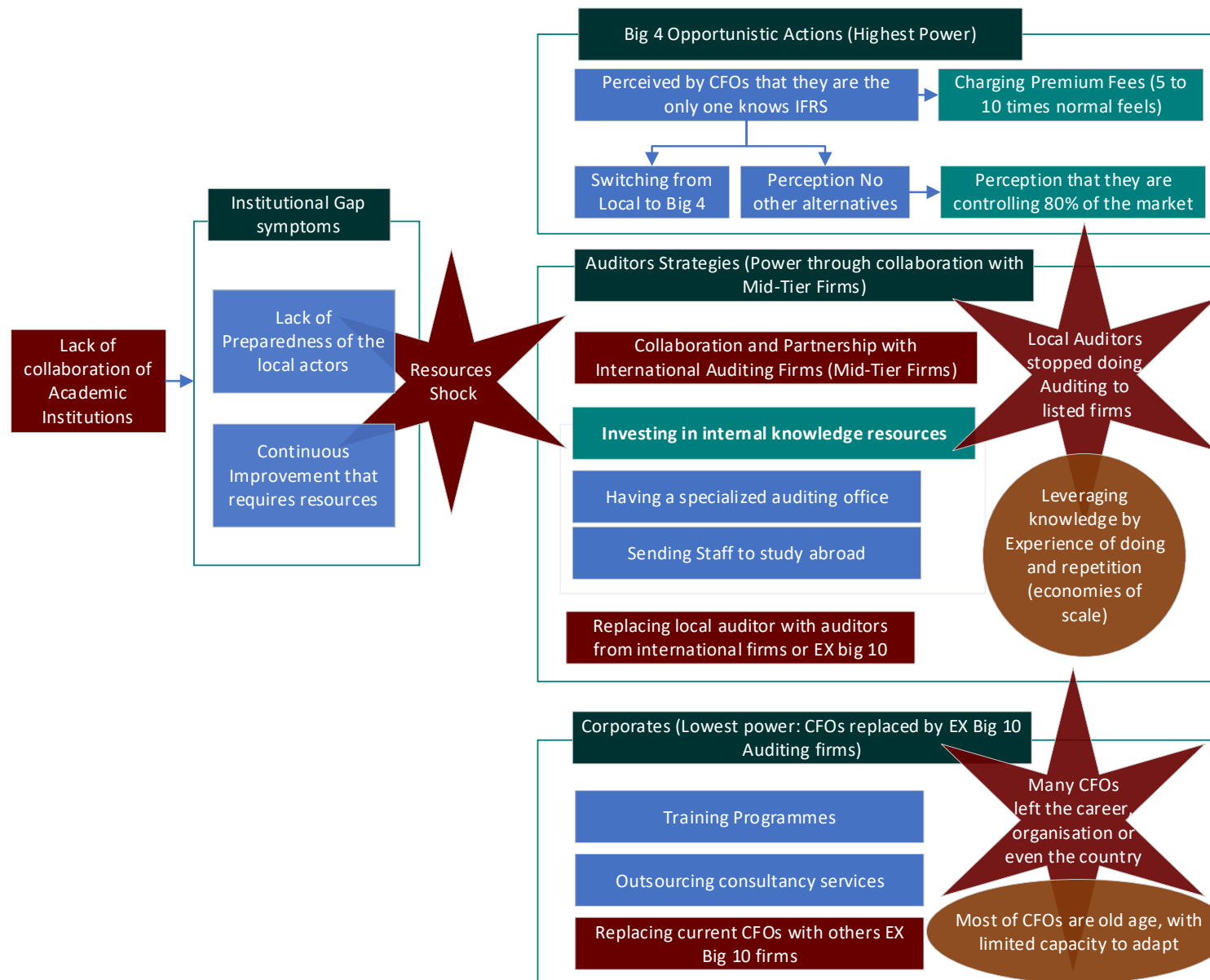


Figure 5: Resource Model

7.7 Discussion

This chapter has examined how IFRS adoption in KSA triggered a restructuring of power within the public accounting. Using a resource-based lens, the findings highlight knowledge as the pivotal resource shaping strategic positioning. This aligns with SAF theory (Fligstein and McAdam, 2012), particularly the role of “convulsive moments” in enabling challengers to reshape field dynamics. By foregrounding knowledge acquisition and deployment as a central mechanism of field transformation, the chapter extends SAF theory beyond its original emphasis on social skill and relational strategies (Laamanen and Skålén 2015). The evidence shows that international audit firms acted as challengers, exploiting the regulatory disruption to gain dominance. These firms strategically invested in IFRS-related training, recruited global expertise, and established technical hubs moves that allowed them to monopolize IFRS knowledge and convert it into institutional power. This supports prior studies identifying IFRS knowledge as a key barrier to adoption (Saidu and Dauda 2014; Andersson and Hellman 2020; Al Sawalqa and Qtish 2021) but moves beyond them by conceptualising knowledge as field-transforming capital. The chapter introduces the notion of “knowledge power effects”, contributing a theoretical refinement that positions knowledge not just relationships or discourse as a core driver of strategic field reconfiguration.

In contrast, former incumbents local audit firms and corporates were displaced due to their delayed adaptation and dependence on obsolete Saudi GAAP frameworks. Their limited investment in IFRS expertise made them strategically vulnerable. These findings resonate with post-IFRS studies from Jordan and Brazil (Risheh and Al-Saeed 2014; Gonçalves et al. 2022), where similar displacements occurred, but this study uniquely frames such shifts through the lens of resource asymmetry in knowledge. The chapter also reveals how knowledge mobility contributes to field consolidation. The transition of former Big 4 staff into leadership roles within corporates illustrates how knowledge capital circulates across organisational boundaries, reinforcing field dominance. This observation complements Bourdieu’s (1989) framing of knowledge as symbolic capital and locates it within a regulatory field shaped by both global professional logics and local institutional weaknesses. This hybrid configuration challenges traditional SAF assumptions by showing that strategic field advancement can emerge through technical knowledge and resource-building rather than consensus-based social manoeuvring. Finally, the transformation of the audit market where international firms now

dominate 97% of listed clients underscores the long-term structural impact of knowledge asymmetry. While audit firm switching is widely discussed in the literature (Khlif and Achek 2016; Pan et al. 2023), this study traces such patterns back to uneven knowledge distribution, rather than price competition or reputational shifts alone. This offers a more structural explanation of field dominance.

7.8. Summary

The public accounting sector, viewed through the lens of SAF theory, highlights a significant power shift between auditors and corporates due to the enforced adoption of the IFRS. This transition has fundamentally reshaped the dynamics within the field, positioning auditors as challengers who have effectively leveraged their capacities to build and enhance knowledge resources, thereby gaining strategic power over corporates, the incumbents.

The enforcement of IFRS created a substantial disruption in the field, necessitating a profound shift in knowledge resources. Auditors, as challengers, recognized the opportunity to fill the knowledge gap by strategically investing in expertise and training. They recruited international experts, particularly those with a deep understanding of IFRS, and provided extensive training to their staff. This proactive approach enabled auditing firms to quickly develop the requisite knowledge resources, positioning themselves as essential players in the new regulatory environment. In contrast, corporates, particularly CFOs and internal financial managers, struggled to keep pace with the new requirements. Many relied on outdated knowledge and were slow to adapt, often due to resource constraints and resistance to change. The incumbents' inability to swiftly build internal expertise left them dependent on external consultants, further exacerbating the power imbalance. This reliance on auditors for guidance and compliance support underscored their strategic vulnerability and diminished their influence within the field. The strategic actions taken by auditors resulted in a pragmatic shift in power dynamics within the public accounting strategic action field. As auditors became more knowledgeable and indispensable, their authority and influence grew significantly.

They were not only better equipped to navigate the complexities of IFRS but also became the primary source of expertise for corporates. This shift was evident in various aspects: increased authority of auditors, dependence on auditors, strategic vulnerability of corporates, and continuity and training issues. First, auditors' enhanced expertise in IFRS elevated their role from mere external reviewers to critical advisors and decision-makers in the financial reporting process. Their opinions and recommendations became pivotal in ensuring compliance and

accurate financial representation. Second, corporates' reliance on auditors for navigating IFRS underscored their diminished capacity to manage these changes independently. The need to align closely with auditors' requirements and the compliance pressure further highlighted the power shift. Third, the incumbents' slow adaptation and reliance on external support exposed their strategic vulnerability. This dependence weakened their traditional authority and allowed auditors to consolidate their position as key actors within the field. Fourth, the challenges faced by corporates in retraining their existing staff and adapting to new standards contrasted sharply with auditors' systematic and proactive training programs. This difference in preparedness and adaptability further tilted the power balance in favour of auditing firms.

In conclusion, the adoption of IFRS has catalysed a significant power shift within the public accounting strategic action field. Auditors, through strategic investments in knowledge and expertise, have emerged as powerful challengers, while corporates, constrained by resource limitations and slower adaptation, have seen their influence wane. This shift highlights the critical importance of knowledge resources and strategic adaptability in maintaining and enhancing power within a rapidly evolving regulatory landscape. As auditors continue to build on their expertise, their role as indispensable actors in the public accounting field is likely to become even more pronounced, further solidifying their strategic advantage over corporates.

Chapter 8: Restructure the Power Dynamics: Framework Perspective

8.1 Introduction

This chapter aims to fulfil the fourth research objective which is developing a model to understand the role of the IFRS standard as a framework in restructuring the power across the strategic actors. It aims to investigate the third mechanism that catalysed the shift in power dynamics between the incumbents and challengers in the PAAF. This mechanism is the nature and characteristics of the IFRS as a framework for setting requirements and specifications of the accounting and auditing practices accepted and approved by the GUs. The IFRS had three major framework-based changes. The first is that the Saudi GAAP was established over the time by integrating different frameworks into one which created inconsistency, vagueness, and lack of clarity of the disclosure requirements and interpretations to be a single consistent framework. The second, which comes from the first, is the shift from vagueness of the disclosure requirements to be detailed reporting system. The third is the move from an auditing system with no referencing system to a highly detailed referencing system. Fourth is transition from the former Saudi framework which was relied only on financial disclosure with omission of the non-financial information to the IFRS which considers non-financial data as well. The sections that follow will provide evidence of these pivotal changes in the framework's characteristics. This evidence lays the groundwork for understanding how these changes facilitated a shift in power from corporations to auditors. This shift is manifested through increased auditor involvement in corporate operations, which potentially mitigates the issue of information asymmetry. It fosters a culture of more transparent disclosure, diminishes the corporates' leverage over auditor disclosures, and, consequently, empowers auditors. With this newfound power, auditors are positioned to command significantly higher fees.

Aspect	Before IFRS	After IFRS
Nature of Framework	Hybrid framework with spaces of contradictions and inconsistency.	Consistent single framework with no noticeable contradictions.
Referencing	No Reference	Highly detailed comparable reference
Disclosure Requirements	Vague and not detailed, allowing for selective disclosure.	Highly detailed, specific.
Interpretation of Standards	Loose and subject to broad interpretation, often tilted in favour of corporate interests.	Detailed with interpretation power shifting to auditors and consultants.
Type of Information Disclosed	Only predominantly on financial indicators, with little to no requirement for non-financial disclosure.	Mandates the disclosure of both financial and non-financial information, embracing a holistic view of corporate performance.
Consequences		
Information Asymmetry	High, due to vague disclosures	Lowered, through detailed disclosures
Corporate Influence	Dominant in appointments/dismissals	Reduced, with more equitable power distribution
Bargaining Power	More with corporates	More balanced, favouring auditors and consultants

Table 14: Restructuring Power Dynamics: A Comparative Analysis of Framework Characteristics Before and After Implementation of IFRS

8.2. Changes in the framework

The four changes in the framework are moving from the hybrid disclosure framework of Saudi GAAP, from principles-based accounting system with no coherent reference to a detailed with an international well-consistent reference, moving from vague disclosure requirements to highly detailed one, and from reporting financial data only to include also non-financial reports. The following sections will cover one by one.

8.2.1. Hybridity vs. Consistency

The term Saudi standards does not refer exclusively to regulations developed within the nation. Rather, they are substantially derived from international benchmarks. The Saudi accounting framework exemplifies such a synthesis, amalgamating components from various countries' frameworks. In 1986, Order No. 692 formally established this framework, which encompasses accounting and auditing standards, ethical guidelines, and the internal organization of the profession. This incorporation entailed adapting frameworks from three countries: the USA, Germany, and Tunisia. After this amalgamation, the SOCPA was founded in 1992 by Royal Decree No. M/12 and operates under the auspices of the Ministry.

The old Saudi GAAP was based on different framework which created inconsistency and accountancy disclosure challenges. The auditors' reflections suggest that the Saudi accounting

field, before adopting IFRS, lacked common understandings due to the incorporation of diverse, sometimes contradictory, international accounting standards. This absence likely led to an inherently unstable and unpredictable accounting field where actors faced challenges in navigating the regulatory environment.

The statements from the six auditors highlight an important characteristic of the Saudi accounting standards: they are not indigenous constructs originating purely from within the KSA's own financial governance bodies in Riyadh or Jeddah. Instead, these standards are an eclectic mix, incorporating various elements from international accounting frameworks.

*"When we say Saudi standards, we do not mean that they are standards created in Riyadh or Jeddah. We have taken the standards of **different countries**" (BA13S).*

Another evidence is from auditors BA8J and BA16S who pointed that there is a blending of standards where the Saudi accounting practices are not solely grounded in the country's GAAP but are interspersed with American and other international standards to form contradictions inherent in this hybrid system. It is, according to SAF theory, could lead to challenges in actors understanding "*the rules of the game*". Without a clear set of standards born within the country's unique economic and legal context, actors (such as accountants and auditors) are less able to anticipate the actions of others or the consequences of their own actions, leading to instability.

*"... they did not apply Saudi GAAP, they **mixed** between KSA, American and international standards, it was hard for us to understand the rules of the game" (BA8J).*

*"It is true that we used to say that they are Saudi standards, but unfortunately, they are not Saudi in the first place. I mean, **it was not born in KSA**, it was also taken from **different sources** and so have **contradictions**" (BA16S).*

Thus, a consequence of this hybridization, the old standards' inconsistencies necessitated more areas for personal judgement, as perceived by auditors. BA11S and BA10S touches on the increased personal judgement that was necessary due to these inconsistencies.

*"On the contrary, the old standards, because it comes from different roots, had inconsistencies which enforce to **have more areas for personal judgement**" (BA11S).*

*"Because the accounting regulations before IFRS in KSA were a **mix of standards**, they **were not so much straightforward**, subjectivity to pick the things that make the CFO happy" (MA14U).*

Lastly, MA4E and LA7S's observation aligns with the previous statements, noting that the pre-IFRS framework in KSA, due to its amalgamated nature, lacked straightforwardness. This reinforces the potential for confusion and complexity within the financial reporting process

when a unified set of principles is absent, which creates pressures on the auditors to be independent without being stressed by the CFOs.

*“The lack of **consistency** and **contradictions** pushes us for **manipulation** and space for pressure us from the CFO, as the GAAP allows, why not? they used to **press to control the auditor**, no longer works after IFRS” (MA4E).*

*“The general idea is that international standards are more consistent and clearer in dealing than Saudi standards, which was **too complex to be independent auditor**” (LA7S).*

To sum up, under the previous hybrid framework characterized by contradictions and inconsistencies, auditors faced challenges predominantly related to financial indicators, with limited emphasis on non-financial disclosures. This asymmetry in information often favored corporations, granting them significant power in negotiations and decision-making processes. The lack of detailed disclosure requirements and loose interpretation standards further exacerbated information asymmetry and reinforced corporate dominance, as will be detailed in the next sections.

8.2.2. From a rule-based accounting system to detailed reference system

The Saudi accounting standards were based on principles rather than detailed referencing system. The IFRS is both principles-based system and offer a detailed referencing system. Nine of the interviewees reflect on the improvements brought about by adopting international standards. This gives the auditors bargaining powers to defend their positions. They speak to an increased ability to reference specific guidelines and examples from the standards, enabling them to present strong arguments and insist on correct financial representations.

*“Previously, in Saudi standards, things were **unclear** and **not detailed**, so I was unable to **convince** the client or tell him to open the **book to page number** and you will find what supports my opinion, like what I do now with international standards. I remember one time a client argued with me. I just made a screenshot of the details of the standard as detailed by international standards and sent it to him” (BA8J).*

*“When client is not presenting it correctly. Now, I come in and I say the client that, listen, this is not as acceptable as for IFRS. I will give **him reference from IFRS**, the standard paragraph from the standard itself” (BA10S).*

*“But now, when there **is any difference**, I refer to the **standard** and explain to clients the reason **in detail-based reference**, based on which we are talking about, so he speaks and defines the standard on which he relied, and I too, and in the end, we reach a solution. (MA15U).*

By providing references from global organizations using the same IFRS, auditors can facilitate better understanding and alignment with reporting requirements, enhancing communication

and collaboration between both parties. This sentiment is echoed by BA10S, who emphasizes how the clarity of standards helps to bridge the gap between the client and auditor.

*“Because of the clarity, it helps to create a **bridge between the client and auditor**. Client understands better. Because I will show him any global organization that is using the same IFRS, that has the same transaction in its accounts, and how it discloses it. So, the client will be able to understand me very well. Because I would have, because I am giving him a **reference from any other country**, any other company, but the reporting format is same” (BA10S).*

This transition suggests a movement towards a more stable strategic action field, where rules are clearer and auditors can take more predictable and enforceable actions, and power shifts from corporate side to the auditor one. The transition to international accounting standards with its clear reference has significantly impacted the relationship between auditors and CFOs, fostering greater clarity and understanding in their interactions. As noted by LA3E, the clarity and explicitness of the standards have provided a solid foundation for dialogue, creating a clearer and better relationship between auditors and CFOs.

*“Indeed, the relationship changed because the standard **became clear and explicit**, so the standard and its interpretations became between you and me, so the factor became easier and clearer **as it has a clear international reference**. This means that there is one solid ground on which we can stand and dialogue. In the past, standards were not clear. The relationship became clearer and better” (LA3E).*

To sum up, due to hybridity of the Saudi GAAP, which comes based on the differences in the sources, and being based on principles of the previous Saudi Framework, it was perceived as vague and general, while the IFRS, which is based on detailed referencing and singularity of its source, is perceived by auditors and corporates as detailed and consistent.

