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Competing Institutional Logics and Power Dynamics in Islamic Financial Reporting Standardisation Projects

Ahmed Abras (Coventry University), Kelum Jayasinghe (University of Essex)

Abstract

Purpose: *This paper examines the historical evolvement of competing institutional logics (i.e. religion, profession, state, market and community) underpinning Islamic accounting standardisation projects and power relations between internal actors representing these logics.*

Design/methodology/approach: *The paper adopts a case-study approach and analyses two Islamic accounting standardisation projects implemented at the international and national levels. Documentary review and semi-structured interviews are used for data collection. Analysis is informed by the 'Institutional Logics Perspective' and Bourdieu's notion of 'power as capital in a field'.*

Findings*: Research findings illustrate how some local actors pre-dispose themselves in promoting strict compliance to IFRS, while others endeavour to ensure compliance to 'Islamic Sharia requirements' in financial reporting. In this power dynamic, there is an ongoing 'constructive resistance' actively exerted by the latter group against the former, preserving the existence of religion-based reporting demands in Islamic accounting standardisation approaches. The paper also highlights chronological 'dynamic' accounts that explain the evolvement of institutional logics prevailing in these projects over different historical stages at both national and international levels.*

Originality/value: *This paper's findings contrast and challenge the existing assumption that the 'epistemic community' promoting IFRS agenda always faces 'passive responses' from local actors. Moreover, the paper's offering of a dynamic view to institutional logic mapping extends the previously used 'static analyses' of logics prevailing in Islamic accounting standardisation projects.*

Keywords: *Islamic accounting; International accounting harmonisation; Institutional logics; Epistemic community; Power relations; Sharia*

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1. Introduction

This paper examines the historical evolvement of heterogeneous institutional logics underpinning Islamic accounting standardisation projects and power relations between actors involved in these projects and acting as representatives to these logics. It also addresses the 'constructive resistance' demonstrated by internal actors against the 'epistemic community', i.e. international professional accounting bodies, and their 'local collaborators' promoting International Financial Reporting Standards (IFRS) agenda. The power and influence of international accounting bodies' affiliated consultants, professional accountants and big-4 firms have led the national accounting bodies and domestic firms "to play the accounting game by global rules" (Ding *et al.*, 2005, p.326) and made the process of accounting harmonisation unavoidable (Ball, 2006; Christensen *et al.*, 2019; Himick and Brivot, 2018; Jayasinghe *et al.*, 2021). Since then, a question has been raised which is, 'does one size fit all?'. Addressing this question, Chand and White (2007) argue that, given the ostensible differences among nations, "it would be naive to assume, as the International Accounting Standard Board (IASB) does, that a single regulatory framework can be established that meets the financial reporting needs of all societies" (p. 606). The institutional and cultural differences between nations and regions (e.g. the emergence of Islamic banking) continue to result in international differences in accounting practices and demands, which is an issue worth investigating (Dyreng et al., 2012). In particular, the way through which 'religion' impacts on accounting practices and requirements has created an interesting arena for accounting research (Dyreng *et al.*, 2012; Funnell and Williams, 2014; Irvine, 2005; McGuire *et al.*, 2011).

Islamic financial institutions (IFIs) distinguish from their conventional counterparts by their underlying principles based on Islam rulings, which prohibit engaging in activities that involve interest, gambling, and uncertainty (*Gharar*), as well as dealing in prohibited (*non-halal*) products and unethical activities. Since accounting is considered as a communication tool, the contractual nature of Islamic financial products and their compliance with Islamic rulings need to be reflected in financial reports (Mohammed *et al.*, 2019). The Islamic accounting standardisation projects provide an interesting research context here, as these projects have struggled to achieve their objectives while taking into consideration various institutional and contextual demands (Add AF paper) (Karim, 1995; Mukhlisin and Fadzly, 2020; Nasir and Zainol, 2007). These projects have showed instability in their standardisation approach. Although they all started with the objective of developing a separate set of Islamic accounting standards, they ended up with heterogeneous approaches on how to deal with Islamic financial reporting.

While the importance of Islamic accounting standardisation projects has been acknowledged by prior studies (Karim, 1999; Mohammed *et al.*, 2016; Vinnicombe, 2010), these projects have been subject to wide criticism due to their inability to avoid conventional accounting influence (Ibrahim and Siswantoro, 2013; Kamla, 2009; Kamla and Haque, 2019; Levy and Rezgui, 2015; Maurer, 2002). In this context, using evidence from the Accounting and Auditing Organisation for Islamic Financial Institution (AAOIFI), Kamla and Haque (2019) have demonstrated the influence of the international accounting harmonisation (IAH) logic in the Islamic accounting standardisation process. Interestingly, this influence was exerted by the epistemic community's 'local collaborators' who empower and sustain the globalisation of the accounting profession and international accounting harmonisation agenda at the expense of local needs. However, the study of Kamla and Haque (2019) was under the assumption that internal actors involved in the standardisation process were acting mostly as 'passive respondents' to such epistemic community influence. Thus, it overlooked the fact, which has been revealed in our paper's findings, that there might be ongoing conflict and power relations between these two groups, who represent two competing logics (religion logic vs. profession logic) and that there might be internal actors in Islamic accounting standardisation projects 'constructively resisting' IAH agenda. Moreover, prior studies mostly provide critiques of these projects based on a 'static overview' that focuses either on its overall outcome (Ibrahim and Siswantoro, 2013; Kamla, 2009; Kamla and Haque, 2019; Maurer, 2002) or on specific events only (Levy and Rezgui, 2015). There is little attempt in prior literature to explain the institutional reasoning behind such an outcome or the heterogeneous strategies followed by these different projects, although they supposedly work to achieve the same objective under the influence of similar institutional demands. This paper extends prior literature by providing more comprehensive accounts that explain the dynamic changes in these projects' strategies and priorities over time that have been historically triggered by the surrounding institutional changes.

Addressing the above gaps in the Islamic accounting standardisation literature, this paper aims to answer the following research questions: (i) *How have heterogeneous institutional logics underpinning Islamic financial reporting standardisation projects evolved over time and how have these projects historically responded to the institutional logic evolvement?* (ii) *How have internal actors engaged in power relations to advocate the logics they represent and resist the pressure of external actors and their 'local collaborators'?* The paper employs a theoretical framework based on 'Institutional Logics Perspective' (ILP) and Bourdieu's notion of 'power as capital in a field' and adopts the case-study approach as its research design (Yin, 2014). The choice of this combined theoretical framework in this paper is informed by recognising the need for revealing the institutional complexity and the agential role and power relations of actors. Utilising this dual theoretical framework provides a synergy of being mutually informative which allows a richer portrayal of the organizational reality and helps capture unique organizational issues and dynamics (Hoque et al., 2013). It also provides the opportunity to illustrate multiple interpretations or different views of reality as perceived by a wide range of actors involved in practice (for example, see Ansari and Euske, 1987; Hoque and Hopper, 1994; Shapiro and Matson, 2008). The paper uses two Islamic accounting standardisation projects implemented at the international and national levels. The international case-study project is selected in order to explore the institutional demands and power dynamic surrounding these projects at the international level. Then, the national case-study project has been selected with the aim of understanding the 'localisation' efforts of Islamic accounting standardisation and how the institutional embeddedness of local actors may shape national standardisation projects differently.

The remainder of the paper is structured as follows. Section 2 provides review of prior literature on Islamic accounting standardisation, followed by the theoretical framework underlying this paper in section 3. Then, the paper moves on to describe research methods and the process of data collection and analysis in section 4. Section 5 presents the historical and contextual background of the two case-study projects. Analysis and findings are presented in section 6, followed by a discussion in section 7. Finally, a conclusion is presented in section 8.

2. Prior Studies on Islamic Financial Reporting Standardisation

'Islamic accounting' emerged as a new stream in accounting research looking at what ought to be the accounting practices from an Islamic perspective. Starting by Abdel-Magid (1981), this stream was motivated by the emergence of the Islamic finance industry. This industry has created an urgent need for a financial reporting framework that enables Islamic financial institutions (hereafter IFIs) to communicate the *Sharia* [1] compliance of their activities with stakeholders and addresses the accounting issues that are specific to those entities. However, although religion has an important impact on Islamic financial transactions and their accounting treatment, it is not the only determinant (Maali and Napier, 2010; Mukhlisin, 2021). This makes prior research in this field unrealistic as it ignores a wide range of institutional factors that need to be examined when studying the accounting framework required by IFIs.

The most famous example in the literature when addressing Islamic accounting standardisation is the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI). Its international composition and scope make it an interesting case for research as it is the only accounting body that aims to develop 'global' accounting standards outside the Anglo-American sphere (Kamla and Haque, 2019). Literature on AAOIFI started with the articles written by its first Secretary General, describing the circumstances and motivations behind its establishment (Karim, 1990, 1995). Since then, this initiative has been considered a step in the right direction to establish harmonised accounting practices and enhance the comparability and transparency of IFIs financial reporting (Karim, 1999; Mohammed et al., 2016; Mohammed and Mustafa, 2013; Vinnicombe, 2010). However, its standardisation approach has not escaped criticism.

Islamic accounting literature has identified two approaches for developing an Islamic accounting framework. The first starts by the establishment of accounting objectives based on Islamic teachings to serve as a basic theoretical framework from which Islamic accounting principles and practices are derived (Ibrahim and Yaya, 2005; Lewis, 2001). Proponents of this 'constructive' approach believe that it is conscious of the philosophical differences between conventional and Islamic accounting principles (Vinnicombe and Park, 2007). Hence, it helps minimise the influence of contemporary accounting thoughts and encourage those in charge of developing Islamic accounting standards to look beyond secular methodologies (Karim, 1995). The second approach, rather than starting from scratch, adopts conventional accounting objectives which are applicable to Islamic business entities but posts flags, excludes and replaces any objectives violating *Sharia* principles (Ibrahim and Yaya, 2005; Karim, 1995; Lewis, 2001). Nevertheless, this so called 'pragmatic' approach has been rejected by some researchers who emphasise on the relevance of *Sharia* to all aspects of life in a sense that accounting theory and practices must be essentially derived from, rather than merely compliant with, the Islamic jurisprudence (Gambling and Karim, 1991; Vinnicombe and Park, 2007).

The 'pragmatic' approach was followed by AAOIFI in developing its standards as it was believed that the efficiency gained from the previous work of international accounting bodies would facilitate a timely implementation of its standards without violating *Sharia* (Karim, 1995; Vinnicombe, 2010). However, scholars raised questions regarding the "suspicious" procedures through which AAOIFI deduced the so-called 'best accounting practices' by combining them with elements from existing accounting practices (Maurer, 2002, p.659). These critics believe that when borrowing accounting frameworks developed for certain countries, special consideration should be given to the society's institutional arrangements in terms of the legal, political and economic system and its educational, moral, and religious values which impact on accounting practices (Karim, 1995). However, according to Gambling and Karim (1991), the current conceptual framework of conventional accounting separates the business from private morality. Hence, they believe that such framework cannot be applied in societies which have certain doctrines and morals governing all aspects of life. This argument raised doubts among researchers about the reliability of the pragmatic approach followed by AAOIFI. They argue that AAOIFI's objectives are to a great extent the same as those objectives currently prevailing in conventional accounting (Kamla, 2009; Maurer, 2002; Yaya, 2004). For example, according to Maurer (2002), AAOIFI still adopts the provision of information decision-usefulness for shareholders. Whereas, the point of reference should be the overall objectives of *Sharia* and Islamic accountability, not the interests of specific users' rights and needs (Husein, 2018). This leads to the opinion that AAOIFI's conceptual framework is not in line with the Islamic worldviews but a mixture of Western and Islamic concepts, practices and values. Kamla (2009) argues in this context that AAOIFI fails to appropriately create an alternative culture of accounting inspired by Islamic values but rather reconstructs the existing western accounting practices. It is worthy to mention here that, while criticising the pragmatic approach followed by AAOIFI, prior literature did not evaluate the feasibility and suitability of the alternative 'constructive' approach for IFI market's requirements and if this approach would overcome the shortcomings associated with the 'pragmatic' approach.

In a more recent paper, Kamla and Haque (2019) argue that AAOIFI, in its current approach, contributes in strengthening the 'intellectual imperialism' and the dominance of the 'Anglo-American logic'. They believe that AAOIFI, the same as IFIs, exercises "identity staging" to sustain the Islamic image of IFIs in the eyes of Muslim public while its objectives, thoughts and standards embrace the international accounting harmonisation (IAH) logic. Kamla and Haque (2019) also criticise AAOIFI performance based on the market orientation of IFIs and some organisational and individual actors associated with it. Those actors push towards more integration with the international economic and financial reporting agenda. However, Kamla and Haque (2019) did not fully capture how AAOIFI has responded historically to such pressures. They assert that the above actors guide AAOIFI in a certain direction and describe AAOIFI as a mostly passive respondent to those actors. Yet, they indicate that some IFIs and regulatory bodies are currently moving away from AAOIFI's standards, as those standards do not achieve their interests. This may imply that AAOIFI does not act passively; rather, it adopts policies and adds requirements that may contradict the market-oriented interests of those actors. Similarly to Kamla and Haque (2019), Levy and Rezgui (2015) refer to the role of IFIs in making coercive pressure on AAOIFI to embrace the market values and achieve more convergence with IFRS requirements. They indicate a similar role of some members in AAOIFI in making normative pressures in that direction influenced by their conventional accounting background. However, the study of Levy and Rezgui (2015) generalised the findings of an ‘emergency situation’ that led AAOIFI to follow exceptional procedures in 2008 to amend its ‘FAS 17’ standard [2] on its overall performance, which might not be fairly reflective. Moreover, these previous studies, i.e. Kamla and Haque (2019) and Levy and Rezgui (2015), have not considered the power relations and conflict between actors involved in the standardisation process, which shows them as merely passive actors. The current paper addresses these issues and investigates the interaction and power relation between actors representing heterogeneous demands in the Islamic accounting standardisation projects. For instance, it reveals the resistance exerted by internal actors in Islamic accounting standardisation projects to the pressure of those ‘local collaborators’ advocating IAH logic and how this resistance was ‘constructively’ translated into efforts to improve these standards and eliminate the ‘unnecessary apertures’ with IFRS in an attempt to gain more acceptance of their requirements.