8.2.3. Vague vs. Detailed Reporting

The quotations from the ten auditors reflect the challenges they faced under the previous Saudi accounting standards due to their lack of clarity and detail compared to international standards. This lack of specificity in the Saudi GAAP impeded auditors in their professional roles, as they could not effectively argue or enforce accounting practices with their clients. This absence of detailed guidelines within the Saudi standards would have made the strategic action field unstable, as auditors lacked the authoritative backing needed to enforce accounting practices. Under SAF theory, this could lead to a power imbalance favouring those who can navigate the ambiguity, like clients who might resist compliance. LA7S describes a past situation where the lack of clarity in Saudi standards made it difficult to argue effectively with clients.

*“In the past, when I was arguing with the client, I did not have anything clear to rely on in my argument with the client! Saudi standards **were not as detailed as international ones**” (LA7S).*

This is corroborated by Regulator #1 and 2, who emphasized the deficiencies in the previous framework from a legislative standpoint, noting that international standards can address these shortcomings. Consequently, this support empowers auditors in their discussions with clients.

*“IFRS are strong, clear, unambiguously, and periodically produces and amends its standards, while **our standards are too weak** to do so with **vagueness** in the disclosure requirements, which **could affect the auditor’s independence**” (Regulator#1).*

*“Saudi standards **had fewer requirements than international standards**. For example, with the fixed assets standard, the Saudi standard did not talk about dividing the asset into groups. But the international standard divides the building into a group of used tools such as appliances, elevators, glass, etc., and it is evaluating the building on this basis, so that each element has a value, for example, the elevator has a consumable lifespan of 10 years, air conditioners 3 years, and so on. These details **increased the difficulties for the companies**” (Regulator #2).*

The IFRS has been noted to be more detailed significantly than the Saudi GAAP by 12 auditors and 13 CFOs. Here is an example of them.

*“The auditor came to me asking me to calculate the depreciation of the building’s exterior facade (glass) separately. So, we **got into a fight over glass!!** How **do I dismantle the asset**” (CFO#7).*

With the adoption of international standards, auditors are now able to reference specific details, improving clarity and understanding across the field. BA12S comments reiterate the lack of detail in Saudi standards, which compromised auditors’ ability to clarify and substantiate their opinions to clients.

*“Now, the auditor can clarify his opinion and the standard on which it was based, and he has clarification and detail for each word. But the Saudi standards, when we want to talk to the customer, he responds to you in unclear terms, because the Saudi standards **are not detailed in the first place**” (BA12S).*

This is indicative of a strategic action field that has insufficient rules to guide accurate reporting and audit practices, allowing errors to persist and potentially compound over time. MA9SY points out long-standing errors in financial statements due to the non-detailed nature of the Saudi standards.

*“There are many mistakes in the financial statements that are not a year or two years old. No, but years. Because originally, Saudi standards **were not provided in detail** or covered” (MA9SY).*

In SAF theory, the clarity of rules and the transparency of their application are crucial for the stability and predictability of a field. SAF suggests that actors those with agency within a field are better positioned to strategize and act when the governing frameworks are clear and

consistent. In the case of the Saudi GAAP, the vagueness and unclarity of disclosure rules likely skewed power dynamics in favour of those actors, i.e. CFOs, with the power to interpret or enforce these rules predominantly corporates with appointment power, as detailed in the previous chapter “Abu Shanta” phenomenon. The ambiguity of rules allows for interpretive flexibility, which can be exploited by powerful actors to maintain or enhance their advantageous positions. This results in an uneven playing field where some can navigate and manipulate the rules more effectively than others. Expanding on this, the accounting and auditing frameworks within a strategic action field acts as the game’s rulebook. If the rulebook is unclear, those with the insight or authority to interpret or bend the rules can do so to their advantage, often at the expense of weaker actors. Such conditions can foster an environment where power consolidates with a few, potentially leading to governance practices that may not align with the broader interests of the field. The evidence of the change is documented from regulators, auditors, and CFOs. The regulators recognised the robustness and dynamism of the IFRS framework in continuously updating and refining its standards to meet evolving global financial reporting needs with a clear reference and unambiguous disclosure requirements.

8.2.4 Financial only versus financial and non-financial disclosures

IFRS requires both financial and financial disclosure, unlike the Saudi GAAP which discloses only the financial information. It mandates entities to provide detailed explanations about the reasoning, methodologies, and assumptions behind the numbers presented in financial statements. Such a shift demands a deeper engagement with the qualitative aspects of financial reporting, including the communication of complex financial models and the assumptions underlying these models to the readers of financial statements. As evidenced by LA7S, this requirement extends the role of accountants and auditors from being mere number crunchers to storytellers who must articulate the narrative behind financial data.

*“IFRS 9 talks **about financial tools**, the **system** has become **very strict**; **provisions increased**. For example, previously, debt provisions were written down when the problem occurred and the debt occurred, but now it is necessary to predict the future and write expectations for expected credit loss” (LA7S).*

This change was not welcomed by the CFOs due to change in the nature of the accountancy tasks, more detailed information disclosed which is perceived as making the relationship between auditors and CFOs more complicated, and more shift of the power towards auditors. 3 CFOs perceive that auditing logic should focus only on numbers not interpretations or opinions which can leave a space for power for auditors to reflect on their perceptions and judgements.

*“We are accountants **the number more** important for us **more than the words**” (CFO#5).*

*but international standards for comparison gave them more flexibility in disclosures. I do not want to say that it emptied accountability of its content and essence, but it **distanced us from the accounting that we know as former practitioners**. in my view, the clarifications kept us away **from our profession as accountants**” (CFO#6).*

In the past, auditors focused primarily on the accuracy and fairness of numbers in financial statements. However, with the adoption of IFRS, the focus has shifted towards placing greater importance on explanations, clarifications, and disclosures. This change indicates a shift in the auditors’ approach to conducting audits, highlighting the influence of new standards on their practices within the strategic action field. The adoption of IFRS has altered the interaction pattern between auditors and their clients. The focus has shifted from a narrow emphasis on numbers to a broader focus on clarifications and disclosures. This change has introduced complexities in the relationship, as auditors require more information and explanations to ensure compliance with the new standards, which could be perceived as more “*complicated*” as quoted by CFO#1

*“It is my personal view or perhaps psychological or practical effects. Adoption changed the tools and methods of the external auditor clearly. For example, in the past, they **focused more on numbers** and their **accuracy and fairness** than on explanations. But now, the focus is on clarifications and disclosures. So yes, the relationship has become more **complicated**” (CFO#1).*

This shift in dynamics is reflected in the altered interaction pattern between auditors and their clients. The focus has transitioned from a narrow emphasis on numerical accuracy to a broader scrutiny of clarifications and disclosures. This creates disagreement and disputes in which the power has moved from the CFO hand to the auditors.

*“Back in the day, disagreements were rare, and when there was a difference of opinion, it was about the CFO’s desire for a certain expense or revenue. Now, the **disputes are no longer like this**. The disputes have become over **disclosure** over a **detailed number**, over an **opinion**, relations with other parties such as courts and suppliers. **No one can beat the auditors here**” (CFO#1).*

Auditors now require more information and explanations to ensure compliance with the stringent requirements of IFRS. This shift in dynamics is reflected in the altered interaction pattern between auditors and their clients. The quote from CFO#3 provides a profound insight into the nuanced complexities introduced by the IFRS, particularly its emphasis on the narrative aspects of financial reporting, beyond mere numerical disclosure.

*“.... diving into the IFRS9 standard and its complexities tired our respected accountants because **it focused on non-accounting aspects**. Focused on aspects of communication, and how to explain to the reader and not how to present the number to the reader. The standard*

*focused on how to explain to the reader the reasons and sources of the number and financial models for calculating the number. **Complexities** and stages that this standard went through to be accepted by the majority” (CFO#3).*

The emphasis on “*non-accounting aspects*” and the need to “*explain to the reader*” auditors’ practices, as highlighted by CFO#3, underscores the increased demand for transparency and understanding in financial reporting. This approach aims to provide stakeholders with a clearer, more comprehensive view of an entity’s financial health, risk exposures, and prospects. However, it also introduces challenges for accountants and auditors, who must now possess not only a deep understanding of complex financial instruments and models but also the ability to effectively communicate these concepts to a non-specialist audience. The “*complexities and stages*” referred to in the quote reflect the iterative process of developing, interpreting, and applying the new standards in a way that balances the need for detailed, informative disclosures with the practical realities of financial reporting. This process requires a significant investment of time and resources by entities to ensure compliance, as will be detailed in the consequences of change section, as well as a collaborative effort between preparers, auditors, and standard setters to navigate the challenges posed by these more comprehensive reporting requirements.

8.3 Change in the power dynamics from the Framework perspective

The adoption of consistent, detailed, and inclusive of financial and non-financial reporting has moved the Saudi accounting field toward greater stability, in which challengers have the higher power while the incumbents have lower one. This aligns with SAF theory’s suggestion that clearer; shared rules enable actors to strategize and operate effectively within a field. The auditors’ experiences reflect a shift from a field characterized by ambiguous power dynamics and inconsistent practices to one that is more structured and predictable, allowing for more equitable and effective strategic action. This transformation has empowered auditors with increased bargain power, particularly in discussions with company management. BA6U highlights how the clarity and specificity of international standards enable auditors to assert their position more effectively by referencing specific paragraphs and regulations. This demonstrates a shift in power dynamics, where auditors can now rely on standardized frameworks to support their arguments and enforce compliance.

*“International standards gave **us a louder voice in the discussion**, because when the company’s management objects, I can respond to them by saying **the standard stipulates such and such in paragraph** number such and such and go to the SOCPA website and print the page for them” (BA6U).*

The obligation to disclose key audit matters not only enhances transparency but also puts pressure on companies to align their practices with international standards. As a result, auditors are more assertive in pushing back against practices that deviate from IFRS guidelines, thereby strengthening their position in governance discussions. CFO#2 emphasizes how the implementation of ISA standards, which require the publication of all key audit matters, has further amplified auditors' voices.

*"ISA standards, they were **required to publish all key audit matters in the audit report**. So, this also put a lot of pressure on them. And because of this, **their voice got louder**, they pushback **got louder to everything** which they felt was not in complete alignment with IFRS" (CFO#2).*

There are three main consequences indicated by, and signs of, this change in the power dynamics between the auditors and corporates. They are the increased auditors' efforts and fees and the auditors' perceptions of increased their capacity to disclose unfavourable information about the corporates, reduce manipulation, and produce a more transparent disclosure. These consequences are strong indication of the shift in the power from the incumbents (i.e. corporates) to challengers (i.e. external auditors).

8.3.1 Increased Auditors' efforts and fees

Due to disclosure of the non-financial information and detailed reporting requirements, the auditing burden increased significantly, which gives more power for the auditors to disclose more about the companies.

*"Most of the standards were **harmful to the interest of the company**, the (IFRS9) standard because of its many requirements and complexities, which **cost accountants and auditors as effort and additional cost**" (CFO#3).*

The transition to a more detailed and comprehensive audit report, from one page to twelve for listed companies, and the extended duration required for both quarterly and annual audits underscore the augmented efforts and expertise required by auditors under the international standards. This change is a direct reflection of the strategic action field's shifting requirements, where auditors need to apply a higher degree of judgement and scrutinize financial statements more meticulously due to the perceived increased risk of incorrect accounting treatments.

*"..... reason for **taking prolong time** is that international standards have **a high degree of judgement**, and the external auditor is afraid that the company recorded an incorrect accounting treatment, and this **poses a high risk to him**, so he must review many points" (CFO#7).*

*“It takes more than a week because he **reads all the details** and sees how everything is calculated because he **is afraid that he will be at risk** because they are **unconfident** and believes that the company has calculated financial statement items **Incorrectly**” (CFO #3).*

*“The IFRS gave **the disclosures a value**, not as previously in our old perspective. The disclosures are not of importance to us as preparers of financial statements. This is an **additional effort on** the company with issues that are not important from our old perspective, or from our old point of view, but from the point of view of IFRS, they are important” (CFO#1).*

The shift is from a one-page audit report to a 12-page document for listed companies and the extension of audit durations from days to weeks illustrate the increased complexity and effort required under international standards. The increased complexity necessitates heightened auditor diligence, thereby expanding their role and influence within the field. As stated by BA6U, CFO#8, CFO#1, and CFO#7.

*“The **audit report** in the past **was one page**, now it is **12 pages** in listed companies” (BA6U).*

*“Under KSA GAAP, they were only required to **publish a one-page audit report**. But under the new E audit, the audit reports were supposed to be around eight to ten pages. This pressure makes them charge more” (CFO#2).*

*“The IFRS caused a change in their tools, a change in working hours, for example our annual lists were **around 40 pages with disclosures now 100 pages**. The lists were only 2 or 3 pages, now it is more than 12 pages” (CFO#1).*

*“In the past, in the days of Saudi standards, the quarterly audit process took the external auditor 3 days, and the annual audit, since it was more accurate, **took 3 weeks**. But now, the **quarterly audit takes the auditor 3 to 4 weeks**” (CFO#7).*

*“We had to update our disclosure of financials as per IFRS and then that increased auditor works as well, because previously they were auditing based on Saudi standards, which was pretty straightforward and when it comes to IFRS, there are very detailed requirements, which required more efforts and time from the Auditors. **The auditor scope of the work got changed as well, because of IFRS adoption**” (CFO#8).*

Auditors' fears of incorrect accounting treatments lead to more thorough reviews, shifting the power dynamics and allowing auditors to demand more detailed documentation and explanations from CFOs. This shift illustrates how changes within the SAF can empower certain actors over others, altering the traditional power balance. The quotation from CFO#7 and CFO#13 highlights the auditors' heightened responsibility to exercise judgement under international standards, a change that inherently increases their power over CFOs.

*“IFRS requires effort and capabilities, which in the past did not require effort, meaning international standards increased the **financial burdens** and their authority over us” (CFO#13).*

*“If I were the decision-maker, I would order a return to the old standards, because the new standards caused **financial and physical costs** and **put us in stress**” (CFO#4).*

*“I prefer the Saudi standards as an experimenter for the two periods. We got **drained out by the IFRS**” (CFO #10).*

The contrasting perspectives of auditors as challengers and CFOs as incumbents regarding the implementation of the IFRS highlight a significant shift in power dynamics within the field of financial reporting and auditing. Auditors view the adoption of IFRS as an enhancement to the quality and oversight of the auditing process, which naturally leads to increased debate, effort, and ultimately, fees.

*“The prices **of audit services increased** after the adoption of international standards because quality requirements increased, as did oversight, which **all affect our fees favorably**” (BA6U).*

*“After applying international standards, the auditing process began to include a lot of debate, going forth and back, and controversy over accounting treatments. Naturally, the auditor will **make more effort with the client** and charge **a higher fee for the process, equivalent to his effort**” (BA11S).*

This perspective underscores a shift towards greater professional recognition and influence over the financial reporting process, positioning auditors as key challengers in setting new norms and standards. From their standpoint, the transition to international standards has elevated the complexity and scrutiny of audits, reflecting a heightened value placed on their services in the market. The increased requirements for detailed reporting are seen as an opportunity, both to raise the standard of their work and to command higher compensation for their increased efforts.

*“These changes **increased the workload on us**. But increased **my value in the market**” (LA3E).*

*“Previously, by Saudi standards, the format imposed on me as an external auditor was very simple and did not require many details. Now, the requirements for the external auditor’s report have differed and its **size has increased**, and the **external auditor’s salary has increased**, and it is in **fact an opportunity**” (MA17S).*

Conversely, CFOs perceive the shift towards IFRS as burdensome, both in terms of the increased disclosure requirements and the substantial rise in audit fees. The expansion from simpler, national standards to more detailed and flexible international standards have significantly escalated the financial costs associated with compliance. CFOs express a sense of being overwhelmed by these changes, which they view as having a negative impact on their companies’ operations and finances. This perspective reflects a sense of loss of control over

the financial reporting process, where CFOs, as incumbents, find themselves at odds with the increasing demands and costs imposed by the adoption of IFRS.

*“The difference in the disclosures from 40 pages to 100 pages, is a burden on the auditor and the accountant. Therefore, the external **auditor’s wages rose in the market**” (CFO#1).*

*“Of course, the audit fees have gone up exponentially. I remember under SOCPA used to be I’m just giving you a number. For example, if somebody was paying two to 3 million SAR (approximately \$533,000 to \$800,000) per year to their external auditor, when they shifted to IFRS, **the fees went all the way up to almost double seven, eight, seven and a half, 10 million SAR (approximately \$1.87 million to \$2.67 million)**. The quotations which were coming from the market were as **high as 12 million, 13 million, 14 million SAR (approximately \$3.2 million to \$3.73 million)**. And this is for an audit, which was not costing you more than three, **4 million SAR (approximately \$800,000 to \$1.07 million)**” (CFO#2).*

*“As for the IFRS, they are very flexible to the degree that gave the subject a greater cost to the companies (the audit cost), and the auditors’ fees increased by **more than 100%**, based on the size of the company, the number of its employees, and its international connections” (CFO#7).*

The implementation of IFRS has catalysed a shift in power dynamics from CFOs to auditors. Where CFOs once had more autonomy and control under national standards, the transition to IFRS has increased the auditors’ role in dictating the terms, quality, and costs of financial reporting. This shift is reflected in the auditors’ ability to demand higher fees for their services, justified by the increased effort and expertise required to comply with international standards. Meanwhile, CFOs are forced to navigate these new demands, often at significant financial cost, indicating a realignment of authority and influence within the field of financial reporting.

8.3.2 Auditors’ Perception of Enhanced Capacity for Transparent Disclosure: Uncovering Adverse Information about the corporate

The section delves into auditors’ perceptions of transparency and disclosure within the context of financial reporting. In exploring the auditors’ viewpoint, particular attention is given to their enhanced capacity after adopting IFRS in two key areas: the disclosure of adverse information about corporations and the production of clear, transparent financial disclosures. The deficiencies and ambiguities inherent in previous accounting standards provided companies with significant leeway to withhold information they deemed unfavourable for disclosure. As mentioned in the MA9SY and BA6U that the companies “*do not like to disclose*”

*“When the international standards came, we got tired with the companies, because the companies **do not like to disclose, they like to hide the information that they do not serve**” (BA8J).*

*“Companies are never happy with **the many disclosures**. But for the stakeholders it is a good thing. Or let me say the companies were **originally dissatisfied** with the international standards, but they do not have the power to reject it” (BA6U).*

Before the adoption of IFRS, most items in a company’s budget were not adequately covered by Saudi accounting standards, leading to discrepancies and challenges between auditors and management. This indicates a lack of comprehensive rules and standards, contributing to uncertainty. This ambiguity also provided companies with an opportunity to conceal sensitive information. The BA10S described how the ambiguity of previous standards posed “*higher challenge*” in their dealings with companies.