Moving to the national initiatives for Islamic accounting standardisation, literature review shows that there is a lack of dedicated literature that aims to deeply investigate such projects and the institutional and contextual settings surrounding and shaping their efforts historically. Literature on national projects aims to provide a general overview on those projects and their outcome but lacks the critical evaluation of such outcome (See for example Mohammed et al., 2016; Nasir and Zainol, 2007; Rustiana, 2016). Ibrahim and Siswantoro (2013) try to fill this gap and provide a critical review of the Malaysian accounting standardisation project from a normative viewpoint on what the contents of Islamic accounting standards ought to be. Yet, their review has not explained why the Malaysian project has chosen the pragmatic approach since the very beginning and why it has continued to be more ‘pragmatic’ in embracing conventional accounting practices over time. Aiming to contribute to this literature, the current study uses a national case in order to gain a clear picture on how national level projects have responded to the institutional logics and demands prevailing in their local context at different stages of their history. While prior studies have mainly focused on international standardisation initiatives, this paper examines how a national accounting body has tried to issue ‘localised’ Islamic accounting standards and guidelines and how local actors perceive and respond to various institutional demands (local and international) in that process. It also tries to explain the heterogeneity between these national and international projects in approaching Islamic accounting standardisation although they are, theoretically, under the influence of similar institutional demands.

Finally, prior literature on Islamic financial reporting standardisation projects has provided a ‘static’ overview that focuses either on presenting the circumstances that motivated the establishment of these projects (Karim, 1995, 1999; Nasir and Zainol, 2007; Rustiana, 2016) or providing critiques based on their overall outcome (Ibrahim and Siswantoro, 2013; Kamla, 2009; Kamla and Haque, 2019; Maurer, 2002) or on specific events (Levy and Rezgui, 2015). This literature has not involved in analysing their contextual settings and institutional environment that have historically impacted their decision on the most appropriate standardisation approach for regulating Islamic financial reporting. In addition, these projects were established before the era of IFRS. Since then, there have been significant institutional changes at the international level. Business environment has been more globalised. The world has witnessed rapid developments in the field of financial reporting, tending to adopt one set of financial reporting standards internationally. Islamic finance industry itself has experienced remarkable changes in which IFIs have been more market oriented (Haniffa and Hudaib, 2010; Mohammed and Mustafa, 2013; Mukhlisin, 2021; Mukhlisin and Fadzly, 2020). However, there is little research dedicated to exploring the impact of such developments on the national and international Islamic accounting standardisation projects. Therefore, through its chronological accounts, this paper contributes to the literature by providing a 'dynamic' overview that explains the changes in these projects' strategies and priorities over time that have been triggered by the surrounding institutional changes.

3. Theoretical framework

The paper uses a joint framework with Institutional Logics Perspective (ILP) (Friedland and Alford, 1991; Thornton et al., 2012) and Bourdieu's (1979, 1989) notion of 'power as capital in a field'. This 'theoretical triangulation' helps unfold multi-layers of understanding about organisational processes, events, people and other interested parties outside the organisation (Hoque et al., 2013). By doing so, the researchers avoid having interesting issues being unexplored and un-discussed simply because they are not captured by a particular theory. Utilising this theoretical framework, the paper aims to analyse how epistemic community and local actors drawn from different life-worlds engage in distinctive power relations, and in some instances, build coalitions to modify institutional structures and embed transformative standardisation approaches, simultaneously bolstering their legitimacy and symbolic capital in the field.

3.1 Institutional Logics Perspective

The seeds of ILP were established by Friedland and Alford (1991) who perceived society as an inter-institutional system which is shaped by different 'institutional orders'. Each order is characterised by a cluster of cultural symbols and material practices which govern and provide meaning to a recognised area of life (Thornton et al., 2012). In other words, each order has a distinct set of expectations (logics) that describe its rationality. Since they are part of the social system, the behaviour, interests and preferences of individuals and organisations are influenced and legitimised by the rationality driven by the underlying logics of institutional orders (Friedland and Alford, 1991). Interestingly, multiple institutional rationalities may exist in a particular context, which leads individuals and organisational actors to respond differently, being influenced by different reference systems (Greenwood *et al.*, 2010; Lounsbury, 2008; Lounsbury *et al.*, 2021). ILP therefore differs from the neo-institutional theory, which assumes mindless cognition and institutional (non-rational) view of rationality. Also, it does not imply institutional isomorphism but rather allows for cultural and institutional heterogeneity since culture is shaped by different institutional orders (Thornton et al., 2012). This heterogeneity allows for individual and organisational autonomy in which organisations define rationality depending on the values, practices and root metaphors of their home (or dominant) institutional orders (Friedland and Alford, 1991; Safari *et al.*, 2020; Thornton et al., 2012). This makes ILP a distinctive meta-theory that explains not simply the homogeneity, but also the heterogeneity of organisations (Thornton and Ocasio, 1999; Thornton et al., 2012).

Meyer and Rowan (1977) describe institutional environments as being pluralistic. Hence, in their search for external support and stability, organisations abide to all sorts of institutional demands. This view has been shared by Friedland and Alford (1991) and, more recently, Greenwood et al. (2010) and Thornton et al. (2012) who refer to the multiplicity of institutional logics that organisations embody and may or may not be incompatible. The key question here is about the relationship between logics and whether they reinforce or contradict each other (Besharov and Smith, 2014). Meyer and Höllerer (2010) suggest that "logics may peacefully coexist, compete, supersede each other, blend or hybridize, or reach a temporary truce" (p. 1251). Kodeih and Greenwood (2014) argue similarly that institutional logics can interact and co-exist peacefully in several ways in which neither specific order dominates (see also Mahmood and Uddin, 2020). However, Friedland and Alford (1991) in their early theorisation believe in the inconsistency between different institutional logics since different logics are associated with different belief systems. Thornton et al. (2012) emphasise that each institutional order provides a unique view of rationality, which leads to contradictions within organisations as organisations are influenced by different spheres of institutional orders that are less likely to equally dominate a single field. When new logics dominate a specific field, organisational actors adjust their norms and practices so as to be consistent with those associated with the new dominant logics (Ezzamel *et al.*, 2012).

Informed by the aforementioned argument about the pragmatic approach in developing an Islamic accounting framework, this paper aimed to investigate the role and influence of religion and profession logics on the Islamic accounting standardisation projects in the first instance. The paper looks at religion as an important institutional order centred around the religious principles and values which govern every aspect of life including business and accounting practices (Husein, 2018; Musa *et al.*, 2020). Religion logic is represented in this paper by the need to reflect the *Sharia* compliance and contractual nature of Islamic financial products in the financial reports. This institutional order is assumed to be the main source of legitimacy for the projects established to develop standards in line with Islamic principles. On the other hand, profession order is represented by the internationally prevailing conventional accounting thoughts and practices that have been identified as the 'best practices' in the accounting field. The influence of this institutional order can be seen in the normative, professional pressure exerted by the 'epistemic community' represented by international professional bodies (e.g. IASB) and their 'local collaborators' who represent their interests locally (Jayasinghe et al., 2021; Kamla and Haque, 2019). These local collaborators include Big 4 firms, accountants trained in Big 4 firms, local regulators, and business people, "where the coincidence of interest emerges between them and external actors" (Gallhofer *et al.*, 2011; Kamla and Haque, 2019, p. 6). These collaborators are utilised by international accounting bodies (e.g. IASB) to 'defend their territory' in prescribing accounting practices and setting standards. Local collaborators work on reinforcing professional dependencies and international accounting harmonisation agenda through lobbying local regulatory bodies to adopt IFRS regardless of the requirements of local companies, industries, and stakeholder groups (Annisette, 2000; Botzem, 2007; Kamla and Haque, 2019)

The themes and insights emerging during the pilot study showed a variety of institutional demands that govern the development of Islamic accounting standards. This motivated this study to look beyond the impact of religion and profession, as it was firstly intended. This is in line with Greenwood *et al.* (2011), who call for not restricting the focus of institutional logics studies on two competing logics, given the great complexity of institutional environments. Accordingly, benefiting from the pilot study insights and the institutional orders identified by Thornton et al. (2012), the decision was taken to look into the role of the state, market and community logics in shaping Islamic accounting standardisation projects.