*“Every item in the company’s budget had an international standard, **90% of Saudi standards were not covering them before adoption IFRS**. For example, if we were talking about dedicated account, a receivable account, it was previously in of Saudi standards affiliated with the agent, so the management agent had a policy on the subject, and this creates a higher challenge between the auditor and the company’s management. However, when the international standards came, they **were more accurate, more detailed, and clearer** in dealing between the two parties” (BA10S).*

The paradigm underwent a transformation with the adoption of international standards, endowing external auditors with the authority of a lucid framework to assert and enforce disclosure requisites in adherence to IFRS. Under Saudi GAAP, companies had more flexibility in capitalizing certain items, leading to potentially higher levels of capitalization. However, with the adoption of IFRS, which emphasizes principles over specific rules, there was a stricter criterion for determining eligible items for capitalization. This change likely caused dissatisfaction among CFOs, as it constrained the company’s ability to capitalize certain expenses or assets, potentially impacting financial reporting and performance metrics.

*“But when we moved to IFRS, it is not rules based, it is principles based. And it is very strict when it comes to items, eligible items which can be capitalized, which cannot be capitalized. So basically, if under the SOCPA GAAP, we were capitalizing ten items. Under IFRS, we **were only allowed to capitalize one item**. So, in that sense, **people were not happy**” (CFO#4).*

Supporting this argument, CFO#2’s anecdote about the laxity in capitalization under SOCPA GAAP reflects how companies capitalized even irrelevant expenses, highlighting the need for stricter criteria under international standards to prevent such practices.

*“...for, fixed asset accounting or project accounting, under SOCPA accounting GAAP, pretty much **everything was eligible for capitalization**, Titter. Everything, Big Laughing, so under SOCPA there was a major push **to capitalize even example irrelevant expenses**.” (CFO#2).*

Conflicts predominantly cantered on disclosure matters, where auditors advocated for the inclusion of specific disclosures in financial statements, substantiated by meticulous standard

references. The discord stemmed from companies' entrenched practices of concealing data deemed "*sensitive*," owing to the inadequacy of the Saudi GAAP framework in furnishing comprehensive and detailed elucidation of disclosure obligations. This enduring friction with external auditors underscores dynamic shifts in power dynamics between external auditors and companies, precipitated by the implementation of a detailed framework that empowers auditors to unequivocally demand adherence to disclosure requirements mandated by IFRS.

*"Actually, **clash mostly it was related to disclosures**. So, for example, auditor asked me to add X number of disclosures in the financial statements and he provided us the standard reference. But some of the disclosures, we **said that it is very sensitive**. So, **we cannot disclose it**. some sort of disagreements were there. it is too market sensitive" (CFO#3).*

*"Because IFRS requires us to **have extensive disclosures**. We have certain disagreements with external auditor and then we provide **them the required reason or justifications** to prove our point of view on a certain transaction" (CFO#6).*

*".. the standards that we had a lot of clashes on it with the auditors It's IFRS 9 and IFRS 7, financial instruments. It's **financial risk management disclosure**. So, it requires us to **disclose sensitivities** and the **risk companies facing financial risk**, obviously. So, we were disclosing, we are still disclosing very limited information in our financial statement related to that" (CFO#3).*

The resistance of companies towards disclosing information that may not serve their interests suggests a reluctance to embrace the transparency requirements imposed by international standards, which prioritize providing comprehensive and detailed financial information to users, as most auditors recognized.

*"The companies were trying **to reject international standards**. Or let me say what they are trying, not an attempt by companies to evade compliance. I mean, they always try to escape. For example, if I came to mention to them on a specific subject **the level of disclosure required**, then he argues, for example, saying that this is not within the scope of the standard. The reason is that **they cannot reject international standards clearly and explicitly**, so they are looking for a way out of the scope of the standard" (MA15U).*

This enforcement of the disclosure of the perceived sensitive information created tensions between the auditors and CFOs.

"The relationship between the external auditor and the company has become more cautious than what we saw by previous standards. Because now there are more disclosures and details depending on the size and nature of the transactions, which has created a large gap between the two parties" (BA6U).

*"The **level of disclosure** required by the external auditor according to this standard is very sensitive and **requires documents** which demands extra effort and resources for **accurate accounts** and profit transactions, so naturally, our **relationship becomes tense!**" (CFO#12).*

8.3.3 Auditors' perceptions of their improved capacity to reduce manipulations.

The third sign of the change in the power dynamics in the PASF is the auditors' perceptions of their improved capacity to reduce corporates' manipulations. Before the adoption of international standards, companies had the flexibility to conduct their operations in a manner that suited their interests, such as labelling financial instruments differently to benefit from specific regulations.

*"The old standards were **not comprehensive**, leaving enough room for companies to manipulate their numbers" (BA8J).*

Most auditors believe that corporates defended the previous Saudi GAAP because it is "*too weak to reveal anything to investor*" and they can "*cook their books*". Their narratives accentuate this point by stating that the deficiencies in Saudi GAAP provided companies with opportunities to manipulate their books.

*"The reason why companies are alienated from international standards is not only because international standards require a great deal of effort. Because originally the Saudi standards were **too weak to reveal everything to the investor**. They are happy with Saudi standards. The size of the difference is so great that you cannot cover it day and night" (BA16S).*

*"The shortage in Saudi GAAP gave them **space to cook their books**" (MA1E).*

With the implementation of international standards, companies were compelled to reevaluate their practices and adhere to standardized reporting requirements. This resulted in a more organized and regulated approach to financial reporting, preventing companies from manipulating financial data to their advantage. As scripted in the MA17S, the metaphorical expression "*you cannot play with your tail, so tie your tail*" suggests that companies must conform to the regulations and standards set forth by international accounting practices, indicating a shift towards greater transparency and accountability in financial reporting.

*"Companies were already having operations that they used to carry out before adopting international standards. International standards came and organized them in the right way. For example, Axxxx and Sxxxx companies had bonds and deal with them, but they write them in their financial statements under the name of sukuk not bonds, and this serves their interest. But when international standards came, they were forced to recalculate. This is one of the things that the international standards came and organized. Therefore, **you cannot play with your tail, so tie your tail**" (MA17S).*

This demonstrates the corrective effect of international standards in terms of rebalancing the auditors' power, exposing past manipulations and promoting cleaner financial reporting. An example given by MA14U's to reflect his experience with clients attempting to include manipulated numbers from previous years in financial statements.

*“They brought wrong numbers and wanted to include them in the 2017 statements, and when I asked them to recalculate them in the correct way according to the standards, their numbers changed a lot, and they accused those international standards affected their numbers. But **the truth is that it revealed their manipulation**, and they wanted to record the numbers of the previous three years as they wanted because they want to clean up their statements and start 2017 with clean numbers and hide their previous manipulation” (MA14U).*

Another example is given by BA18S. This is a specimen of errors in revenue recognition under IFRS15 underscores the significance of implementing detailed standards to address loopholes and discrepancies in financial reporting which is fixed by the framework power pledged to him using the IFRS.

*“One of the problems that occurred there is what is called revenue recognition because the client was postponing the calculation, so it became unbuild, but he registered it as the built revenue. **This error was discovered**, and the company was asked to do a restatement” (BA18S).*

BA16S and MA15U emphasize the power pledged to them with the breadth and capacity of international standards to cover various financial treatments in detail, contrasting the narrow and limited scope of Saudi accounting standards. This broader coverage minimizes loopholes and tricks used by companies to deceive users with financial statements.

*“Saudi accounting standards were very narrow and limited. International standards have **excellent breadth and capacity** to cover different financial treatments, accounting treatment for each transaction in detail, helping you record the transaction correctly” (BA16S).*

*“Also, international standards are **more comprehensive** than KSA, as they cover all aspects of the financial statements, and this ruins the companies’ tricks in which they deceive users with the financial statements” (MA15U).*

In conclusion, the adoption of international accounting standards has significantly reduced spaces for corporate abuse of power by promoting transparency, accountability, and standardized reporting practices. Companies, previously afforded flexibility under old standards, were compelled to re-evaluate their practices and adhere to stricter reporting requirements with the implementation of international standards. This shift has led to a more organized and regulated approach to financial reporting, preventing companies from manipulating financial data to their advantage. Despite initial resistance, international standards have proven effective in curbing deceptive practices and exposing past manipulations, ultimately fostering cleaner financial reporting practices.

8.4. Framework Power Model

The transition from the Saudi GAAP to the IFRS markedly altered the power dynamics between auditors and CFOs. Under the Saudi GAAP, the framework consisted of a hybrid of

inconsistent and contradictory standards, which introduced loopholes. These gaps provided CFOs with leverage to pressure auditors into exploiting these loopholes to favour the corporation over external stakeholders. This was compounded by the CFO's authority to contract with or dismiss auditors based on satisfaction with their services. Additionally, Saudi GAAP limited auditors' ability to disclose non-financial data and constrained their freedom to express independent views, effectively silencing their input on financial statements due to the prevailing norms against disclosing non-financial information.

In contrast, IFRS is a principles-based standard derived from a single, coherent source, eliminating spaces for loopholes or abuse. This framework mandates alignment between auditors and CFOs with its consistent standards, supported by the strong, panoptic system enforced by the CMA. IFRS advocates for fair value accounting, which necessitates the professional judgement of auditors in valuing corporate assets. This change enhances the auditors' influence by enabling them to hold significant sway over asset valuation. Moreover, the potential for auditors to issue a qualified opinion or report discrepancies directly to the board of directors instils a cautious approach in CFOs, managing tensions to potentially favour the auditing firm over their own organizations.

Furthermore, IFRS broadens the scope for disclosing both financial and non-financial data and demands detailed reporting due to its principles-based nature. This expansion empowers auditors by bolstering their role in ensuring transparency and enhancing their perceived capacity to detect and mitigate manipulations, thereby shifting the balance of power significantly in favour of auditors.

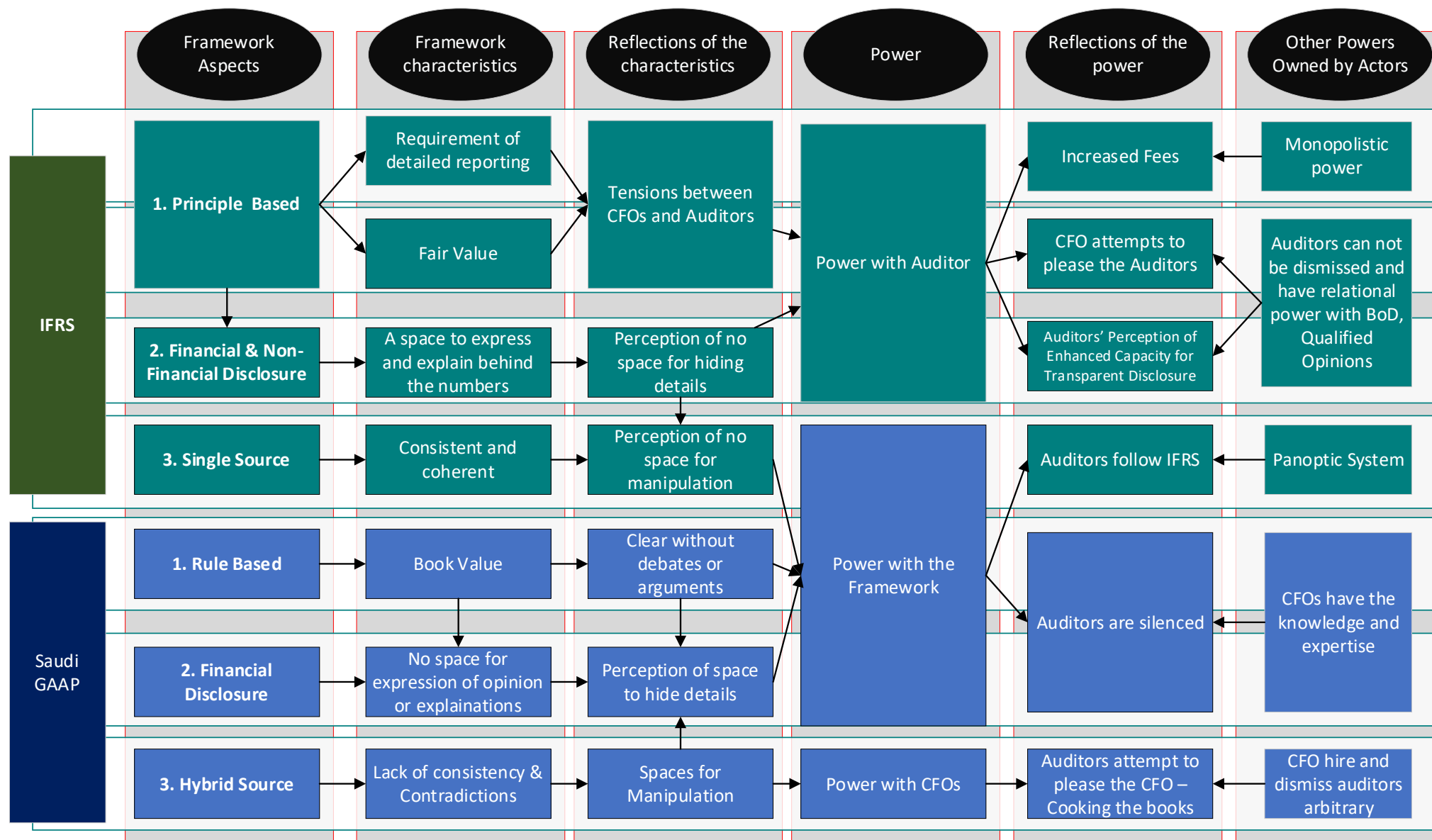


Figure 6: Framework-Based Mode

8.5 Discussion

This chapter offers a critical and theoretically grounded analysis of how the adoption of IFRS restructured power dynamics within the PAAF in KSA. Using the SAF theory as a framing device, the findings reveal how agency, authority, and legitimacy shifted, with auditors particularly from international firms emerging as central actors due to their command of technical expertise and discursive authority embedded in IFRS. These findings align with and contribute to the literature on institutional change, professionalisation, and field restructuring in transitional economies (Humphrey et al. 2009; Chung and Kim 2023).

First, the results confirm and extend previous research suggesting that IFRS enhances auditor authority by expanding their interpretive discretion and technical involvement, particularly through broader disclosure requirements and the application of fair value accounting (DeFond and Zhang 2014). While earlier studies have critiqued IFRS for subjectivity and manipulation risks (Ahmed et al. 2013), this study finds that referencing systems, structured disclosures, and the integration of non-financial metrics strengthen the auditor's ability to scrutinise management decisions. This supports the argument by Boyer and Chane-Alune (2009) that enhanced transparency mechanisms increase the oversight capacity of auditors. The chapter also connects with comparative research on resistance to IFRS in culturally distinct jurisdictions (Tyrrall et al. 2007; Siregar et al. 2020), showing that the empowerment of auditors in KSA was not only technical but also symbolic, shifting perceptions of authority in a system historically biased toward corporates. Second, the findings challenge assumptions in the literature that national GAAPs are culturally embedded (Gray 1988; Nobes and Parker 2020). In the Saudi context, GAAP lacked coherence and cultural legitimacy, being a fragmented hybrid of imported standards. This resulted in weak interpretive guidance and asymmetrical power favouring corporates, who could exploit ambiguity. IFRS disrupted this structure by introducing a consistent and enforceable framework, rebalancing power in favour of auditors. This confirms SAF theory's assertion that institutional reforms can serve as jolts (Fligstein and McAdam 2012) that destabilise existing field structures and allow challengers to ascend.

Third, the chapter extends literature on auditor fees and influence in IFRS environments (Kim et al. 2012; DeFond and Zhang 2014). While previous studies link rising audit fees to compliance burdens, this study finds that such changes also reflect deeper structural dynamics:

elevated discretionary power, increased perceived dominance over CFOs, and a growing capacity for soft coercion. These dynamics point to emerging governance risks, including opinion shopping and collusion, resonating with findings from other transitioning economies (Aburous 2019; Moradi et al. 2019), although such risks remain speculative in the Saudi case. Finally, applying the SAF framework reveals how IFRS functioned as a destabilising event that reordered field positions. Corporates, formerly incumbents under the ambiguous Saudi GAAP regime, were displaced by auditors particularly international firms who rapidly institutionalised their technical capital. This illustrates SAF's concept of strategic agency and resource mobilisation but also refines it by showing that standards themselves can become powerful field resources when situated in socio-political environments characterised by weak local structures. The case demonstrates that professional actors can reconfigure field hierarchies not merely through social skill, but via mastery of technical rules and discursive authority.

In summary, the IFRS framework transformed power dynamics within the PAAF by enhancing auditors' interpretive authority and oversight capacity; displacing corporates as dominant field actors reshaping field legitimacy around international expertise; and embedding technical standards as instruments of governance. These shifts mark a critical reconfiguration of institutional roles, signalling a move toward greater accountability and professional dominance in financial reporting within a politically embedded context.

8.6 Summary

In conclusion, the adoption of IFRS has catalyzed significant changes in the power dynamics within the PAAF of KSA, empowering auditors with increased authority, transparency, and accountability. This shift represents a step towards a more stable and equitable strategic action field, where auditors play a central role in ensuring the integrity and reliability of financial reporting. Despite initial challenges and resistance, the transition to international standards has proven to be instrumental in promoting transparency, mitigating corporate manipulation, and enhancing the overall quality of financial reporting in KSA.

Chapter 9: Discussion and Conclusion

9.1. Introduction

This chapter seeks to conclude and discuss the findings of this research. Section 9.2 aims to consolidate these findings in alignment with the research question, aims, and objectives. Section 9.3 will then discuss these findings in the context of existing literature, crystallizing and highlighting their contributions to knowledge. Subsequently, Section 9.4 outlines the research limitations, setting the stage for identifying potential future research directions, which are detailed in Section 9.5. Finally, the professional implications of this research are presented in Section 9.6.

9.2. Research Question, Aim and Objectives

This research aimed to answer the following question “what aspects of, how and why, the power balance between actors in the Public Auditing and Accounting Field (PAAF) has changed due to accounting and auditing practices reforming initiatives in KSA in 2017?” The Royal family has decided to change the country orientation from being closed, conservative, oil based, non-tax system to be modernised, liberal, open to international investments, and tax-based system. This created a shock to the regulatory bodies in the context. This research has two main strategic fields: SOCPA regulatory field and PAAF. The first field faced shocks leading to significant changes in the board members, leadership of the field and other institutional changes empowered the challengers promoting IFRS to dominate the incumbents who preferred the GAAP. The outcome of this domination, the enforcement of the IFRS/IAS and the company acts as regulating of the auditing field. These enforcements created a significant shock to the PAAF. This field previously had a strong presence of local auditors, but after the shock the big 10 taking over to be 97% of the market share in 2022 moving up from 60% in 2015 (just before the shock) and number of firms that have the right to do auditing is 15, in which 12 are big 10 plus two international firms⁶¹ ⁶². This dominance came at the cost of significant fees and adversely affected the sustainability of local auditing firms, as many of them integrated into international ones.

Local auditors were challengers during the early days of IFRS adoption, facing significant challenges due to a lack of knowledge and expertise. Auditors, in general, were in subordinate position as CFOs had the major power before the IFRS and reform company acts making them

⁶¹ <https://jib.cyut.edu.tw/var/file/10/1010/img/866/V25N4-4.pdf>

⁶² https://accounting.nridigital.com/iab_apr23/saudi_arabia_fee_and_staff_tables

ready for taking strategic actions to restore the power balance. Thus, with the shock of the IFRS, using the social relations, they established collaborations with international firms to gain access to knowledge resources. In other words, the international accounting firms had strategic actions to penetrate this market using the subordinate power of the field which empowered them to dominate. Not only this, but also IFRS itself as a framework is empowering due to its characteristics. The new governance rules established by the upper field (the SOCPA, CMA, and MC) were to restructure the power in the field towards supporting the challengers making it successful.

This in turn led to transformation of the role of the auditor in this field based on the new power possessed due to the transformation of the field. Initially, CFOs exerted pressure on auditors to manipulate financial records, conferring upon auditors the colloquial title of “Abu Shanta,” meaning “father of the bag,” and placing their careers at risk. After IFRS, a shift occurred where auditors, particularly international ones, assumed control of the auditing process, thereby endangering the career security of CFOs. This study identifies three primary sources of power that facilitated this transformation within the PAAF: governance, framework, and knowledge.

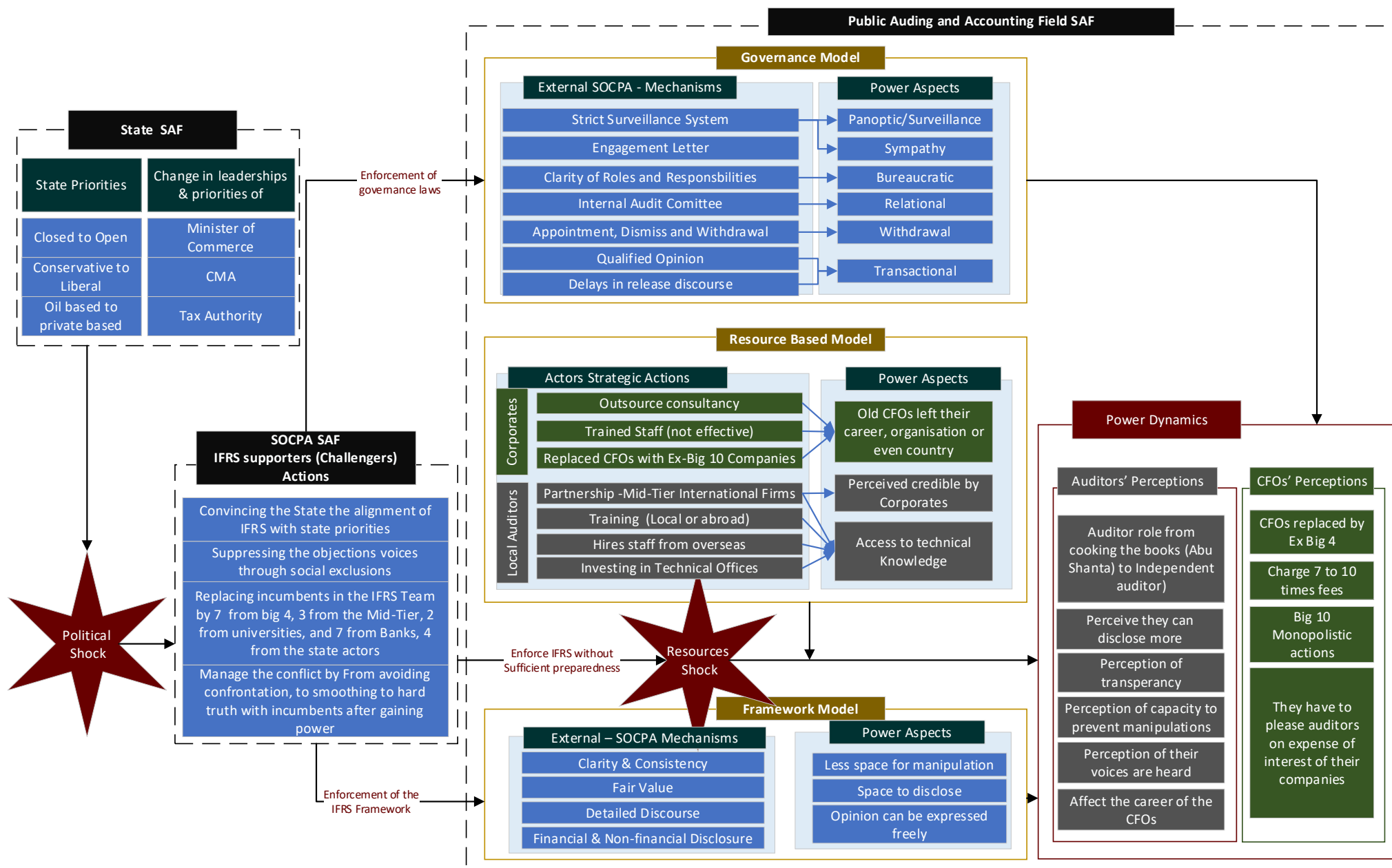


Figure 7: Research Framework

Research Objectives

RO1: To identify the triggers of the change in the strategic field of public auditing and the relevant actors

The first research objective is fulfilled as this research defined the triggers of the strategic transformations within the PAAF. This research found that the catalytic shifts were precipitated by two significant external shocks. The initial shock stemmed from the strategic reorientation of the Saudi state under its leadership, transitioning from a relatively insular economic stance to a more open and globally integrated approach, highlighted by joining the G20. This shift necessitated profound institutional transformations within critical state GUs such as the CMA, the MC, and the SOCPA.

This transition in the state field propagated a secondary field shock within SOCPA, necessitating realignment with the new national strategic direction. Within SOCPA, this realignment surfaced tensions between two distinct factions: the incumbents, often referred to as the “*old guard*”, who favoured the traditional Saudi GAAP, and the challengers, or “*new guard*”, GAAP who advocated for the adoption of IFRS. The leader of challengers in SOCPA used his social skills to get support from other institutions and convinced them that IFRS is the best strategy for achieving the state vision. By having this collective action, the MC appointed him head of SOCPA. Having him as the lead of SOCPA did not mean that the incumbents accepted the IFRS. Rather, contentions existed but with the leader of SOCPA social skills (i.e. collective action with other institutes, social inclusions of supporters from the Big 4 and international auditing firms, social exclusions of opponents from meetings and development of the transition plans) he managed the transition successfully.

The challengers employed a dual-strategy approach to navigate and manage this contention effectively. The first strategy involved persuading state actors of the alignment between the proposed adoption of IFRS and the broader state vision, emphasizing the necessity of their support and empowerment for the new guard to effect change. This strategy proved successful when leadership within SOCPA transitioned to a member of the challengers’ group, although the incumbents retained significant influence over committee decisions due to their longstanding positions.

Subsequently, the challengers implemented a second strategy aimed at consolidating power and furthering their agenda. This involved strategically investing in social resources and fostering collaborations with other state and professional entities, including prominent organizations such as the Big 4 accounting firms. Key to this strategy was the formation of two

independent committees comprised of members from various authoritative and professional backgrounds. These committees were instrumental in developing and advocating for the IFRS transformation plan. Notably, the challengers managed to subtly reduce the participation of the old guard in these committees, thereby diminishing their influence over the decision-making process related to the adoption and implementation of IFRS within the PAAF.

These strategic manoeuvres highlight the dynamic interplay of power, influence, and strategic action within SOCPA, as the field navigated significant institutional and structural changes aligned with national economic reforms. This analysis not only underscores the complexities inherent in the adoption of international standards in a local context but also illustrates the strategic capabilities required to navigate and reshape institutional landscapes in accordance with shifting strategic priorities.

RO2: To develop a governance-based model to understand the shift in the power dynamics across the strategic actors of the field triggered by the GU enforcements.

The second research objective involves developing a governance-based model to elucidate the shift in power dynamics among actors. Prior to the implementation of IFRS regulations, the role of the auditor was colloquially denigrated as “*Abu Shanta*” (literally translated as “father of the handbag”), implying that auditors were expected to manipulate figures to appease their clients, typically CFOs in corporations. Prior to the implementation of IFRS and associated governance laws, auditors had negligible authority, and CFOs held unilateral power to hire, dismiss, and renew contracts with auditors, thereby jeopardizing auditor career safety. Moreover, auditors were precluded from direct communication with boards of directors, limiting their social influence. Post-IFRS, the power balance moved towards the auditors who become able to put the career safety for the CFOs into risk pushing out many of them out of the field, giving the perception of control and power for the auditors making them perceive they have better independence and honesty, and giving the capacity to charge up to 10 times more than before the IFRS. There are five major aspects of the governance structure created this transformation in the power dynamics of the field.

Firstly, the CMA and the SOCPA granted auditors discretionary powers to decide on disclosures in the event of disputes with corporations; disputes are now referred to another auditing firm. This grant of judgemental discretion significantly enhanced the auditors’ authority over corporations. This gives judgement power to the auditors over the firms.

Secondly, the strict panoptic approach enforced by the CMA by having regular “inspection tours” made the auditors and CFOs believe they are under observation, even if they are not. Perception of being under observation, significant potential fines and the risk of losing their auditing licenses compel auditors to undertake strategic calculations before accepting engagements that may involve questionable practices. Understanding the heightened risks, CFOs acknowledge this change in the regulatory environment, granting auditors what can be termed as “sympathy power”. This acknowledgment allows auditors to assert their decisions more confidently, helping to avoid potential collusion with CFOs. This shift in dynamics underscores a profound transformation in the interaction between auditors and CFOs, reinforcing the importance of compliance and ethical governance within corporations.

Thirdly, once an auditing firm signs an agreement to conduct work for a company, it cannot be dismissed for five years, although auditors retain the right to withdraw and publicly disclose such actions, impacting the corporation’s reputation and market value. This is referred to as “withdrawal power” in this research. Auditors, in this context, is using the right to withdraw as a significant threatening instrument against the firms, in case of lack of compliance.

Fourthly, the internal audit committee, as an internal governance unit, is responsible for appointing auditors and works directly and closely with the board of directors, thereby amplifying their influence over the CFOs and affecting relational power dynamics. Additionally, they could report concerns directly to boards, placing CFOs’ career safety at risk.

Finally, the enforcement and clarification of the engagement letter defined the auditors’ roles, fees, and required tasks, granting them independence from CFO intervention and thus, governance power. Additionally, both auditors and CFOs recognized that auditors gained two additional powers due to novel instruments introduced by Company acts, governance laws, requirements. Auditors now use the qualified opinion as a tool to threaten CFOs in cases of perceived non-compliance or resistance. Furthermore, auditors may delay the disclosure of financial statements if CFOs fail to provide necessary information, adversely affecting the corporation’s reputation and market value, which could the CFOs in blame and forcing to leave the organisation.

In summary, the governance system introduced alongside IFRS has endowed auditors with five distinct powers at the expense of CFOs: judgement, sympathy, relational, withdrawal, and

instrumental powers. These powers enable auditors to assert dominance within the strategic field, significantly undermining the position of CFOs.

RO3: To develop a resource-based model to explain the change in the power dynamics across the strategic actors

A significant disruption occurred due to the institutional gap where universities failed to support the SOCPA in disseminating knowledge about IFRS. This knowledge deficit initially shocked the field due to the scarcity of knowledgeable resources. Over time, international firms, with their superior access to global knowledge resources, dominated the market. Corporate entities, recognizing the need for expertise in IFRS, either internalized education, relied on consulting services from the Big 4 and other international firms, or replaced CFOs with personnel possessing IFRS experience, often from these same firms.

The third research objective of this study was to develop a resource-based model to explain the change in power dynamics across the strategic actors within the public accounting sector of KSA due to the resource shock induced by the adoption IFRS, which destabilized the strategic action field of public auditing and accounting. Under the previous GAAP, as evidenced in this research, both corporates and auditors were well-versed in the standards, negating the need for consultancy services. This parity in knowledge facilitated an equitable distribution of power between the incumbents and challengers. The transition to IFRS, however, marked a strategic shock; the GUs imposed these standards knowing the market was unprepared, thereby anticipating and acknowledging inevitable disruptions.

As evidenced in this research, both auditors and corporates, as incumbents, faced challenges due to a dearth of qualified personnel and the necessary knowledge for conducting IFRS-compliant financial disclosures. Initially, both groups experienced similar levels of field disruption and resource shock, resulting in tension and misunderstandings due to a lack of awareness about IFRS requirements. However, auditors were evidenced to be more motivated to adapt rapidly, recognizing that their income was directly tied to proficiency in this area, unlike CFOs for whom detailed financial disclosure is not a central job requirement. Additionally, as evidenced from both CFOs and auditors, the generally younger age of auditors compared to the more senior, entrenched CFOs facilitated quicker adaptation among the former group.

As documented in this research, auditing firms responded strategically by establishing collaborations with international accounting firms to compete with Big 4 and to have access to knowledge, investing in knowledge resources hiring international experts, sending staff for training abroad, and establishing specialized auditing centres to provide hands-on support and expertise. They also benefited from economies of scale, which allowed for learning through repetition. Corporates, on the other hand, tended to rely on outsourcing these needs to consultancy and auditing firms rather than building internal capacities. This disparity in resource mobilization and strategic response led to a significant shift in power dynamics, positioning auditors as the new power holders within the field. This strategic divergence led to a power shift within the field, with auditors gaining significant leverage due to their enhanced knowledge resources, while corporates became increasingly dependent on external consultants. Thus, the enforcement of IFRS significantly empowered auditors at the expense of corporates. Moreover, while the incumbents and challengers were generally unprepared for the transition, the Big 4, which are already in the market, were well-equipped due to their access to international resources and long-standing experience with IFRS in other jurisdictions. This advantage allowed the Big 4 to fill the strategic gap caused by the IFRS adoption, leveraging their position to command premium prices and dominate the market. Also, this made the local firms, to sustain, form partnerships, as a strategic action, with big 10 out of the big 4.

In conclusion, the research delineates how strategic shocks, induced by regulatory changes like the adoption of IFRS, reshape power dynamics within the strategic action field of public accounting. The study highlights the critical role of resource adaptability in defining the responses of different actors and underscores the emergent power structures that favour those who can swiftly align their resources with the new regulatory landscape.

RO4: To develop a model to understand the role of the IFRS standard as a framework in restructuring the power across the strategic actors

The Saudi GAAP were initially composed of hybrid and contradicting standards, offering opportunities for manipulation and fraud. In the absence of clear and stringent accounting standards, companies exploited loopholes and ambiguities, resulting in inaccurate or misleading financial reporting. Post-IFRS, the framework became clear, consistent, detailed, and well-referenced, strengthening the auditors' argumentative power and enabling them to report financial and non-financial disclosures more effectively. This clarity and detail provided auditors with increased authority to challenge or support CFO assertions, and to improve their capacity to reduce manipulation.

This research developed a model to explain the shift of the power from the CFOs to auditors due the characteristics of the IFRS as a financial disclosure framework. The Saudi GAAP was developed from different roots which is translated into a hybrid accounting system which leads to several inconsistencies and disclosure gaps which gave a space for the CFO to have pressures on the auditors to report based on the CFO interests. This power imbalance within the strategic action field allowed companies to exert influence over auditors, pressuring them to comply with their demands and manipulate financial statements to portray a favourable financial position, compromising auditor independence and objectivity. Consequently, auditors may have felt constrained and weaker compared to the companies they audited, as they lacked robust standards and regulations to support their independence and protect them from undue pressure or influence.

The IFRS is, on the other hand, provided a consistent and coherent framework which make it clearer for the auditor and CFOs to identify the disclosure requirements with minimal space for having a pressure from the CFO. In addition, the IFRS has a solid reference, unlike the Saudi GAAP, which is not based on a written detailed reference, which helps the auditors to communicate the requirements clearly to CFOs and give persuasion power to the auditor as they have a reference to rely on in case of disputes. The third aspect is the moving from vagueness framework of the Saudi GAAP to detailed and clear disclosure requirements which increased the efforts and clarify the accounting transactions with limited space for manipulation or hidden information. Last, the full disclosure of not only financial data as was in the GAAP but also the non-financial data which gave the power for the auditor, as the first time in Saudi accounting history, to give an opinion and interpretations to the numbers.

To conclude, the implementation of comprehensive international standards like IFRS later helped bridge this gap and increased the authority of auditors, reducing the opportunity for companies to exploit the auditing process. The changes gave significant power to the auditor which is translated into the capacity to ask for higher fees, auditors perception of enhanced capacity for transparent disclosures and uncovering adverse information about the company, and the auditors' perceptions of the improve capacity to reduce manipulations. This highlights the crucial role of strong accounting standards in creating a level playing field and ensuring auditors can operate independently, transparently, and with integrity in performing their duties.

9.3. Academic Implications and contributions to knowledge

There are two principal theoretical contributions to our understanding of knowledge. The first involves the expansion of the SAF framework to elucidate interactions among state actors in enforcing the IFRS. The second extends the SAF framework to understand shifts in power dynamics among actors within the PAAF due to the enforcement of IFRS.

9.3.1. SAF as a model to understand state actors' interaction to enforce IFRS

The first theoretical contribution is the integration of SAF Theory with IFRS Adoption on the state actors' level (i.e. changes in the state priorities, members of SOCPA with GAAP, called old guards, as incumbents and leading the IFRS versus members of SOCPA with IFRS, called new guards, and they are minority). This research contributed by the knowledge by understanding the alteration process of the power dynamics across members of SOCPA who regulates the auditing profession in KSA.