Community logic related to Islamic financial reporting finds its roots in the philosophical principles of Islam. Community logic refuses conventional reporting principles that focus on specific information users whose ultimate goal is wealth maximisation. Instead, it calls for wider attention to the information needs of various stakeholders (Ariff and Iqbal, 2011; Baydoun and Willett, 2000; Haniffa and Hudaib, 2002; Ibrahim, 2000). State logic influences Islamic financial reporting standardisation projects in different directions. While regional and international Islamic accounting standardisation initiatives were established to minimise national regulatory intervention, national initiatives were under direct pressure towards working consistently with the overall national policies, whether they aim to support Islamic finance industry by issuing special standards or to integrate this industry in the overall financial system. Market logic is reflected in the efforts made by the newly emerging IFIs to establish themselves in the market and, at the same time, attain their legitimacy as *Sharia* compliant financial institutions. The compliance of IFIs' activities with Islamic rulings has been considered as a competitive advantage for those institutions, especially when it comes to those stakeholders who are '*Sharia* sensitive'. Yet, those emerging IFIs are also in a position where they need to compete with the well-established conventional financial institutions. This competition requires comparable financial statements that enable investors and other stakeholders to make fair comparisons between IFIs and their conventional counterparts. The key challenge here for IFIs financial reporting is to find a relevant framework that can address the aspects of their transactions and allow for comparability with conventional financial institutions without hindering *Sharia* reporting requirements (Shafii and Zakaria, 2013).

Focusing on these five logics (i.e. religion, profession, state, market and community), the paper aims to provide a map that illustrations the historical evolvement and dominance of various institutional logics that have prevailed in the Islamic accounting standardisation projects and how they have competed with each other to disseminate their rationality over time.

3.2 Actors, embedded agency, and power dynamics between institutional logics' representatives

In addition to investigating how Islamic accounting standardisation projects have experienced the influence of multiple institutional logics, the paper aims to examine how these standard-setting bodies have historically responded to these multiple logics. The nature of organisational response to institutional demands is critical here. This is because the way an organisation responds to such demands can have substantial implications on its social legitimacy (Greenwood et al., 2011). Organisational responses are influenced here by actors who bring to the decision-making process their interests and their own interpretation of rationality. Given the availability of multiple institutional logics, individuals have the ability to exert agency in choosing on which logic they may depend in their actions (Friedland and Alford, 1991). In other words, individuals are partly autonomous since they are capable of conceptualising actions and acting upon alternative views of rationality.

Thornton et al. (2012) conceptualise this view saying that human behaviour is "situated, embedded and boundedly intentional behaviour" (p. 78). According to them, this assumption, known as 'embedded agency', distinguishes ILP from the rational choice model that presumes individualistic interests and the macro-structural determinism which emphasises the primacy of structure over action. Alternatively, ILP provides a balanced view of social structures and agency in which actors are seen as carriers of institutional logics (Friedland and Alford, 1991; Thornton et al., 2012). Pache and Santos (2010) highlight the role of actors, who act as 'internal representatives' of certain institutional logics, in giving voice to these logics and promoting organisational policies consistent with the logics they represent. This interplay between institutional structure and individual agency shapes organisational decisions, behaviours and outcomes (Thornton and Ocasio, 2008). Using ILP in this paper aims to investigate the role of actors (institutional logic representatives) and their engagement in power relations in pushing towards certain organisational policies that preserve their interests and promote their own interpretation of rationality (Susela, 1999; Thornton et al., 2012).

Describing the dynamics of power within organisations, Greenwood et al. (2011) suggest that "when only one logic is represented, it is that logic that will be embedded in organisational decisions and behaviours. In contrast, when multiple logics are represented, the outcome will depend upon the distribution of power within the organisation" (pp. 248-249). Organisational responses therefore depend on the overall balance of power between powerful actors representing certain institutional logics within an organisation (Pache and Santos, 2010). ILP helps address the role and dynamic of power relations by focusing on how actors are able to reinforce, or resist, institutional control and domination. This matter is not merely a strategic choice but rather an understanding of how multiple institutional logics enable and constrain actors' ability to shape or resist political struggle in a specific field (Rojas, 2010). The extent to which the status quo is reinforced or new institutional arrangements are produced depends on the ability of incumbents to mobilise institutional logics to resist or promote change. Institutional orders act here as a frame of reference that helps actors construct their interpretations of how to use 'power'. Therefore, using power is legitimate in some cases and not legitimate in others, depending on which institutional logics are most salient in a field and embraced by individuals and organizations (Thornton et al., 2012).

[Insert Figure 1 about here]

3.3 Distribution of Capital in a Field

This study also uses Bourdieu (1977, 1979, 1989) ideas of 'power as capital in a field' to further explain the role of 'power' in creating particular outcomes and modes of 'domination' in the Islamic accounting standardisation field. According to Bourdieu, the field 'structure' is defined by the field specific mix of 'capitals' which are relevant for defining its internal hierarchy. A 'field' is networks of social relations and social positions of actors who owned different forms of capitals. Bourdieu identifies four types of capitals here, namely economic, cultural, social and symbolic, and defines the power as capital in a distinctive field (Bourdieu, 1979, 1989; Bourdieu and Wacquant, 1992). According to Bourdieu (1989) the struggles or manoeuvres over resources, stakes and access occur within these networks of relations (also see Neu *et al.*, 2006; Neu *et al.*, 2002). A field resembles ‘political games’ in which different actors struggle to establish a monopoly over the valid type of capital and, hence, the mechanism of reproduction within the field. The field structure is therefore defined in terms of its hierarchies of capital, depending on the nature of the field and its historical trajectory (Neu et al., 2002).

We argue that the Islamic accounting standardisation field operates through such hierarchies of capital and struggle over establishing each other’s identity and capital. For instance, the epistemic community members have gained the professional education, academic titles, epistemic knowledge and recognised experience by completing professional courses and obtaining membership in well-known professional accounting bodies. These qualifications have given them cultural and symbolic capital over others and access to various forms of social capital, i.e. the links and connections with wide networks of regulatory bodies, organisations and individuals. On the other hand, the actors who represent the Islamic religion logic with their religious status, *Sharia* knowledge and membership in Islamic religious bodies and committees have also developed some levels of cultural, symbolic and social capital to compete with the epistemic community actors. Bourdieu (1989) further explains the social practices of such agents in a field as an outcome derived from the interplay of the fields’ ‘logics’, i.e. religion, profession, market, state and community and the mental structures and values of agents known as ‘habitus’. This habitus acts as historically sedimented ‘dispositions’ within a specific field for actors to see, understand and act.