It provides a nuanced understanding of the power dynamics between incumbents (the old guard) and challengers (the new guard with Big 4 members) within SOCPA. It elucidates how these groups interact, resist, and strategize to influence the adoption of IFRS. The study details the strategic actions employed by challengers to gain influence, manage resistance, and ultimately drive the adoption of IFRS. It highlights how power is contested and negotiated within a professional field, offering insights into the mechanisms of institutional change. The study illustrates how challengers used persuasion, coalition-building, and resource mobilization to gain support and counteract the resistance of incumbents. This research supports study of organizational field dynamics and the role of actors in effecting institutional change supports the analysis of power dynamics and resistance in SOCPA (Greenwood et al., 2002). This contribution has several sub-contributions to knowledge represented in the understanding of the state role in professional field transformations, stages of contention between individuals working for state regulatory bodies level, and the use of strategic misrepresentation as one novel strategic action added to the SAF theory.

9.3.1.1. The role of state in professional field transformations

First, regarding the role of the state in professional field transformations, this study enhances our understanding of the state's role in shaping professional fields, particularly in contexts where economic visions are being redefined and global integration is a state objective. By incorporating the role of state policies and national strategic priorities, this research expands SAF theory's explanatory power. It demonstrates how state-driven initiatives (Fligstein and McAdam 2012), such as economic liberalization and global integration, act as external shocks

that catalyse field transformations. This research agrees with Yamani and Almasarwah (2019) that the political changes in KSA had a significant role in enforcing IFRS in KSA. But this research went in depth to understand the power dynamics inside the regulatory bodies and how social power played a role to empower challengers who believe in IFRS taking over the incumbents who were supporting Saudi GAAP. This research aligns with recent discussions on how state policies act as catalysts for field-level changes, impacting professional practices and standards (Greenwood et al. 2014). As state-profession relationship is described as a regulatory agreement, in which the state grants professions autonomy and exclusive jurisdiction in exchange for their dedication to self-regulation and collaboration in upholding state authority (Suddaby et al. 2007). Several studies, such as those by Suddaby et al. (2007) and Greenwood et al. (2014), discuss the impact of state policies and national economic strategies on the development of auditing and accounting standards. These works often explore how the state-profession relationship functions as a regulatory agreement, where the state grants professions autonomy in return for self-regulation and support in maintaining state authority. However, many other studies in the field tend to overlook the direct influence of state-driven economic strategies. This research foregrounds the state's role, providing a more comprehensive understanding of how national priorities and international engagements influence the adoption of professional practices and standards.

To sum up, by situating the adoption of IFRS within the broader socio-political and economic reforms in KSA, this study contributes to the field of IFRS and auditing research while also advancing the theoretical framework of SAF. It does so by providing detailed insights into the power dynamics between challengers and incumbents within regulatory bodies. This enhances our understanding of how state-driven reforms and external pressures such as economic liberalization and global integration trigger field transformations, shifting professional practices and standards.

9.3.1.2. Stages of Contention:

Second, this research contributes to knowledge by developing a stage-based model to understand and depict the contention process on state individuals regulating the profession. The identification and articulation of stages of contention provide a structured framework to understand how challengers navigate and manage power dynamics to facilitate transformative changes within a field. This model breaks down the process of institutional change into three distinct stages challenging rationales without direct clash, promising a smooth transition, and revealing the harsh truth after gaining power. Each stage represents a strategic phase in the

effort to shift power dynamics and implement new standards. This staged approach offers a more granular view of how institutional change unfolds by illustrating the progression of strategies employed by challengers. By breaking down the process into phases challenging rationales without direct confrontation, promising smooth transitions, and eventually revealing the difficult truths after securing power this model enriches our understanding of the dynamic, non-linear nature of institutional change. It shows that field actors don't simply react to external pressures but strategically manoeuvre through complex power structures. This deeper exploration into how actors manage contention, mitigate resistance, and implement change in phases adds complexity to SAF theory. It enhances our understanding of how actors leverage different strategies at various stages of the change process, providing a clearer framework for how power shifts within fields are orchestrated over time. This phased approach to understanding contention adds depth to our theoretical comprehension of how field actors manoeuvre and negotiate during periods of significant change (Risi and Wickert 2017). The stages of contention provide a nuanced understanding of the strategic phases involved in institutional change, enriching SAF theory by detailing how challengers manage power dynamics over time. This structured approach aligns with the broader framework of strategic action fields (Fligstein and McAdam 2012), illustrating how strategic actions evolve through different phases to achieve institutional transformation. It adds depth to our understanding of how field actors navigate complex change processes.

9.3.1.3. Strategic Misrepresentation

This research enhances our understanding of the SAF theory by introducing strategic misrepresentation as a pivotal strategic action. The concept is elucidated as a key mechanism enabling challengers to placate incumbents and secure support for transformative changes. Specifically, in the adoption of IFRS within the SOCPA, strategic misrepresentation involves commitments to adapt global standards to local nuances without significant modifications. This approach allows reformers (challengers) to reduce resistance from traditionalists (incumbents) and ease the transition to IFRS. This strategy proved effective in mitigating opposition, facilitating smoother reforms. It aligns with findings from a study on the professionalization of Corporate Social Responsibility (CSR) managers by Christensen et al. (2021), which shows how actors within a field can manipulate perceptions to advance their agendas. Similarly, in the IFRS context, Russia enforcement using “legislative layering.” Which is presenting the truth in stages instead of one time, as Alon et al. (2019) depicted to pass the acceptance of the field towards the IFRS. The strategic misrepresentation is similar in approach but different in

the technique because misrepresentation does not give the truth from the beginning; rather, it used distorted version of the truth to ease the confrontation and to move forward.

This research found that the use strategic misrepresentation benefited the challengers as helped them secure broader support for transformative changes. By presenting IFRS as adaptable to the Saudi context, reformers garnered backing from diverse stakeholders of SOCPA, including their members (the old guard) and state actors. The addition of strategic misrepresentation to SAF theory reveals its utility as a tool for managing power dynamics and facilitating institutional change. The explanation of strategic misrepresentation is useful for players in any field, as modifying promises and altering perceptions are natural parts of the dynamics of field change and power disparities. For incumbents seeking to maintain control and protect their positions, understanding this strategy is crucial to avoid being manipulated by challengers who may deploy it to undermine their influence. At the same time, for those aiming to increase their power and influence within the field, such as emerging challengers or actors adapting to new regulations, this strategy can be an effective tool for navigating and reshaping power relations. By adjusting perceptions of their capabilities and readiness, these actors can strategically position themselves as key players in the evolving field. Overall, strategic misrepresentation significantly deepens our understanding of the tactics field actors employ to navigate opposition and implement substantial changes. This concept is potentially generalisable to IFRS adoption in other contexts, where similar dynamics of resistance and power shifts are likely to occur. In different regulatory environments, challengers aiming to implement IFRS or other reforms may similarly rely on strategic misrepresentation to smooth the transition, presenting reforms in a way that appears less disruptive initially, before revealing the full impact once they gain sufficient power. This theoretical advancement in SAF theory provides valuable insights for managing complex regulatory transformations in professional environments.

9.3.2. Extensions to SAF as a model to understand power dynamics of PAAF actors

The SAF Theory focuses mainly on social power as strategic actions for the challengers to dominate in the field over the incumbents. In this section, the SAF is applied on the IFRS adoption in the PAAF. There are two exogenous factors influenced the power of each of the actors which are the nature of IFRS as a framework, and governance model enforced by the GU. The resistance from corporations to the adoption of IFRS and their eventual adaptation to the new standards provide insights into the challenges of implementing global accounting

standards in diverse local contexts. This finding complements existing literature on the difficulties of IFRS adoption in different jurisdictions (Lopes and Viana 2008; Yamani and Almasarwah 2019). By documenting the specific strategic actions taken by different actors to ease the resistance from the incumbents, this study adds depth to our understanding of the transitional dynamics and the eventual benefits of adopting international standards. The strategic actions taken here are mainly the knowledge perspective which comes to compensate the institutional gap of providing the sufficient knowledge, skills and behaviours required for IFRS. This supporting the previous literature that there is a weakness in preparation the field before the IFRS in many contexts (Saidu and Dauda, 2014; Andersson and Hellman 2020; Siregar et al. 2020; Al Sawalqa and Qtish 2021; Gonçalves et al. 2022), but this research extends to understand the strategic actions for covering these weaknesses.

9.3.2.1. Governance Based Strategic Action Model

This research develops a novel governance model to elucidate the power shifts between incumbents (i.e., CFOs) and challengers (i.e., Auditors), resonating with and diverging from established literature on power dynamics, the role of IFRS, corporate governance regulations, auditor independence, and SAF theory. This research aligns with prior studies, such as DeFond and Zhang (2014), which posit that the adoption of IFRS and related governance reforms enhance auditor responsibilities and independence. These reforms transform auditors into key governance figures endowed with substantial enforcement powers. The pronounced shift in auditor power in the Saudi context, in comparison to some Western environments as noted by Wieczynska (2016), highlights the differences in starting points regarding regulatory environments and corporate governance structures. In Western contexts, particularly in countries with well-established regulatory frameworks and stronger enforcement mechanisms, auditors, especially the Big 4, already wield considerable influence. Their expertise in IFRS is recognized, and their power is more entrenched. In contrast, KSA's regulatory environment prior to IFRS adoption was relatively underdeveloped, with local auditors dominating the market under Saudi GAAP. The shift to IFRS disrupted this balance, giving international auditors, who had greater experience with global standards, a significant advantage. This disparity in starting points explains the more dramatic power shift in KSA, where local auditors were less prepared to handle the complexities of IFRS and the necessary changes in the law to align with international standards compared to their Western counterparts.

Additionally, this study contributes to a deeper understanding of how these laws facilitate a shift in power dynamics within the field of auditing. By focusing on the power shifts induced

by the adoption of IFRS and related corporate governance reforms, it demonstrates how these changes recalibrate roles and powers within corporate structures, particularly empowering auditors and enhancing their roles in governance (Albu and Albu 2011; Albu et al. 2014). This aligns with agency theory (Jensen and Meckling 1976), which discusses the relationship between principals and agents and the need for robust governance mechanisms to align interests. This research provides insights into the mechanisms through which regulatory changes alter power dynamics and influence corporate behaviour (Durocher et al. 2019). The study's emphasis on the role of IFRS in promoting transparency and reducing corporate manipulation contributes to the broader discourse on corporate governance and accountability (Yamani et al. 2021; Kateb 2024). This research has five implications to knowledge regarding the changing role of the auditor, the panoptic approach, governance power, and instrumental powers.

First, this research agrees with the previous literature that auditors' role has changed significantly after the IFRS (Albu et al. 2014). This research evidences the Saudi case as moving from auditor as an accountant to make up numbers to please the client to an independent actor with a sufficient power to conduct auditing functions with a level of integrity and honest. This research evidences the Saudi case as moving from an auditor acting as an accountant to make up numbers to please the client, to an independent actor with sufficient power to conduct auditing functions with a level of integrity and honesty. In line with Albu et al. (2014), auditors, particularly the Big 4, play a dominant role in shaping the interpretation and application of IFRS, not only through their auditing functions but by influencing the localization of global standards. In emerging markets like KSA and Romania, their technical legitimacy and global reach often clash with local auditors who lack similar authority and may deviate from strict principles. The Big 4's role extends beyond auditing, as they also push for greater involvement in regulatory processes, as seen in their critiques of Romania's Ministry of Public Finance for its accounting limitations. It also supports the previous literature that the institutional aspects such as governance laws Such as companies act and laws enforced with IFRS has the greatest role in enforcing the IFRS (Ball 2016; Sato and Takeda 2017; Afeltra et al. 2024) because without these laws, auditors will lack the sufficient power to enforce them.

Second, unlike previous literature in other parts of the world that penalty and sanction systems are not effective in spreading IFRS adoption (Zijl and Maroun 2017; Pirveli 2020), this research evidenced a stringent panoptic approach that relies on regular inspections with strong penalty

system on auditors increasing the cost of the risk of violation of the laws making auditors reluctant to collude with CFOs. An interesting and novel finding is that this panoptic approach to regulating auditor behaviour has made CFOs aware of the risks of attempting to engage in collusion with auditors. This awareness may create a sufficient buffer between both parties, reducing the likelihood of collusion. This research corroborates with prior studies, notably O Cualain and Tawiah (2023), indicating that stringent regulations motivate businesses to transition to International Accountancy firms. Additionally, it emphasizes the role of regular “inspection tours” in fostering a panoptic discipline within the field.

Third, this research supports the important role of the audit committee to improve the quality of auditing report (Krismiaji and Surifah 2020; Hashed and Almaqtari 2021). This research contributes to the literature by showing that the AC creates social power for the auditor as they become closer to the board members and possibly, they can ruin the career of CFOs as they can contact to their boss directly. Fourth, this research concurs with previous studies on the significance of issuing a qualified opinion as a mechanism to penalize organizations that fail to meet auditing standards, as outlined by (Shibasaki and Toyokura 2020). However, it diverges from the views of Cipriano et al. (2017), who argued that the qualified opinion is not an effective tool in the United States. This discrepancy may be attributed to the power dynamics under the GAAP, where clients can dismiss auditors following such actions, potentially impacting future fees. In contrast, under the governance acts supporting IFRS in KSA, auditors are not easily dismissed due to a stringent panoptic system. This environment discourages auditors from taking on clients with questionable practices. Additionally, the limited number of qualified auditors (only 15) in KSA restricts the options available for listed firms, thus enhancing the relative power of auditing firms, as indicated by Pan et al. (2023).

Last, this research introduces a novel insight, demonstrating that delaying the issuance of financial reports serves as another tool to compel CFOs to comply. Such delays can be attributed to CFOs, adversely affecting their career prospects due to perceived irresponsibility or inefficiency. This is something had not been witnessed before in the literature. The reason for the existence in this field could be due the limited number of auditors which could give extreme oligopoly power in the field.

To conclude, the research delineates the shift in power dynamics catalysed by regulatory changes, highlighting the instrumental and relational empowerment of auditors at the expense of CFOs. The findings extend SAF theory by demonstrating how external shocks, such as

regulatory interventions, can disrupt and realign power structures within a field. This study contributes to the broader discourse on governance and regulation by illustrating the specific mechanisms like the introduction of strict penalty systems and the empowerment of auditors through direct board engagement that enforce compliance and reshape professional roles. The contributions of understanding power shifts and corporate governance are significant as they provide a detailed and structured framework for analysing how regulatory changes, like the adoption of IFRS, recalibrate roles and powers within corporate structures. The research offers insights into the mechanisms through which these changes alter power dynamics and influence corporate behaviour, enhancing our understanding of institutional change processes within professional fields. These contributions enrich SAF theory and provide practical implications for managing similar transformations in other contexts, particularly in emerging economies.

9.3.2.2. Framework Based Strategic Action model

This research contributes to the knowledge by demonstrating that the adoption of IFRS has empowered auditors by providing them with standardized, consistent, detailed guidelines that cover areas previously neglected by Saudi standards. There are three main aspects here: Features in the Principle based system to empower auditors, features in Saudi GAAP to dis-empower the auditors, and symptoms of the transition of the power from corporates to auditing firms.

First, this research corroborates prior studies indicating that the IFRS, a principles-based system, enhances the authority of auditors (Chung and Kim 2023). This investigation expands on existing literature by identifying two principal reasons for this empowerment: increased reporting requirements and the adoption of the fair value method. While principles-based systems are often critiqued for their subjectivity and the customizability that may hinder comparability (Ahmed et al. 2013), this study finds that IFRS mitigates these issues through rigorous reporting and referencing requirements. Specifically, IFRS not only increases the volume of reporting but also mandates detailed explanations and guides the referencing system, thus reducing the potential for manipulation. Unlike the GAAP, which primarily require financial data, IFRS demands both financial and non-financial information, introducing a paradigm shift in traditional accounting practices in KSA, where accounting has historically been viewed as purely numerical. This shift parallels findings in other jurisdictions such as Kazakhstan, Moldova, Russia, Ukraine, and Indonesia where accountants have resisted IFRS due to its inclusion of non-financial data (Tyrrall et al. 2007; Alexander and Ghedrovici 2013; Combs et al. 2013; Yang et al. 2013; Siregar et al. 2020). Furthermore, this study builds upon

the work of Boyer and Chane-Alune (2009) by demonstrating how the integration of non-financial information can empower auditors, enhancing their ability to portray a company's actual situation to external investors.

Another significant aspect of auditor empowerment identified in this research is the preference for fair value over book value. The latter relies on more objective, mathematical formulas, but fair value introduces a greater element of judgement, which has been a source of tension in valuation processes, echoing findings from other Eastern countries such as China, Jordan, and Iran (Peng and Bewley 2010; Aburous 2019; Moradi et al. 2019). Lastly, this study aligns with research in the Emirates (Eljammi et al. 2020) and Romania (Albu et al. 2023), highlighting cultural variances where enforced transparency can create tension in regions with a culture of secrecy. This research finds that in the Saudi context, these characteristics act as barriers for CFOs in accepting the IFRS. This underscores the complex interplay between global accounting standards and local cultural practices, affecting the roles and perceptions of auditors.

Secondly, GAAP, which are deeply rooted in cultural and traditional contexts, are structured, standardized over the years. Unlike the GAAP discussed in the literature, Saudi GAAP was not developed based on local cultural norms nor was it formulated within KSA; instead, it amalgamated conflicting standards from various countries. This created a system that, paradoxically, empowered corporations by providing loopholes that could be exploited to coerce auditors into unethical practices. Aligning with Nurunnabi (2017), this study emphasizes that the Saudi accounting standards historically lacked comprehensiveness in financial reporting, leading to ambiguities and regulatory gaps. IFRS, with its singular source and stringent requirements for detailed reporting encompassing both financial and non-financial data and a referencing-based system introduces increased transparency and reduces flexibility. This shift reallocates power from corporations to auditors, reinforcing findings from Humphrey et al. (2009). In addition, this study deepens the understanding of previous research suggesting that a consistent and detailed international framework, like IFRS, enhances the clarity and comprehensiveness of financial reporting. It reduces information asymmetry and improves market efficiency, supporting assertions Nobes and Parker (2020). This enhancement in reporting standards under IFRS thereby strengthens the governance role of auditors, ensuring greater accountability and transparency in financial practices.

Thirdly, the enhanced power of the auditor manifests not only in their perceived independence but also in their ability to increase fees. It is well-documented that auditor fees have risen substantially following the adoption of IFRS (DeFond and Zhang 2014), with detailed reporting often cited as a primary reason (Kim et al. 2012). This research, however, identifies additional factors that may contribute to this increase. These include the auditor's augmented judgement power affecting asset valuation, an empowered auditor role allowing more comprehensive reporting, the perceived dominance of auditors over CFOs, and possibly the need for companies to curry favour with auditors who have gained significant leverage due to the transition to IFRS. This might suggest that auditors in KSA potentially wield excessive power, a condition that could pave the way for opinion shopping, although this phenomenon has not yet been explicitly noted in the literature (Chung and Kim 2023). However, it can be inferred from CFOs' expressions of concern that auditors possess considerable discretion in asset valuation, leading to substantial fees. While direct evidence is lacking, this situation aligns with observations from post-communist and developing countries where the phenomenon of opinion shopping has increased following the enforcement of IFRS. This research extends the dialogue on auditor power dynamics, suggesting that the transition to a more stringent reporting framework like IFRS can significantly alter the financial auditing landscape.

To conclude, on the theoretical level, this research extends the theoretical framework of SAF proposed by Fligstein and McAdam (2012). By analysing the shift in power dynamics within the KSA financial auditing field, the study demonstrates how changes in IFRS as standard can alter power balances. The transition to IFRS empowered auditors and reduced corporate dominance, highlighting the role of clear and enforceable rules in facilitating strategic actions.

9.3.2.3. Resource-Based Strategic Action Model

This research enhances the SAF model by conceptualizing knowledge not only as a source of power but also as a strategic decision that can influence the dynamics of power within the field. The enforcement of the IFRS in 2017 highlighted that actors were insufficiently prepared, primarily due to a lack of knowledgeable resources. This perspective complements existing research which identifies readiness to adopt IFRS, in terms of knowledge, as a fundamental challenge in different contexts Nigeria, Swedish, Indonesia, Jordan, and Brazil (Saidu and Dauda, 2014; Andersson and Hellman 2020; Siregar et al. 2020; Al Sawalqa and Qtish 2021; Gonçalves et al. 2022). Furthermore, this study extends these findings by demonstrating that the speed of adaptation to such regulatory changes can be an indicator of the power gained in

the market. This supports the SAF perspective, as articulated by Fligstein and McAdam (2012, p. 54), where “convulsive moments” of instability create new opportunities for challengers to enhance their positions.

It is known from the literature (Nurunnabi 2018; Herman 2020), and supported by this research findings, that international auditing firms including big 4 have a direct access to knowledge resources due to their experience in other contexts. Similarly, Risheh and Al-Saeed (2014) found that the adoption of IFRS in Jordan led local firms to collaborate with international networks, leveraging their IFRS expertise to charge higher audit fees, a dynamic that parallels developments in KSA. Local firms also sought international partnerships to enhance their competitive edge in the audit market. The perception that local auditors may lack sufficient knowledge has led listed firms in KSA to switch to international consultants. This is consistent with findings (Pan et al 2023), in changes in audit market competition led to changes in the relative bargaining power of companies and auditors that international firms get higher power due to the knowledge while local firms power drops. This is aligned with previous research on switching auditors due to the IFRS adoptions (Khlif and Achek 2016). The main contribution here is the theorisation of this change as knowledge power effects. In other words, pre-IFRS, as this research found, the CFOs had extensive knowledge of the Saudi GAAP and its weaknesses, and possibilities to cook the books. Similarly, the local auditing firms come in second level of the knowledge of GAAP, hence the accountancy and auditing were literally the same concept with no differences. Last in power is international firms whose premium prices were not justifiable, and their knowledge is limited compared to locals. But the knowledge shock had reversed the pyramids making the bottom of power is on the top of it. International firms have the highest power while the CFOs have the lowest.

The strategic actions here a mix of internal training which found to be ineffective, outsourcing consultants which endorsed powers to international consultants, and building up dedicated house of experience centres of auditing by local partners on international auditing firms Kohler et al. (2021a) to cope up with the shock. Due to the economies of scale of the work of the local auditors, they had a space for building up their power, although being modest compared to the Big 4. In addition, a weakness points to corporates, the CFOs, as mostly old individuals, mostly lost all their power leading to turmoil in this profession as many had enforced to leave their departments, their organisations, or even the country if they are expats. Indeed, the new IFRS are young, ex international accounting firms, which also another source of power for

international accountancy firms to have their ex-employees taking senior positions in listed firms.

Incumbents, such as local auditors and corporations, are losing power due to shocks in knowledge resources. In contrast, the Big 4 and other international auditing firms possess this crucial knowledge, positioning them as challengers. In KSA, the Big 4 had established a presence before the implementation of IFRS but held limited power. The knowledge shock and their preparedness have now enabled them to dominate. While international accounting firms are typically challengers and face challenges in gaining market access without local partnerships, the social skills of local firms have become evident. According to the SAF framework, social skills are pivotal for achieving power and dominance (Skålén et al. 2024). Challengers engage in resource-integrating activities aimed at production, reproduction, and conflict, while actors' shared understandings of the field's purposes and rules both enable and constrain their collective actions (Fligstein and McAdam, 2011, 2012; Laamanen and Skålén 2015). This research replicates these arguments in the IFRS context as 8 out of 15 listed firms quickly established partnerships with international accountancy firms to compete with the Big 4 and to leverage the power shifts brought about by governance and regulatory changes. Alternatively, it can be argued that international accountancy firms, as challengers, sought local partners to help penetrate the market and gain power over local incumbents. Ultimately, 8 international firms were not only successful in entering the market but also in dominating it, with the Big 4 and these firms controlling 97% of the market, thereby marginalizing local firms, with only 3 out of 15 purely local firms remaining in the market.

This research advances the literature on SAF by arguing that the strategic actions of actors are not solely constrained to social skills and relationships as the primary mechanisms for domination, as predominantly framed by SAF (Skålén et al. 2024). Instead, it emphasizes knowledge-building strategies (Marabelli and Newell 2014), such as deploying local auditor staff for international education, international recruitment, and leveraging centres of excellence to acquire knowledge power. This approach revisits the classical perspective of field theory by Bourdieu (1989), where sources of power include a broader definition of knowledge as capital. Although Bourdieu contends that power is entrenched within social classes, this research adopts a hybrid perspective, applying Bourdieu's concepts to redistribute power dynamics within the field. The exogenous shock induced by the implementation of IFRS has drastically altered the strategic landscape, rendering the prior knowledge of CFOs less relevant while

amplifying the value of external auditors' expertise. This dynamic echoes findings by Botzem and Quack (2009) during the European Union's transition to IFRS, where firms and professionals with experience in international standards strategically positioned themselves as experts and gained significant influence. This is consistent with a Foucauldian view, suggesting that the power associated with knowledge is more dependent on the context and environment than on the inherent nature of the knowledge itself.

To conclude, this study builds upon the framework established by Fligstein and McAdam (2012) which elucidates how alterations in laws and regulations can create new opportunities for actors within a field to either gain or lose power, contingent upon their proficiency in navigating these new rules. The findings of this research corroborate this theory, demonstrating that the introduction of a new auditing standard rendered pre-existing knowledge obsolete, consequently diminishing the influence of established actors and facilitating the emergence of new marginalized powers whose relevance of knowledge to the field has increased. Additionally, strategic actions could encompass knowledge-building strategies as mechanisms for enabling power within the field. This aligns with resource-based theories, such as the absorptive capacity theory proposed by Marabelli and Newell (2014), which suggest that an organization's learning curve can serve as an indicator of its level of power within its respective field.

9.3.3. Interconnectedness of the fields

The study of the PAAF in KSA shows how shocks in the state governance field (such as the shift towards economic openness) propagate into professional fields like SOCPA, necessitating alignment and adaptation. It can be extrapolated from this research without Big 4 as members of SOCPA, members of the transformation team of SOCPA, without being in the auditing field, it can be difficult to predict success to this initiative. Saudi, in this context as a rich country, is a lucrative opportunity for international firms to take part significantly directly and indirectly not only in policy making process but also to fill the institutional gaps and prosper in the two fields. The connecting point between the two fields is the Big 4. This research is supporting other professional research reported by the *Financial Times* that Big 4 and international consultancy firms playing a significant role in shaping the public policies and regulations in KSA⁶³. This could explain in part why KSA enforced IFRS, besides the other stated factors.

⁶³ <https://GAAPs.ft.com/content/908b1883-f4de-4d53-bfec-acdc01602223>

The research extends SAF theory by illustrating how multiple proximate fields interact dynamically, leading to significant institutional changes. By examining the PAAF in KSA, the study demonstrates how shocks in the state governance field (e.g., the transition towards economic openness) propagates into professional fields like SOCPA, necessitating alignment and adaptation. This shows the interconnectedness of fields and how changes in one can ripple through others, reinforcing the dynamic nature of field interactions (Neil and Doug 2012; Lounsbury and Beckman 2015; Meyer and Höllerer 2017). This application supports the notion that fields are interconnected and that shifts in one field can lead to significant changes in another.

9.4. Professional Implications

The findings of this research have several professional implications for auditors, CFOs, regulators, and policymakers.

9.6.1. Auditors

The current market landscape in Saudi Arabia, characterized by only 15 auditing firms serving 233 companies with a combined market value of \$ 2.9 trillion and annual revenues exceeding \$ 1 billion, presents significant opportunities for local auditors. However, the dominance of international firms, particularly those with expertise in IFRS, creates significant challenges for local auditors. To effectively compete, local auditors must invest not only in developing technical knowledge but also in enhancing their social and strategic capabilities. This requires a concerted effort in continuous professional development, particularly through training programs focused on IFRS and ISA standards. Local auditors should also pursue strategic partnerships with other IFRS-proficient firms. These partnerships would provide local auditors access to advanced knowledge and technical skills, allowing them to compete more effectively in a market where international firms are often perceived as more capable. Such alliances could also help shift the perception of local firms, demonstrating their ability to provide high-quality services that meet international standards. However, this approach must go beyond simple collaboration. Local auditors, instead of partnering with international auditing firms and being represented under their international names, should retain their local identity to preserve their presence and competitiveness in the market. Local auditors must advocate for equal regulatory treatment to ensure international firms do not perpetually overshadow them. This involves

pushing for policies that enable local firms to grow their market share, ensuring the long-term sustainability of the local auditing industry.

9.6.2. CFOs

For CFOs face increasing pressure to comply with IFRS and ensure that their financial reporting infrastructure meets the standards demanded by international investors and auditors. This research emphasizes the importance of proactive engagement with international standards and the need for investment in internal systems that can handle the complexities of IFRS. CFOs should not only seek professional development but also advocate for changes within educational institutions. Universities should be encouraged to integrate IFRS training into their accounting and finance programs, ensuring that future professionals are equipped with the necessary knowledge to meet global standards. Current practices reveal resistance to change and continuous learning, which CFOs must overcome by adopting a mindset of continuous learning. Additionally, CFOs should work towards greater stability by establishing internal departments dedicated to providing IFRS support, rather than relying on the costly expertise of external consultants.

Furthermore, CFOs should collaborate more closely with local auditors to reduce over-reliance on international firms. By doing so, they contribute to building local capacity, which aligns with KSA's broader economic goals, including Saudization. This approach would also help mitigate the shifting power dynamics that currently favour international auditing firms.

9.6.3. Regulators and policymakers

Regulators and policymakers must recognize the critical role that clear and consistent accounting standards play in enhancing financial transparency and reducing information asymmetry. Facilitating the smooth adoption of IFRS is essential, requiring comprehensive training programs, adequate resources, and detailed guidance for auditors and corporate executives. This study underscores the unintended consequences of regulatory modifications and highlights the necessity for policymakers to consider the resource capabilities of various stakeholders in the field. Such consideration is vital to ensure balanced power dynamics and prevent monopolization of knowledge and authority.

Maintaining equilibrium among firms and between local and international auditors is paramount. An excessive concentration of power within firms can lead to financial

malpractices, such as the manipulation of financial statements, referred to in this research as the “Abu Shanta” phenomenon. On the other hand, auditors who hold excessive power may impose unjustifiably high fees due to insufficient regulatory constraints. Moreover, the potential for opinion shopping where firms seek favourable audit opinions may emerge in the KSA, as it has in other nations. Policymakers must strive to balance these power dynamics to uphold professional integrity, transparency, and honesty, ensuring they are perceived positively by both firms and auditors. Additionally, the disparity in power between local and international auditing firms can adversely affect local enterprises. International firms, with their substantial reputational and resource advantages, place local firms at a significant competitive disadvantage. Without intervention, this imbalance could drive local firms out of business, jeopardizing the nation’s economic sovereignty and leading to an overreliance on international Western firms. Regulatory measures are necessary to level the playing field for local auditing firms.

Such measures may include capacity-building initiatives, such as targeted training and certification programs designed to enhance the technical expertise of local auditors in IFRS standards. Financial incentives, such as subsidies or grants, could further support the growth of local firms. Additionally, government policies should enforce quotas or preferential treatment for local firms in specific auditing engagements, particularly for smaller enterprises. Encouraging collaboration between international and local firms will facilitate knowledge transfer and foster partnerships that strengthen local capacity while maintaining high auditing standards. Implementing these strategies will help balance power dynamics and mitigate the overreliance on international firms, fostering a sustainable and inclusive auditing industry. The promotion of an inclusive auditing industry is crucial, aligning with Saudization policies and supporting the kingdom’s broader economic vision. Beyond individual stakeholder roles, the findings offer practical implications for market practitioners broadly. These include audit partners, financial consultants, compliance officers, and standard-setting advisors, who can draw on this research to better understand the power dynamics shaping audit engagements, client relationships, and regulatory influence. By recognising how institutional power and strategic positioning affect market outcomes, practitioners can develop more informed strategies for client acquisition, pricing, and alliance formation in an increasingly IFRS-driven environment. These strategies are particularly relevant in the context of Vision 2030 and Saudization goals, as they support the localisation of expertise, reduce dependency on foreign firms, and promote sustainable growth within the domestic professional services market.

Overall, this study emphasizes the importance of strategic adaptation and continuous learning within the accounting and auditing professions. By aligning their practices with international standards and leveraging available knowledge resources, professionals can effectively navigate regulatory changes and maintain their influence within the financial reporting landscape.

9.5. Research Limitations

This research has several limitations. First, the study's focus on the KSA context may limit the generalizability of the findings to other regions with different regulatory environments and cultural contexts. The unique characteristics of KSA's economic, legal, and corporate governance frameworks mean that the observed dynamics might not be directly applicable elsewhere. For instance, the specific regulatory interventions by the Saudi government, cultural factors affecting corporate behaviour, and the structure of local markets may differ significantly from those in other countries, particularly in regions with more mature or differently structured economies. As a result, caution should be exercised when attempting to apply these findings to other contexts. Second, while the findings may offer insights for countries with similar economic or regulatory characteristics, such as other Gulf Cooperation Council (GCC) countries, their relevance to significantly different regions such as Western Europe or East Asia may be limited. The variances in corporate governance norms, market dynamics, and the pace of IFRS adoption could lead to different outcomes in these regions. Therefore, further research is needed to explore whether and how these findings might apply in other settings. Third, methodological limitations related to the qualitative coding process must be acknowledged. Although the study followed a systematic coding strategy, the subjectivity involved in interpreting and categorizing qualitative data may have influenced the final themes. Furthermore, the reliance on qualitative data through interviews introduces potential biases related to the subjective perspectives of the participants. While efforts were made to include a diverse range of participants, self-reported data could be affected by social desirability or cultural factors, particularly when discussing sensitive issues such as power dynamics and strategic actions. Fourth, the adoption of IFRS is a complex process influenced by numerous factors, including political, economic, and organizational variables. While this research has focused on power dynamics and strategic actions, other factors such as technological infrastructure, market conditions, and specific organizational strategies were not deeply

explored. These factors could play a significant role in shaping the outcomes of IFRS adoption in different contexts, potentially leading to different dynamics than those observed in this study. Lastly, the evolving nature of IFRS and their implementation means that the findings represent a snapshot in time. Future changes in regulations, market conditions, or corporate strategies could lead to different dynamics and outcomes. This temporal limitation suggests that ongoing research is necessary to understand how these dynamics evolve as the global regulatory landscape continues to change.

9.6. Future Research

Future research should pursue more granular and targeted investigations into the dynamics uncovered in this study. First, comparative analyses involving multiple jurisdictions particularly other Gulf countries or emerging markets could reveal how divergent regulatory architectures, state-business relations, and cultural logics mediate the adoption and effects of IFRS. Cross-country studies could help differentiate between universal patterns and context-specific trajectories in power restructuring and institutional change. Second, while this study employed a qualitative approach to explore meaning-making and actor strategies, future research could employ mixed-methods or sequential designs to test the generalisability of the mechanisms identified. For example, surveys of CFOs, auditors, and regulators could quantify perceived shifts in authority or interpretive discretion. Longitudinal designs could track how strategic positions evolve in response to regulatory changes over time. This would allow scholars to validate or refine Strategic Action Field theory in accounting contexts, particularly in non-Western settings. Third, future studies should examine the role of emerging technologies, such as blockchain, AI-powered audit tools, and cloud-based reporting platforms, in reconfiguring auditor-corporate dynamics. These tools may redistribute power in unanticipated ways, either by reinforcing the authority of technical experts or by automating decision-making and diminishing discretionary judgement. Fourth, the study uncovered a notable absence of university engagement in IFRS capacity building during a period of heightened demand. Future research should investigate the institutional, political, or epistemic reasons behind this inertia. Did academic actors perceive IFRS as outside their pedagogical remit? Were there structural disincentives to curriculum change? Understanding these dynamics could inform policy efforts to align educational infrastructure with regulatory transformation. Finally, further inquiry is needed into the long-term impacts of IFRS adoption on corporate performance, investor confidence, and audit market structure. Do early power

shifts persist, and if so, do they enhance governance or create new vulnerabilities? Are there second-order effects on capital allocation, compliance costs, or audit concentration? These questions could shape the next wave of research at the intersection of global standards and local power dynamics.

Appendices

Appendix 1: Ethics Approval

Version 3 Date 10/10/2022

Dear Basmah Aldarsi,

Research project title: International Financial Reporting Standards (IFRS) Adoption in Saudi Arabia: An Institutional Perspective
SREC reference: 1375

The School Research Ethics Committee (SREC) reviewed the above application via its proportionate review process.

Ethical Opinion

The Committee gave a favourable ethical opinion of the above application on the basis described in the application form, protocol and supporting documentation.

Additional approvals

This letter provides an ethical opinion only. You must not start your research project until all any other approvals required for your research project (where relevant) are in place.