4. Research Methods

This paper uses a case-study approach in its design to provide in-depth exploration and gain clear understanding of accounting demands in their societal context (Berry and Otley, 2004). Islamic accounting standardisation projects cannot be studied in isolation from their context including regulatory, social, religious, and other institutional settings. These factors, in their relation to each other and to IFIs financial reporting, are interrelated, which implies that the “boundaries between phenomenon and context are not clearly evident” (Yin, 1984, p.23). The paper uses two Islamic accounting standardisation projects as its case studies, one is implemented at the international level while the other is implemented at the national level. The paper uses the name ‘Alpha’ to refer to the international project and ‘Beta’ to refer to the national project throughout the paper.

4.1 Data Collection

Data collection was carried out in two stages. First, a pilot study was conducted and involved Skype interviews with one academic and two standard setters who are knowledgeable in the organisational context of both cases and has an experience in IFIs financial reporting. Moreover, the pilot study also involved exploratory document analysis of the case-study projects’ publications in addition to reviewing the materials available in their websites. The pilot study aimed to acquire initial insights into the institutional environment and organisational context of each project. It also aimed to help design and refine the interview guide and data collection plan and identify potential interviewees (Saunders *et al.*, 2012).

Second, the main stage of data collection involved conducting semi-structured interviews with 30 participants (Appendix A). The purposive or 'judgmental' sampling technique was used for selecting interviewees (Saunders et al., 2012). Three criteria were used in order to identify relevant interviewees: position, experience and knowledge. Accordingly, certain categories of interviewees were approached. The main category was standard setters and committee and board members who were knowledgeable about the organisational policies and/or the process of setting standards in the Islamic accounting standardisation projects. This category was mainly targeted given its importance in gaining in-depth insights into the organisational context, in addition to understanding the institutional logics that have shaped the standard-setting process and standardisation approaches historically. This study also approached other categories of participants in an attempt to gain insights into various institutional demands such as *Sharia* scholars and advisors (religion logic), regulators (state logic), bankers (market logic) and practitioners who had experience in preparing IFIs financial reports (profession & market logics). Finally, this study sought to interview academics who had valuable knowledge, and sometimes professional experience, in the field of Islamic economics, finance and accounting. Interviewing academics aimed to gain objective, unbiased opinions about the issues under investigation.

An interview guide was prepared which comprised a pre-established set of inquiries and questions that worked as a road map to direct the interviews. The questioned were theoretically informed and aimed to investigate various contextual and institutional considerations that the case-study projects have depended on historically in setting their standardisation strategies in addition to how these factors have changed over time. In particular, the questions were intended to examine the influence of each of the five competing institutional logics identified in the theoretical framework on each project over different historical stages and how actors within these projects worked to prioritise the demands of these logics. The interview questions also aimed to investigate the background of those actors who were historically in charge of the standardisation projects and the impact of their institutional embeddedness on the standardisation strategies they promoted. The flexibility of semi-structured interviewing helped the investigating researcher ask additional questions that arouse during the interviews and could contribute to gaining better understanding of the explored issues and allow interview questions to vary according to the position of interviewees (Bryman and Bell, 2011; Saunders et al., 2012).

In addition, documentary evidences were collected for both standardisation projects. This involves their conceptual framework documents, standards, guidelines, technical releases, press releases and announcements, top management statements, the organisational profile information such as the organisational objectives, vision and mission, and the contextual and historical details that are available on their websites. These documents were helpful in identifying the key events and actors in each case study. They also provided another source of data for comparison and ensuring that interviews were analysed in the right context.

Moreover, this study utilised other secondary sources. These included governmental websites and some materials available on YouTube, such as conferences and media interviews. Secondary sources also included academic publications which were helpful for ‘telling the story’ behind the establishment of Islamic accounting standardisation projects.

4.2 Data Analysis

The paper used a combination of analytical strategies suggested by (Yin, 2014). First, Analysis started with 'playing with data' through organising it chronologically and according to the events and sources in order to identify important concepts, patterns, events and actors. The researchers moved then to develop a case description (Section 5) in which they presented a historical narrative on each case study since its establishment with a particular focus on the most critical events. The second stage involved a thematic analysis of the data according to the theoretically informed themes that were part of the interview design and were derived from the theoretical propositions (e.g. religion logic, profession logic, market logic, community logic, state logic, competing logics, the role of actors, actors' embeddedness, etc.). In addition, the researchers worked simultaneously on the data from the 'ground up' as well at this stage. This was through keeping eyes open to any emerging themes that were not covered by the theoretically informed themes (e.g. the role of big audit firms, the role of higher education, institutional embeddedness of regulators and practitioners, influence of overall organisational mission, power relations and dynamic, constructive resistance, etc.). In the final stage, the researcher established links between different narratives, events, themes, and theoretical propositions in order to develop theoretically informed insights that answer the research questions. Moreover, the researcher provided both chronological and cross-case synthesising in order to compare, contrast and then present research findings.

The validity and reliability of results were supported, as suggested by Yin (2014), by contrasting interviewee statements with each other and with relevant documents as well as existing literature to ensure their consistency. Validity and reliability were also enhanced through seeking further clarifications through follow-up interviews with five interviewees during the stage of data analysis.

5. Historical and Contextual Background of the two Case Studies

5.1 The international Islamic accounting standardisation project (Alpha)

The establishment of this project was motivated by the market and state pressures on IFIs to unify their accounting practices. When firstly emerged, every IFI established its own accounting practices based on deliberation between an IFI's management, external auditors and *Sharia* supervisors (Karim, 1990). This process resulted in significant variations between IFIs accounting practices due to the fact that there was no complete match between the accounting treatments recommended by conventional accounting standards and the characteristics of *Sharia* compliant contracts (Karim, 1999). Such variations affected the credibility of IFIs financial reporting in the eyes of stakeholders. IFIs also feared the intervention of regulatory bodies to mandate certain accounting practices (Karim, 1990). Therefore, they took the initiative to self-regulate their financial reporting and established the independent standard-setting body in the early 1990s.

Since its establishment, the project has issued considerable number of accounting standards. However, as a private standard-setting body, Alpha has no power of enforcement. Hence, according to interviewees, it has alternatively promoted its standards through lobbying and cooperating with national regulatory bodies. This policy has proven successful. Despite lacking the power of enforcement, Alpha has experienced considerable success in terms of the acceptance of its standards in some countries. Interviewee (I-9), a standard setter, added that even in those countries where the standards are not recognised, these standards are commonly used by IFIs as guidance on how to report their transactions.

On the other hand, the performance of standard-setting body was criticised by some interviewees in terms of the inefficiency of its marketing activities at some stages and neglecting the importance of updating its standards. Yet, the interviewees expressed that they are optimistic about the ability of the recent executive team to revive its role. In this respect, the Deputy Secretary General of the standard-setting body announced a strategic plan in 2015 that involved new promotion policies. It also involved procedures to develop new accounting standards and update the existing ones based on a new strategy of bridging gaps with IFRS.