Amendments

Any substantial amendments to documents previously reviewed by the Committee must be submitted to the Committee via CARBS-ResearchEthics@cardiff.ac.uk for consideration and cannot be implemented until the Committee has confirmed it is satisfied with the proposed amendments.

You are permitted to implement non-substantial amendments to the documents previously reviewed by the Committee but you must provide a copy of any updated documents to the Committee via CARBS-ResearchEthics@cardiff.ac.uk for its records.

Monitoring requirements

The Committee must be informed of any unexpected ethical issues or unexpected adverse events that arise during the research project.

The programme director would include your research in end of project report. The Committee must be informed when your research project has ended. This notification should be made to CARBS-researchethics@cardiff.ac.uk within three months of research project completion.

Documents reviewed by the Committee

The documents reviewed by the Committee were:

Application ID: 1375

[Link to applications list, where you can access the reviewed version.](#)

CARBS Ethics Application Form October 2021 [version4]Amended_Version_10_10_2022 - RAC(1).docx

CARBS Research Ethics Protocols October 2021.docx

Consent Form.docx

Consent Formamended_version_10_10_2022.docx

data collection tool (interview).docx

Version 3 Date 10/10/2022

Letter of invitation.docx
PARTICIPANT INFORMATION SHEET.docx
PARTICIPANT INFORMATION SHEET_Version3_amended_version_10_10_2022.docx
Research Integrity Training certificate.pdf
Research proposa.doc
Royal Embassy Of Saudi Arabia Culutural Bureau Letter.pdf
Saudi Ministry of Education Letter to SOCPA.pdf
SOCPA letter.pdf
SREC-New feedback form - July 2021 version(3) - RAC.docx
SREC-New feedback form - July 2021 version(4) Amended_Version_10_10_2022 - RAC.docx

Complaints/Appeals

If you are dissatisfied with the decision made by the Committee, please contact Dr Carmela Bosangit (BosangitC@cardiff.ac.uk) in the first instance to discuss your complaint. If this discussion does not resolve the issue, you are entitled to refer the matter to the Head of School for further consideration. The Head of School may refer the matter to the University Research Integrity and Ethics Committee (URIEC), where this is appropriate. Please be advised that URIEC will not normally interfere with a decision of the Committee and is concerned only with the general principles of natural justice, reasonableness and fairness of the decision.

Please use the Committee reference number on all future correspondence.

The Committee reminds you that it is your responsibility to conduct your research project to the highest ethical standards and to keep all ethical issues arising from your research project under regular review.

You are expected to comply with Cardiff University's policies, procedures and guidance at all times, including, but not limited to, its [Policy on the Ethical Conduct of Research Involving Human Participants, Human Material or Human Data](#) and our [Research Integrity and Governance Code of Practice](#) .

Yours sincerely,

Dr Carmela Bosangit
Chair of School Research Ethics Committee

Appendix 2: Interview Guide (English and Arabic)



Interview Guide (English)

Interview Guide for Regulators

1. Could you explain your current role and how it relates to the regulatory environment in the Saudi accounting and auditing sector, particularly in the context of IFRS?
2. What were the key drivers behind Saudi Arabia's shift from Saudi GAAP to IFRS, and how did regulatory bodies such as SOCPA and CMA influence this decision?
3. What were the major challenges or resistance faced during the early stages of IFRS adoption, and how did regulatory bodies address these obstacles?
4. How did regulatory bodies persuade local auditors and firms to align with the state's vision of adopting IFRS? Were there any significant points of contention?
5. What strategies did regulators employ to facilitate collaboration between SOCPA, CMA, local auditing firms, and international entities like the Big 4? How did this shape the transition?
6. Can you describe the communication channels and mechanisms used by regulatory bodies to engage individual auditors, organizations, and stakeholders during the IFRS transition?
7. What role did international firms, particularly the Big 4, play in collaborating with local regulators, and how did this involvement affect the power dynamics within the auditing market?
8. How did regulators handle opposition or resistance from stakeholders concerned about the adoption of IFRS? What measures were used to address sovereignty issues and preserve local accounting traditions?
9. What strategies were employed to manage the tensions surrounding the IFRS adoption and ensure a smooth transition for the various stakeholders?
10. From your perspective, how has the relationship between external auditors and listed companies changed post-IFRS adoption, particularly in terms of reporting and audit oversight?

11. How did the presence of international auditing firms, such as the Big 4, reshape the competitive landscape in the Saudi auditing market? What impact did this have on local auditors?
12. How do you assess the current effectiveness of regulatory bodies in maintaining the integrity, quality, and transparency of financial reporting within the IFRS framework?
13. Looking forward, what challenges do you foresee for regulatory bodies in enforcing continued compliance with IFRS and ensuring that local firms remain competitive against international auditors?
14. What role do you believe regulators should play in supporting the development of local auditors and ensuring their preparedness for future regulatory changes and international standards?

Interview Guide for Auditors

1. Can you describe your role and responsibilities within the auditing sector?
2. How long have you been involved in this industry, and how have you seen it evolve over time?
3. Can you describe your experience with the transition from Saudi GAAP to IFRS in 2017?
4. What were the major challenges you encountered during this transition?
5. How do you perceive the differences between IFRS and Saudi GAAP in terms of financial reporting standards?
6. How did the transition to IFRS affect your relationship with clients, particularly listed companies?
7. How did the shift to IFRS affect the turnout of listed companies toward local auditors and international firms like the Big 4?
8. Have you observed any changes in the role of local auditors since IFRS adoption?
9. What role did CMA and SOCPA play in preparing auditors before IFRS was enforced?
10. How have changes in regulations, such as SOCPA and CMA enforcement, affected your audit practices?
11. What impact has the new penalty system introduced by SOCPA and CMA had on your auditing activities and decision-making processes?
12. How prepared do you think local auditors were in terms of knowledge about international accounting and auditing practices?
13. How has your ability to issue a qualified opinion or postpone the release of financial statements evolved with IFRS?

14. Do you think auditors have gained more independence with the adoption of IFRS?
15. How has the Big 4's readiness and knowledge of IFRS affected the presence of local auditors?
16. What is the impact of adopting IFRS on auditing practices and fees?
17. What are your views on the increased audit fees following the IFRS transition? Do you think they reflect the added complexities in financial reporting?

Interview Guide for CFOs

1. Could you describe your role and how your responsibilities were impacted by the adoption of IFRS?
2. How long have you been involved in this industry, and how have you seen it evolve over time?
3. Can you describe your experience with the transition from Saudi GAAP to IFRS in 2017?
4. What major challenges did you encounter during this transition?
5. How has the shift from Saudi GAAP to IFRS affected your company's financial reporting processes?
6. How do you perceive the differences between IFRS and Saudi GAAP in terms of financial reporting standards?
7. In what ways has your relationship with auditors changed since IFRS became mandatory?
8. How did the shift to IFRS affect your preference for local auditors versus international firms, such as the Big 4?
9. Have you observed any changes in the role of local auditors post-IFRS adoption?
10. What role did CMA and SOCPA play in preparing professionals before IFRS adoption?
11. How have changes in regulations, such as SOCPA and CMA enforcement, affected your audit practices?
12. What are your thoughts on the penalties implemented by CMA regarding non-compliance with IFRS?
13. How effective are the current governance structures in maintaining audit quality and integrity with IFRS adoption?
14. How has IFRS adoption influenced the scope and nature of audits for publicly listed companies?
15. Since IFRS adoption, have you noticed any shifts in the relationship between auditors and CFOs? How has this affected your role?

16. Do you feel that IFRS has empowered auditors to exert more influence over corporate financial disclosures?
17. What are your views on the increased audit fees following the IFRS transition? Do they reflect the added complexities in financial reporting?
18. How has the stricter governance and enforcement of IFRS impacted your financial reporting responsibilities?
19. Can you discuss the effects of the new penalty system on your relationship with auditors and overall corporate governance?
20. What challenges did your company face in preparing for IFRS adoption, particularly in terms of resources and training?
21. How has your company adapted to the resource demands of complying with IFRS, and what support (if any) have you received from auditors?
22. How do you plan to manage the ongoing complexity of financial reporting and maintain a good relationship with auditors in the future?

Interview Guide (Arabic)

دليل المقابلات

دليل مقابلات مع الهيئات التنظيمية

- ١- هل يمكنك شرح دورك الحالي وعلاقته بالبيئة التنظيمية في قطاع المحاسبة والمراجعة في السعودية، خاصة في سياق تطبيق المعايير الدولية؟
- ٢- ما هي الدوافع الرئيسية وراء انتقال السعودية من المعايير السعودية إلى المعايير الدولية، وكيف أثرت الهيئات التنظيمية مثل الهيئة السعودية للمحاسبين القانونيين وهيئة السوق المالية على هذا القرار؟
- ٣- ما أبرز التحديات أو المقاومة التي واجهتموها خلال المراحل الأولى من تبني المعايير الدولية، وكيف تعاملت الهيئات التنظيمية مع هذه العقبات؟
- ٤- كيف أفضت الهيئات التنظيمية المدققين المحليين والشركات بتبني رؤية الدولة لاعتماد المعايير الدولية؟ وهل كانت هناك نقاط خلاف رئيسية؟
- ٥- ما الاستراتيجيات التي استخدمها المنظّمون لتعزيز التعاون بين الهيئة السعودية للمحاسبين القانونيين وهيئة السوق المالية وشركات المراجعة المحلية والكيانات الدولية مثل الشركات العالمية الأربعة الكبرى؟ وكيف أثر ذلك على عملية الانتقال؟
- ٦- هل يمكنك وصف قنوات وآليات التواصل التي استخدمتها الهيئات التنظيمية للتواصل مع المدققين الأفراد والمنظمات وأصحاب المصلحة خلال الانتقال إلى المعايير الدولية؟
- ٧- ما الدور الذي لعبته الشركات الدولية، خصوصاً الشركات العالمية الأربعة الكبرى، في التعاون مع المنظّمين المحليين، وكيف أثرت هذه الشراكة على ديناميكيات القوة في سوق المراجعة؟
- ٨- كيف تعامل المنظّمون مع المعارضة أو المقاومة من أصحاب المصلحة القلقين بشأن تبني المعايير الدولية؟ وما التدابير التي اتخذت لمعالجة قضايا السيادة والحفاظ على التقاليد المحلية للمحاسبة؟
- ٩- ما الاستراتيجيات التي استخدمت لإدارة التوترات وضمان الانتقال السلس للمعنيين كافة؟
- ١٠- من وجهة نظرك، كيف تغيرت العلاقة بين المدققين الخارجيين والشركات المدرجة بعد تبني المعايير الدولية، خصوصاً من حيث التقارير والرقابة على المراجعة؟
- ١١- كيف أعادت شركات الشركات العالمية الأربعة الكبرى تشكيل المشهد التنافسي في سوق المراجعة السعودي؟ وما أثر ذلك على المدققين المحليين؟
- ١٢- كيف تقيم فاعلية الهيئات التنظيمية حالياً في الحفاظ على نزاهة وجودة وشفافية التقارير المالية ضمن إطار المعايير الدولية؟
- ١٣- ما التحديات المستقبلية التي تتوقع أن تواجهها الهيئات التنظيمية لضمان الامتثال المستمر للمعايير الدولية والحفاظ على تنافسية الشركات المحلية؟
- ١٤- ما الدور الذي ينبغي أن تلعبه الهيئات التنظيمية في دعم تطوير المدققين المحليين وتأهيلهم للتغيرات التنظيمية المستقبلية والمعايير الدولية؟

دليل مقابلات مع المدققين

- ١- هل يمكنك وصف دورك ومسؤولياتك ضمن قطاع المراجعة؟
- ٢- منذ متى وأنت تعمل في هذا المجال، وكيف لاحظت تطوره مع مرور الوقت؟
- ٣- كيف كانت تجربتك مع الانتقال من المعايير السعودية إلى المعايير الدولية في عام 2017؟
- ٤- ما أبرز التحديات التي واجهتها خلال هذا الانتقال؟
- ٥- كيف ترى الفروقات بين المعايير الدولية والمعايير السعودية من حيث معايير التقارير المالية؟
- ٦- كيف أثر الانتقال إلى المعايير الدولية على علاقتك مع العملاء، خصوصاً الشركات المدرجة؟
- ٧- كيف أثر التحول إلى المعايير الدولية على تفصيلك للمدققين المحليين مقابل الشركات الدولية مثل الشركات العالمية الأربعة الكبرى؟
- ٨- هل لاحظت أي تغيرات في دور المدققين المحليين بعد تبني المعايير الدولية؟
- ٩- ما الدور الذي لعبته الهيئة السعودية للمحاسبين القانونيين وهيئة السوق المالية في إعداد المدققين قبل تطبيق المعايير الدولية؟
- ١٠- كيف أثرت التغيرات التنظيمية، مثل تطبيقات الهيئة السعودية للمحاسبين القانونيين وهيئة السوق المالية، على

ممارساتك في المراجعة؟

- ١١- ما أثر نظام العقوبات الجديد الذي فرضته الهيئة السعودية للمحاسبين القانونيين وهيئة السوق المالية على أنشطة المراجعة وعمليات اتخاذ القرار لديك؟
- ١٢- برأيك، ما مدى جاهزية المدققين المحليين من حيث المعرفة بالممارسات الدولية للمحاسبة والمراجعة؟
- ١٣- كيف تطورت قدرتك على إصدار رأي متحفظ أو تأجيل إصدار القوائم المالية مع تطبيق المعايير الدولية؟
- ١٤- هل تعتقد أن المدققين اكتسبوا المزيد من الاستقلالية مع تبني المعايير الدولية؟
- ١٥- كيف أثرت استعداد وخبرة الشركات العالمية الأربعة الكبرى بالمعايير الدولية على حضور المدققين المحليين؟
- ١٦- ما أثر تبني المعايير الدولية على ممارسات وأسعار خدمات المراجعة؟
- ١٧- ما رأيك في ارتفاع أتعاب المراجعة بعد الانتقال للمعايير الدولية؟ وهل تعتقد أنه يعكس التعقيدات المضافة في التقارير المالية؟

دليل مقابلات مع المدراء الماليين

- ١- هل يمكنك وصف دورك وكيف أثرت مسؤولياتك بتبني المعايير الدولية؟
- ٢- منذ متى وأنت تعمل في هذا القطاع، وكيف شهدت تطوره مع مرور الوقت؟
- ٣- كيف كانت تجربتك مع الانتقال من المعايير السعودية إلى المعايير الدولية في عام 2017؟
- ٤- ما التحديات الرئيسية التي واجهتها خلال هذا الانتقال؟
- ٥- كيف أثر الانتقال من المعايير السعودية إلى المعايير الدولية على عمليات إعداد التقارير المالية بشركتك؟
- ٦- كيف ترى الفروقات بين المعايير الدولية والمعايير السعودية في إعداد التقارير المالية؟
- ٧- كيف تغيرت علاقتك مع المدققين منذ تطبيق المعايير الدولية؟
- ٨- كيف أثر التحول إلى المعايير الدولية على تفصيلك للمدققين المحليين مقابل الشركات الدولية مثل الشركات العالمية الأربعة الكبرى؟
- ٩- هل لاحظت تغيرات في دور المدققين المحليين بعد تبني المعايير الدولية؟
- ١٠- ما الدور الذي لعبته الهيئة السعودية للمحاسبين القانونيين وهيئة السوق المالية في إعداد المهنيين قبل تطبيق المعايير الدولية؟
- ١١- كيف أثرت التغيرات التنظيمية، مثل إنفاذات الهيئة السعودية للمحاسبين القانونيين وهيئة السوق المالية، على ممارسات التدقيق لديك؟
- ١٢- ما رأيك في نظام العقوبات الذي طبقته هيئة السوق المالية فيما يخص عدم الامتثال للمعايير الدولية؟
- ١٣- كيف تقيم فعالية الهياكل التنظيمية الحالية في الحفاظ على جودة ونزاهة المراجعات مع تطبيق المعايير الدولية؟
- ١٤- كيف أثر تبني المعايير الدولية على نطاق وطبيعة المراجعات للشركات المدرجة؟
- ١٥- منذ تبني المعايير الدولية، هل لاحظت أي تغيرات في العلاقة بين المدققين والمدراء الماليين؟ وكيف أثرت هذه التغيرات على دورك؟
- ١٦- هل تعتقد أن المعايير الدولية منحت المدققين سلطة أكبر على الإفصاحات المالية للشركات؟
- ١٧- ما رأيك في زيادة أتعاب المراجعة بعد تطبيق المعايير الدولية؟ وهل تعتقد أنها مبررة بالتعقيدات الإضافية؟
- ١٨- كيف أثرت الحوكمة الصارمة والإنفاذ المرتبط بالمعايير الدولية على مسؤولياتك في إعداد التقارير المالية؟
- ١٩- هل يمكنك مناقشة تأثير نظام العقوبات الجديد على علاقتك مع المدققين وعلى الحوكمة المؤسسية بشكل عام؟
- ٢٠- ما أبرز التحديات التي واجهتها شركتك أثناء الاستعداد لاعتماد المعايير الدولية، خصوصاً فيما يتعلق بالموارد والتدريب؟
- ٢١- كيف تأقلمت شركتك مع متطلبات الموارد اللازمة للامتثال للمعايير الدولية، وما نوع الدعم الذي تلقينته (إن وجد) من المدققين؟
- ٢٢- كيف تخطط لإدارة التعقيدات المستمرة لإعداد التقارير المالية والحفاظ على علاقة جيدة مع المدققين مستقبلاً؟

Appendix 3: Letter of invitation



Cardiff Business School
Ysgol Busnes Caerdydd

Cardiff University

Aberconway Building,
Colum Drive, Cardiff CF10 3EU, Wales UK
Tel +44(0)29 2087 6786
Email: carbs-phd@cardiff.ac.uk
www.cardiff.ac.uk

Dear,

I am a PhD student at Cardiff Business School in Wales, United Kingdom. My PhD studies concentrate on the International Financial Reporting Standards (IFRS) adoption in Saudi Arabia, Institutional Perspective

I have embraced this topic because Saudi Arabia recently in 2017 moved from Saudi GAAP to IFRS (Slama et al. 2022). The research aims to understand how the transition from the Saudi GAAP to the IFRS, creates a new auditing logic regulating the relationship between corporates and auditing firms.

The researcher aims to conduct interviews from regulators (i.e., SOCPA), accountants in Saudi listed companies and auditors in Saudi Arabia context. Further details will be provided upon receiving your kind permission to participate. However, I want to assure you and every participant that participation is entirely voluntarily. Participants will not be committed to answering all questions and can bring other issues if they believe they are essential and relevant to the research. Participants are only required to answer a couple of the consent questions to proceed with the rest of the questions. This procedure is done because my university requires me to obtain consent from participants. The questionnaire survey also includes a Participant Information Sheet which will answer most of the participants' concerns.