Similar to other Islamic accounting standardisation initiatives, Alpha has chosen the pragmatic approach in developing standards. Yet it gives substantial consideration to *Sharia* requirements and IFIs needs. This results in gaps between its standards and international accounting requirements in terms of the recognition, measurement and reporting of some items in the financial statements. Consequently, some IFIs reported a dilemma if they want to comply with some Alpha requirements when such requirements conflict with IFRS. Alpha took this issue seriously in its 2015 strategic plan and decided to bridge the gaps with IFRS. Yet, a standard setter, interviewee (I-8), indicated that bridging gaps with IFRS did not mean that Alpha would sacrifice its objective in reflecting *Sharia* features and requirements. He clarified that Alpha keeps differences whenever there is a *Sharia* need for such differences and whenever conventional accounting practices are not able to reflect the contractual nature of Islamic financial products. This is consistent with Ahmed *et al.* (2019) who agree that eliminate such gaps is difficult due to “differences in the fundamental principles underlying the development of both standards” (p. 866).

5.2 The national Islamic accounting standardisation project (Beta)

The standardisation initiative of Alpha was supported by a number of countries. However, due to the differences in local Islamic finance practices and regulatory frameworks, local standards were required in some countries (Nasir and Zainol, 2007). The project of ‘Beta’ was one of those national Islamic accounting standardisation projects. This project was launched by a national accounting standard-setting body in the late 1990s. It aimed to develop a stand-alone set of accounting standards for IFIs. The first standard in that project was issued in the early 2000s. Following the “pragmatic approach” in developing that standard, Beta gave consideration to *Sharia* requirements in addition to various local and international demands such as the local regulatory framework, international accounting standards and Islamic accounting requirements issued by other standard-setting bodies.

Three years after issuing the first standard, a plan to issue further Islamic accounting standards was announced. However, shortly after that, the standard-setting body experienced a substantial change in its objectives where it ceased its plan for issuing these standards. In the late 2000s, Beta issued a statement of principles, which officially required IFIs to follow the national approved accounting standards unless there is a *Sharia* prohibition. Nevertheless, as a part of its new strategy, it decided to continue in issuing guidelines on Islamic financial reporting that supplement its national standards.

Another development has afterward shaped the financial reporting of all listed firms in the country, including IFIs. This development is represented by the plan for full convergence with IFRS. This convergence plan had its impact on the policy of issuing Islamic accounting guidelines. It was announced that no further guidlines would be issued as they might be misconstrued as local interpretations of IFRS. Instead, Beta declared that it would collaborate with the IASB to accommodate Islamic financial reporting needs in its standards.

[Insert Figure 2 about here]

6. Analysis and Findings

Research findings are organised under two inter-connected themes informed by ILP and Bourdieu's notion of capital; (1) the historical evolvement of competing institutional logics and dynamic organisational response, and (2) institutional embeddedness, power relations and constructive resistance of actors. These themes offer chronological as well as cross-case analysis.

6.1 Historical Evolvement of Competing Institutional Logics and Dynamic Organisational Response

Research findings show a variety of institutional considerations, demands and expectations that influence Islamic financial reporting. This section provides an answer to the research question of how heterogeneous institutional logics underpinning Islamic financial reporting standardisation projects have evolved over time and how these projects have historically responded to the institutional logic evolvement. It presents a 'domination map' that explains the relative and dynamic influence of various institutional logics over different historical stages of the standardisation projects.

6.1.1 Institutional Logics Domination Map and Dynamic Organisational Response in the Context of the international project of 'Alpha'

Alpha was established as an independent standard-setting body in order to avoid the intervention of regulatory bodies in IFIs financial reporting. In other words, it was established to avoid the influence of state logic. At that time, the logic of state entailed putting those entities subject to conventional regulations regardless of the nature of their activities. Interviewee (I-29) stated in this respect that IFIs were under the pressure of losing their 'licence' if they did not comply with national regulations. At the same time, according to Interviewees (I-29) and (I-30) who have a long experience in the Islamic financial industry, there was confusion in how regulatory bodies would deal with the religious sensitivity of this emerging industry. Consequently, IFIs took the initiative to self-regulate their financial reporting.

> If they [regulators] don't understand me well, they won't treat me fairly. So, [Alpha] addresses this issue. It reflects the accounting requirements that actually

> are more appropriate for reporting for Islamic financial institutions (I-8, standard setter).

Moreover, the establishment of that international standard-setting body was also driven by the need of the newly emergent Islamic banks to enhance the confidence of stakeholders in their '*Sharia* compliant' activities. This required an effective and unified tool of communication. Developing Islamic accounting standards was seen as a step in the right direction to achieve that objective and eliminate the variations in IFIs reporting practices which affect their credibility (Karim, 1999). Put differently, Alpha establishment was motivated by two institutional logics, state and market.

During the next stage, the process of establishing its approach, conceptual framework and standards was mainly dominated by religion and profession logics. The proponents of profession logic believe in the neutrality of accounting, as discussed by many interviewees. Interviewees maintained that Alpha did not try to 'reinvent the wheel' but rather chose to start from the existing accounting practices. This was perceived by interviewees as a response to the profession logic demands. Nevertheless, although Alpha did not depart from conventional accounting objectives and practices (Maurer, 2002, Kamla, 2009), its conceptual framework required that those objectives and practices should not contradict Islamic principles. This can be seen as an attempt to prioritise religion logic which IFIs were originally inspired by. In addition, supported by market logic at that time, religion logic required developing a reporting framework that addresses *Sharia* reporting requirements; meet the needs for communicating IFIs' *Sharia* compliance; and reflect the legal contractual characteristics of their products. Research findings show that Alpha has been keen in its framework and standards to achieve these objectives even if they entail deviation from essential conventional accounting concepts such as 'substance over form'. Likewise, community logic has been always consistent with and supportive to religion logic. This is because community logic related to Islamic financial reporting finds its roots in the philosophical principles of Islam.

> Under Islam there is a great emphasis on the public good. That is while it is legitimate for you to make a profit in your business; it is not a profit at any cost. It is not a profit arising out of exploitation or taking advantage of less privileged people… Islam emphasises more on such general good even arising out of private enterprises (I-19, Academic).

Therefore, community logic rejects conventional reporting practices which favours information needs of specific user group whose ultimate goal is wealth maximisation and calls for wider attention to the information needs of various stakeholders (Ariff and Iqbal, 2011; Baydoun and Willett, 2000; Haniffa and Hudaib, 2002; Ibrahim, 2000). This was translated on the ground into issuing special standards and requirements that address social reporting needs.

Shortly after establishment, Alpha recognised the need for approaching state regulatory bodies, which it previously aimed to avoid their intervention, in order to promote its standards. This has brought back the state logic into the logic map. The collaboration with regulatory bodies and central banks, according to the interviewee (I-9), entailed hearing to them and trying to accommodate their demands. In exchange, Alpha's objectives received their support in some Islamic countries.

Moreover, IFIs, which were firstly established to meet Muslims' financing needs (Gambling *et al.*, 1993), have undergone transformation in which its noble sacred intention has been "distorted by secular goals" (Haniffa and Hudaib, 2010, p.85). Seeking profit and wealth maximisation has become the main, if not the ultimate, objective of IFIs. This results in IFIs imitating the business model of their conventional counterparts as indicated by interviewees (I-11) and (I-13). Consequently, the influence of community logic has been recently marginalised by the industry itself. Along with this transformation in IFIs' objectives, the international financial reporting scene has also witnessed an important development represented by the worldwide acceptance of IFRS which was described in a conference by an executive member of Alpha as an 'accounting bible'

These two transformations in the wider context have changed the historical domination map of institutional logics underpinning Islamic financial reporting. This change was represented by an increasing weight and domination of profession logic. In this regard, according to the standard setters, interviewees (I-8) and (I-9), Alpha recognised the new developments at the international scene and their impact on the acceptance of its standards. Accordingly, it has adopted its new strategy that keeps it standards as close as possible to IFRS requirements.

> We honestly believe that IFRSs are high quality standards, and we don't want our followers to be significantly different from the global practices… We will keep our standards simple and brief, and we will leave the detailed application guidance and other things to IFRS… Our framework allows that you may refer to IFRS unless it has a *Sharia* implication, so the idea is to harmonise as maximum as possible without compromising product reporting and *Sharia* (I-8).

In addition, some interviewees argued that reporting according to IFRS is a necessity for IFIs if they want to be in a competitive position with their conventional counterparts. Therefore, they believe that IFIs have been more inclined to follow IFRS, as globally recognised standards, at the expense of Islamic accounting requirements. This implies that market logic has been recently supporting international accounting harmonisation agenda although IFIs are still in need for reflecting *Sharia* requirements. Theoretically, the behaviour of market logic implies that the material practices associated with certain institutional logics may experience change over time due to external factors (see Thornton et al., 2012). This is reflected in this study by the shift in the priorities that attain market logic expectations (prioritising IFRS over Islamic accounting requirements). Moreover, there has been an increasing commitment by accounting regulatory bodies around the world to follow IFRS regardless of their local needs. Interviewees indicated that IFIs are currently under additional pressure to follow IFRS as a state official requirement.

To sum up, the above developments have significantly changed the institutional logics domination map. According to the new map, both market and state logics support profession logic which has attained more dominance at the expense of religion logic. The consequences of this dramatic change in the logics domination map have had its influence in the recent policies of Alpha. This was clear in its plan to bridge the gaps with IFRS in areas that do not affect the *Sharia* compliance of its standards.

6.1.2 Institutional Logics Domination Map and Dynamic Organisational Response in the Context of the national project of 'Beta'

The institutional logics domination map of Beta has generally experienced similar historical changes to those identified in the context of Alpha. However, as a national standard-setting body, Betya was subject to distinctive institutional demands that strengthened the dominance of certain institutional logics. Consequently, it has shown a heterogeneous and substantial response to its institutional context.

Research findings show that the Beta project was also motivated by the market and state logics. However, while Alpha was established to avoid governmental intervention, Beta was initiated by a national agency with full governmental support.

> So, arising from that intent from the government to develop Islamic banking activities in [the country], that desire must be translated into whatever is necessary in order to cope that desire including coming up of Islamic accounting standards (I-2, Former member in the Beta).

After establishment, the process of setting standards and guidelines under that project was primarily dominated by religion logic aiming to address *Sharia* reporting requirements. Reviewing Beta announcements at that time shows an emphasis on conveying the message that the it has given careful consideration to *Sharia* principles. Religion logic was also supported by community logic, as it was the case of Alpha. In addition, Beta paid attention to other considerations in developing its project, as stated in Section (5.2). Among those considerations are the local regulatory framework (state logic) and accounting standards issued by international accounting bodies (profession logic).

Over the years, Beta has experienced the same developments that were experienced by Alpha and changed its institutional logics domination map for the favour of profession logic. One of those developments is the increasing pressures towards the acceptance of IFRS. The other is IFIs being more commercialised in their objectives and mimicking their conventional counterparts in their products. However, research findings show that the Beta's response to these developments has been more remarkable than Alpha's response. Beta decided in the late 2000s to abandon its policy on issuing separate standards and withdrew its first and only Islamic standard. Instead, it required IFIs to follow national approved standards, unless there is *Sharia* prohibition. Yet, Beta announced that it would issue guidelines on reporting for Islamic financial transactions that supplement its conventional standards. It is worth noting here that Beta consulted the *Sharia* advisory committee of the Central Bank on the appropriateness of its new approach. Interviewees indicated that the advisors approved this approach, in principle, based on the information provided to them. However, the approval was questioned by some interviewees such as (I-24) who argued that the advisors would not perhaps have agreed if they were consulted on the detailed technical issues related to specific Islamic financial contracts and transactions. Consulting the *Sharia* advisory committee of in these changes can be seen as an attempt to get both religious and legal legitimacy for the new approach. In other words, Beta tried to use the logics of state and religion in favour of legitimising its new agenda.

Moving back to the institutional logics map, there was new positioning by the late 2000s represented by the dominance of profession logic supported partially by state and market logics, at the expense of religion logic. The influence of religion logic can still be seen in the logics map through the continuous issuance of Islamic accounting guidelines. In the early 2010s, IFIs were influenced by the increasing market-oriented trends of liberalisation policies. Those trends were dominating in the country at the macro (state) level as well. A *Sharia* advisor in the Central Bank, interviewee (I-19) commented:

> If there is something that is good, workable, beneficial to us, I do not see any objection to adopting it, I think we should adopt a sort of liberal approach so that we keep in tandem with the others. We should not isolate ourselves and say, 'look! We are different. We are not like you'.

Seeking to be consistent with those movements, the national standard-setting body set a commitment for full convergence with IFRS, as an internationally recognised set of standards.

> We had the bigger agenda of trying to converge with IFRS... These are the reasons why, rather than trying to issue our own standards in Islamic finance, we ought to try other routes to do it" (I-4, standard setter).

The consequences of this movement on Islamic financial reporting were represented by IFIs having to report in full accordance with IFRS. This means more domination for profession logic accompanied by an increasing support from the market and state logics. It can be argued here that state logic has been merged with profession logic since companies including IFIs are now required to apply whatever IFRSs require regardless of the local needs. This can be seen in the response of Beta manifested by the abandonment of issuing supplementary Islamic guidelines in order to avoid being considered as local interpretations of IFRS. On the other side, supported by community logic which has been significantly marginalised by the industry, the existing influence of religion logic has been limited to the commitment to raise any controversial reporting issue that might face Islamic financial industry to the IASB.

6.2 Institutional Embeddedness, Power Relations and Constructive Resistance of Actors

Actors play the role of 'internal representatives' of institutional logics (Pache and Santos, 2010). They act upon the rationality perceived from the perspective of the logics which they represent and promote certain institutional logics at the expense of others, contributing to the heterogeneity of organisational responses. They benefit in this process from the power gained through the accumulation of different forms of capital (Bourdieu, 1977, 1989). By promoting the logics which they represent, they also aimed to further enhance their 'capital' and presence in the field.

Interviewees involved in the Islamic financial reporting project of Beta (e.g. I-2, I-3, I-11) indicated that the project was initiated by staff members who believed in the inadequacy of conventional accounting framework from the Islamic perspective. These actors, who represent religion logic within the standard-setting body, managed to acquire sound *Sharia* knowledge in addition to their professional education. They tried to establish connections with Islamic banks and national regulatory agencies with the aim of creating cultural and social capital within the field to help disseminate their standardisation approach.