I can assure you that anonymity will be performed and maintained thought-out the research. The research instrument does not ask about any personal information, and no information provided by participants could lead to identifying individuals, your company, or even being identifiable. All detail collected from participants



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Elusen Gofrestredig, rhif 1136855



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deliberately or inadvertently will be held confidential, retained, and disposed of adhering to the Cardiff University rules. I am hoping and appreciative to have you as part of my study. The participation of people in your prestigious company will significantly assist my research, and the valuable insights they provide will help me and your company as well as the country. Your participation will also help to advance the literature on IFRS adoption experience in Saudi Arabia. Your company as a listed was chosen because it corresponds perfectly with the research aims and objectives.

My research is supervised by Prof. Roy Chandler. The research will be conducted under the strictest ethical considerations, and academic ethics will oversee the research in all stages. Cardiff Business School approval to conduct this research will be obtained, and recommendations will be followed, and the University rules and recommendations will be adhered to.

Your permission to conduct interviews at your prestigious company and the participation of the employees are God's gift to me, and I am more than happy to discuss further any issue of your concerns, including but not limited to any requirements and policies you have for this kind of matter.

Yours sincerely,
Basmah Aldarsi

+966551325404

AldarsiBA@cardiff.ac.uk



Registered Charity, no. 1136855
Elusen Gofrestredig, rhif 1136855

Appendix 4: Participant Information Sheet

Basmah Aldarsi 4



PARTICIPANT INFORMATION SHEET

International Financial Reporting Standards (IFRS) adoption in Saudi Arabia, Institutional Perspective

You are being invited to take part in a research project. Before you decide whether to take part, it is important for you to understand why the research is being undertaken and what it will involve. Please take time to read the following information carefully and discuss it with others if you wish.

Thank you for reading this.

1. What is the purpose of this research project?

I am a PhD student at Cardiff Business School in Wales, United Kingdom. Most of the world has adopted IFRS. In 2022, a total of 166 profiled jurisdictions use the IFRS (IFRS 2022). Globally, 87% of countries require the use of the IFRS for all or most listed companies (IFRS 2022), due to their apparent benefits (Mannai and Hindi 2015) and due to the global institutions pressure to adopt them (Alnodel 2015). Saudi Arabia recently in 2017 moved from Saudi GAAP to IFRS (Slama et al. 2022). The research aims to understand how the transition from the Saudi GAAP to the IFRS, creates a new auditing logic regulating the relationship between corporates and auditing firms. The researcher aims to conduct a comprehensive literature review and collect primary qualitative data (i.e., interviews) from regulators (i.e., SOCPA), accountants in Saudi listed companies and auditors in Saudi Arabia context.

2. Why have I been invited to take part?

You have been invited to this interview because of your job role as an auditor, financial manager or regulator working in the Saudi accounting profession. Your valuable assistance will help me complete my thesis for the programme of Cardiff Business School PhD at Cardiff Business School, Cardiff University. This research is designed to understand and study “**IFRS adoption in Saudi Arabia context.**” Your participation in this interview is voluntary and **anonymous (i.e., Participants’ names and their companies will not be mentioned at any stage of this research).**

Version [1]

1

[8/9/2022]

3. Do I have to take part?

No, your participation in this research project is entirely voluntary and it is up to you to decide whether to take part. If you decide to take part, I will discuss the research project with you and ask you kindly to sign a consent form. If you decide not to take part, you do not have to explain your reasons and it will not affect your legal rights. You are free to withdraw your consent to participate in the research project at any time, without giving a reason, even after signing the consent form.

4. What will taking part involve?

The study involves conducting with you a face-to-face interview or online interviews based on your preferences. In case you prefer online interview, Zoom Cardiff University licensed platforms will be used. The interview will last from an hour to an hour and a half. Your participation will be on one occasion only; however, and subject to your approval for further contact, I, rarely, may need some clarifications regarding your answers. The interview will be audio recorded to facilitate data analysis after taking your permission; however, you may wish to pause, stop, or ask for the recording to be deleted without giving any reasons.

5. What are the possible benefits of taking part?

No. You should understand that any information you give deliberately or inadvertently will be as a gift and you will not benefit financially in the future should this research project lead to the development of a new treatment/method/test/assessment.

6. What are the possible risks of taking part?

There will be no direct advantages or benefits to you from taking part, but your contribution will help me finish my PhD project, develop a better understating of the transition to IFRS in Saudi Arabia. No risks are anticipated, and every effort will be made to mitigate any risk arising from this research.

7. Will my taking part in this research project be kept confidential?

The interview does not include any question about your personal information. Furthermore, any information you provide to us will be anonymous and not traceable back to you. All information collected from (or about) you during the research project will be kept confidential and any information you provide will be managed in accordance with data protection legislation.

8. What will happen to my Personal Data?

The data is completely anonymised as the interview does not include any question about identifiable personal data. In the unlikely case that researcher receives any identifiable data, this will be removed before storing the data. After this the anonymous data will be stored on my computer and shared with my supervisor. Potential participants are not asked to provide any personally identifiable information and hence assuring anonymity and confidentiality.

Cardiff University is the Data Controller and is committed to respecting and protecting your personal data in accordance with your expectations and Data Protection legislation. Further information about Data Protection, including:

- your rights
- the legal basis under which Cardiff University processes your personal data for research
- Cardiff University's Data Protection Policy
- how to contact the Cardiff University Data Protection Officer
- how to contact the Information Commissioner's Office

You may be found at <https://www.cardiff.ac.uk/public-information/policies-and-procedures/data-protection>. If you have difficulty accessing the documentation, please contact me, and I will happily provide you with theses documentation.

Appendix 5: Consent Form

[Type here]

Appendix 4



CONSENT FORM

Title of research project: **“International Financial Reporting Standards (IFRS) adoption in Saudi Arabia, Institutional Perspective”**

SREC reference: 1375

CARBS Research Ethics Committee

Student Name: Basmah Aldarsi

**Please
initial box**

I confirm that I have read the information sheet dated [10/10/2022] version [1] for the above research project.	
I confirm that I have understood the information sheet dated [10/10/2022] version [1] for the above research project and that I have had the opportunity to ask questions and that these have been answered satisfactorily.	
I understand that my participation is voluntary, and I am free to withdraw at any time without giving a reason and without any adverse consequences (e.g., to medical care or legal rights, if relevant).	
I consent to the processing of my personal information for the purposes explained to me. I understand that such information will be held in accordance with all applicable data protection legislation and in strict confidence, unless disclosure is required by law or professional obligation.	
I understand who will have access to personal information provided, how the data will be stored and what will happen to the data at the end of the research project. [There is not personal data that I am aiming to collect. I will keep the anonymised data for destroyed in accordance with GDPR].	
I understand that after the research project, anonymised data may be applied to ensure the confidentiality of the data and may be used for purposes not related to this research project. I understand that it will not be possible to identify me from this data that is seen and used by other researchers, for ethically approved research projects, on the understanding that confidentiality will be maintained.	
I consent to being audio recorded for the purposes of the research project and I understand how it will be used in the research.	

Version 01

[8/9/2022]

[Type here]

Appendix 4

I understand that the data is completely anonymised as the interviews does not include any question about identifiable personal data. In the unlikely case that researcher receives any identifiable data, this will be removed before storing the data. After this the anonymous data will be stored on researcher computer and shared with researcher's supervisor	
I understand how the findings and results of the research project will be written up and published. If there are any problems with the study, please contact the supervisor of this study Prof. Roy Chandler, Chandler@cardiff.ac.uk.	
I agree to take part in this research project.	

_____ Date _____ participant's Signature

Name of person taking consent: Basmah Aldarsi
Date
Signature
Role of person taking consent: the researcher

THANK YOU FOR PARTICIPATING IN OUR RESEARCH
YOU WILL BE GIVEN A COPY OF THIS CONSENT FORM TO KEEP

Version 01

[8/9/2022]

Appendix 6: Registered Auditing Firms with CMA

No	Accounting Firm Name	International Companies Associated with
1.	AlKharashi & Co. Certified Accountants and Auditors	Mazars
2.	Dr. Mohamed Al-Amri & Co.	Association with BDO
3.	El Sayed El Ayouty & Co. Certified Public Accountants	Association with Moore Global
4.	PKF Al Bassam Chartered Accountants	Association with PKF
5.	Turki Abdul Mohsen Alluhaid & Saleh Abdullah Al Yahya Chartered Accountants	Local (ex-Big 4 partners)
6.	Alzoman, Alfahad & Alhajjaj CPA	Local
7.	Maham Professional Services	Local
8.	Talal Abu-Ghazaleh & Co.	Regional
9.	Ernst & Young Professional Services	Big 4
10.	KPMG professional services	Big 4
11.	PricewaterhouseCoopers Public Accountants (PwC)	Big 4
12.	Deloitte and Touche & Co. Chartered Accountants	Big 4
13.	RSM Allied Accountants for professional Services	Big10
14.	Baker Tilly MKM & Co. Certified Public Accountants	Big10
15.	Crowe Solutions for Professional Consulting	Big10

Appendix 7: Comparison between Saudi GAAP and IFRS

There are changes in the presentation of the financial data. They are related to the classification of liabilities, expenses, employees' benefits, foreign currency, and related party disclosure.

The liability and expenses are presented based on the terms, not the contractual arrangement and functional use, not in general categories for expenses. In the realm of liabilities, encompassing recognition, measurement, and presentation, GAAP and IFRS diverge in their approaches. GAAP places emphasis on the likelihood of future economic sacrifices, while IFRS leans towards the "probable" criterion. Both frameworks disclose contingent liabilities, with IFRS adopting a broader definition. Historically, GAAP permitted off-balance-sheet financing for operating leases, unlike IFRS, which recognized them on the balance sheet. Disparities extend to discounting liabilities, treating interest and dividends, and handling restructuring provisions. In the context of liability discounting, GAAP mandates considering the time value in pension accounting, whereas IFRS allows this with less prescription. Regarding interest and dividends, GAAP allows classification in cash flow statements as either operating or financing activities, offering less flexibility than IFRS. Concerning restructuring provisions, GAAP provides detailed guidance with stringent criteria for recognition, while IFRS allows more judgement in recognition. In Saudi GAAP, guidelines necessitate the removal of liabilities settled with non-current assets, while IFRS classifies long-term debts as non-current under specific refinancing conditions. Regarding expenses, under Saudi GAAP, costs are recorded in the profit or loss statement. In accordance with IAS 1 paragraph 99, expenses reported in profit or loss can be classified based on their nature (e.g., raw materials, employee costs, depreciation) or their function (e.g., cost of sales, selling, administrative expenses). The auditor is expected to gather more details about the liability reporting process and repayment intentions. This necessity arises from the dissimilarities in expense recognition practices between Saudi GAAP and IFRS. Saudi GAAP recognizes expenses in profit or loss without specific disclosure requirements. Conversely, IFRS mandates a more thorough breakdown of expenses, hence prompting the need for comprehensive disclosure. Similarly, a detailed breakdown of expenses is essential to gain insights into the purpose and nature of the costs, ensuring accurate classification within the appropriate expense category. In adherence to Saudi GAAP, entities must fulfil four conditions for an asset to be classified as a finance lease: (a) the asset's valuation must be at least 90% of its value; (b) the lease duration should cover 75% of the asset's life; (c) the presence of a bargain purchase option and (d) the transfer of

ownership at the lease term's conclusion. In contrast, IAS 17 focuses on the substance of the transaction rather than its form for lease classification, diverging from the more rule-based approach of Saudi GAAP. IAS 17 emphasizes the economic substance of lease transactions, prioritizing a thorough assessment of their actual economic reality over their legal form. In the traditional Saudi System, post-employment benefits did not exist. With the adoption of IFRS, employers are now required to disclose potential post-employment benefits, aligning with IAS 19. This information is valuable for stakeholders, including employees and investors, providing insights into the business's performance sustainability, but Saudi GAAP did not cover it.

The plant, Equipment and investment property, from being the only cost model is used in the GAAP, Under IFRS, IAS 16 Property, Plant and Equipment, permits two accounting models: the book value (the asset is carried at cost less accumulated depreciation and impairment as per paragraph 30) and fair value (i.e. the asset is carried at a revalued amount, being its fair value at the date of revaluation less subsequent depreciation and impairment, provided that fair value can be measured reliably as per paragraph 31). In addition, the depreciation method in the GAAP was strict and did not allow an easy change in it, under Saudi GAAP, a change in depreciation method is considered as a change in accounting policy as opposed to a change in the estimate as IFRS. Under IFRS, depreciation should be reviewed at least annually. If the consumption pattern of benefits has changed, depreciation should be changed prospectively as a change in estimate according to paragraph 36 of IAS 8 and paragraph 61 of IAS 1. This possible extra flexibility and requirement for renewal may require more involvement from the Auditor and more disclosed information about the changes and the review results. Using the same approach, Under Saudi GAAP, an entity's investment property must be valued at cost. The SOCPA allows disclosure of fair value information only in notes to the financial statements. Under IFRS, IAS 40 permits entities to choose between fair value and cost models. The GAAP was strict in this aspect as, under Saudi GAAP, the revaluation of fixed assets, intangible assets, investment property or biological assets is not allowed. Losses are only recognized when they become receivables, and unrealized gains are not recognized. This extra flexibility could give negotiation power to the corporates against the auditor in disclosing information that may show exaggerated assets.

These differences between accounting frameworks cause challenges when moving to a new framework. Thus, the following section will discuss the impact of this movement on the

relationship between auditors and their clients specifically, as well as the general impact of transactions.

Aspect	Saudi GAAP	IFRS
Financial Statement Names and Order Differences in the naming and order of financial statements.	Only one income statement under Saudi GAAP. Balance sheet referred to as 'balance sheet.' The statement of changes in equity is presented after the statement of cash flows in Saudi GAAP.	IFRS allows a combined statement of profit or loss and other comprehensive income. Balance sheet referred to as 'statement of financial position' in IFRS. The statement of changes in equity is generally presented as a separate financial statement, and its placement in the financial statements can vary.
Fair Presentation	Saudi GAAP may have confirmation of fair presentation in practice but lacks a presumption.	IFRS emphasizes fair presentation, with a presumption that application results in fair presentation. True and fair override is applicable under IFRS.
Classification of Liabilities	Different treatment of liabilities, e.g., classification of long-term debt under refinancing conditions.	Long-term debt may be classified as non-current under IFRS if refinancing is expected. Deferred taxes generally presented as non-current.
Classification of Expenses	Saudi GAAP analyses expenses by function only.	IFRS permits the analysis of expenses by either nature or function. Disclosure requirements vary.
Zakat and Income Tax	Zakat (Islamic tax) and income tax are treated based on Sharia law.	IFRS does not have specific guidance on Zakat. Recognizes tax consequences following standard rules.
IAS 2 - Inventories	Saudi GAAP recommends the weighted average method, allows FIFO or LIFO with disclosure.	IFRS does not allow LIFO. FIFO or weighted average cost methods are permitted.
IAS 7 - Statement of Cash Flows	Both direct and indirect methods are allowed under Saudi GAAP.	IFRS encourages the direct method.
IAS 12 - Income Tax	Zakat is charged to the income statement based on ownership, while income tax recognition depends on the ownership structure.	Without a separate Zakat standard, recognizes tax consequences in line with the recognition of related items in financial statements.
IAS 16 - Property, Plant, and Equipment	Revaluation of assets is not allowed.	Revaluation model and cost model are both permitted under IFRS.
IAS 17 - Leases	Saudi GAAP has specific conditions for finance lease classification.	IFRS considers substance over form; finance lease conditions differ.
IAS 19 - Employee Benefits	No specific Saudi GAAP on employee benefits.	Detailed guidance on post-employment benefits, including actuarial valuations, under IAS 19.
IAS 21 - Effects of Changes in Foreign Exchange Rates	Saudi GAAP requires reporting in Saudi Riyals only.	IFRS focuses on functional currency and requires translation to the functional currency.
IAS 24 - Related Party Disclosures	Saudi GAAP has a transaction-oriented approach to related parties. Disclosures to identify controlling parties may not be required if there are no transactions. External auditors are considered related parties, and there is no specific mention of disclosure for management compensation.	Related parties are persons or entities related to the reporting entity, and transactions between them require detailed disclosures. External auditors are not considered related parties. Comprehensive disclosures are mandated for management compensation, covering various components.
IAS 34 - Interim Financial Reporting	Saudi GAAP requires a minimum set of components for an interim financial report.	IFRS specifies a condensed set of financial statements and additional components.
IAS 36 - Impairment of Assets	Saudi GAAP assesses impairment by comparing gross undiscounted cash flows with carrying value.	IFRS considers both external and internal indications; uses a recoverable amount approach for impairment testing.
IAS 38 - Intangible Assets	Incorporation costs related to intangible assets are capitalized. After initial recognition, intangible assets are measured at historical cost less accumulated amortization. Revaluation of intangible assets is generally not allowed, and unrealized gains are not recognized. Losses are only recognized when they become receivables.	IFRS requires measurement at cost initially, with options for cost model or revaluation model for subsequent measurement of intangible assets, providing entities with flexibility in their valuation approach.
IAS 40 - Investment Property	The valuation of investment property is typically done at cost, the property is recorded on the financial statements at its historical cost, which includes the purchase price, and any directly attributable costs incurred to bring the property to its present condition and location. Does not generally allow the revaluation of investment property to fair value. Any changes in the value of the investment property are not recognized unless there is evidence of impairment.	IFRS allows a choice between fair value and cost models for measurement of investment property.
IAS 41 - Agriculture	Follows a cost-based approach for the measurement of biological assets does not allow fair value measurement.	More flexibility by allowing the fair value model for the measurement of biological assets but also permits the cost model when fair value cannot be reliably determined.
IFRS 9 - Financial Instruments	Trade-based instruments in Islamic finance may be subject to IFRS 15 before IFRS 9. Industry concerns and	Industry concerns about the application of IFRS 9 in Islamic finance. Differences in initial recognition,

	differences in initial recognition, classification, fair value, impairment, hedge accounting, and derivatives guidance.	classification, fair value, impairment, hedge accounting, and derivatives guidance.
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Table 15: The Key Differences Between Saudi GAAP and IFRS Based on Nurunnabi (2017) and Nurunnabi et al., (2022)

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