However, research findings indicate that the following years witnessed the appointment of new executive and board members who possessed a strong cultural and social capital due to their Western education, association with the Big Audit Firms and international professional accounting bodies. This group of actors who were originated from a conventional accounting background brought an alternative standpoint and promoted the applicability of conventional accounting practices, i.e. IFRS, to all industries including Islamic finance. These actors are described by Kamla and Haque (2019) as ‘local collaborators’ of the international accounting bodies who ‘defend their territory’ and promote the globalisation of accounting profession at the expense of local needs. They became the profession logic representatives within the standard-setting body and consequently started challenging the ‘original’ Islamic accounting objectives of Beta and raised doubts over their feasibility. Describing the mentality that these members brought to the standard-setting body, interviewee (I-11) stated:

> They had very strong views. Some of these people also had views like, ‘Well, accounting is accounting, although we have different Islamic financial products, they can be treated using the existing accounting standards’. Soon, IFRS came and strengthened their views… Along with the new set of people came in a new mind-set, new understanding, different understanding, and that changed many things (I-11, former standard setter).

The conflict and power relations between the two groups, who represented two competing logics (religion logic vs. profession logic), continued at that stage. Profession order proponents also continued gaining more dominance, benefiting from the worldwide acceptance of IFRS and their ‘social capital’ in the field, as stated by interviewee (I-11). Interviewees (I-13) and (I-12) argued that Big Audit Firms’ representatives were trying to lobby Beta’s Standing Committee to follow certain policies that serve their firms’ interests and make their work easier. Interviewee (I-13) suggested:

> The composition should be people who are really independent, like academicians, who do not have interests in the practice. If you are the one who practices and the one who approves the rules, for sure you will find rules, standards, guidelines, which make your life easier, rather than finding what is right but difficult… You expect the industry to run according to *Sharia*, but they try to dilute it according to their needs

Despite these pressures, those in charge of Beta project did not abandon their vision based on religion logic. They rather continued to use the cultural and social capital which they developed, although modest, to resist the power of IFRS proponents and convince other actors in the field on the importance of their standardisation efforts. Nevertheless, the impact of the increasing dominance of the profession logic advocators on the progress of that project was unavoidable and resulted in changing the strategy of issuing Islamic standards to a plan for issuing supplementary guidelines instead. This can be attributed to the fact that “when multiple logics are represented, the outcome will depend upon the distribution of power within the organisation” (Greenwood et al., 2011, p. 249). The outcome in this case demonstrated the balance of power within Beta, as the local collaborators of ‘epistemic community’, who advocated profession logic demands, were not able to completely cease the standardisation project because of the ‘constructive resistance' exerted by local actors, who represented religion logic demands and possessed cultural and social capital equal to their counterparts.

However, one of the key actors in Beta left in the late 2000s and, in the same year, a new chairman, who was described by interviewees as a 'big liberal' and 'critical person' with a 'strong attitude' against that project, was appointed. The new chairman possessed a strong cultural and social capital due to his Western education, association with a Big Audit Firm and membership in international accounting bodies in addition to a charismatic personality and a prestigious social status within his society. He consequently gained acceptance and respect in the accounting standardisation field and possessed a greater symbolic capital and dominance over local actors in the field.

Expectedly, following the profession logic demands, the new chairman acted against the adoption of Islamic accounting standards and "*made up his mind that IFRS is necessary for Islamic financial institutions*" (I-12). Describing his attitude toward Islamic financial reporting, Interviewee (I-13) stated:

> He is a very strong guy. His inclination to IFRS, out of 100 is 110%. According to him … no-no to other standards besides IFRS…To him what [Beta] has done was good enough to cover all industries, all types of institutions… When a person is so strong in his views, it is quite difficult to challenge him (I-13, Professor in accounting and regulator).

The newly appointed chairman and other profession logic advocators within the standard-setting body adopted the viewpoint that:

> To us, business is business. Now you may want to carry out the business in a particular way, but it doesn't justify another set of accounting standards… As a board, we don't accept that just because you are applying certain principles, it means that you have separate accounting standards... So, we are accounting for the economic activities and we don't have a religious lens on it (I-1, Beta member).

The new chairman appointment was described by interviewees as a turning point in the project direction and internal power relations within the standard-setting body. The new stage was featured by the ultimate power and dominance of IFRS proponents and the network they created, benefiting from the different forms of capital they accumulated in the field, at the expense of those who supported religion logic demands. On the ground, those IFRS proponents have become "*the ones who can dictate or shape the way how the standards are being developed*" as stated by interviewee (I-24), and the new chairman has become the "*strong voices of that sentiment*" while "*the other voices are very minority*" (I-11). This dramatic change was translated into officially requiring IFIs to follow the national conventional accounting standards, and later, IFRS. This would not have happened according to interviewees if the actors advocating Islamic accounting standards had been able to maintain their capital and power in the field.

On the other side, it is observed that Alpha's boards and committees have been historically comprised of multiple stakeholders who represent various logics, while actors advocating religion logic have been always the dominant group. Although, at a certain stage, some actors with symbolic capital through their qualifications, Western education and membership in international bodies were appointed in the top hierarchy of the standard-setting body, these actors found themselves in need of working within the general framework of the standardisation project dominated by actors advocating religion logic. These local actors owned strong cultural and social capital through their *Sharia* education and connections with Islamic religious and financial institutions. Thus, the impact of the actors with conventional background was merely limited to not fully appreciating the primary objectives of Alpha in developing Islamic accounting standards. This led to a decline in the project performance in terms of developing and updating accounting standards while focusing their efforts more on professional training programmes, as indicated by interviewees (I-3), (I-11), (I-13) and (I-9). Moreover, although there have been increasing pressures on Alpha to fully comply with IFRS requirements, actors representing religion logic insist any plan to bridge the gaps with IFRS should not sacrifice *Sharia* reporting requirements.

> Yes, [Alpha] wants to close gaps with IFRS, but at the same time it has been clear that we are different, Islamic financial institutions and their transactions are different… honestly, I do not see a global sort of accounting standards which is applicable to all banks including Islamic banks, honestly I don't believe in that (I-8, standard setter).

This demonstrates the ability of these actors to use the relative power they acquired through accumulating their cultural and social capital and network over years to create a coalition and constructively resist the epistemic communities' pressure to fully comply with IFRS. Furthermore, interviewing and reviewing the profiles of Alpha board and committee members showed opposite observations to Beta's case. Many of these members appear to have considerable Western accounting training, qualifications, and connections, in addition to their *Sharia* background, *Sharia* training and experience in Islamic banking. However, the conventional background of those actors has not persuaded them to favour the full adoption of IFRS in the Islamic accounting standardisation process. For example, when forwarding the concern that the conventional background of those actors[3] may affect their decision, interviewee (I-10) indicated that:

> I don't think so, because the members of the board are scholars from different backgrounds and although some auditors come from Big-Four accounting firms, they have extensive background in *Sharia* accounting or Islamic accounting standards, like myself, it has been more than 10 years of working in Islamic accounting standards and also being part of a National *Sharia* Board. My understanding of *Sharia* is not minimum because I have been in the area for a long time… I myself have been the chairperson of the conventional accounting standard board of (the country) (I-10, standard setter and member in one of the Big-Audit Firms).

This suggests that there is a significant difference between the two Islamic accounting standardisation projects in terms of the extent of institutional embeddedness of their members and the type of institutional settings they are imbedded in. Such differences have contributed in differently shaping the standardisation strategy of each standard-setting body.

Alternatively, interviewees raised the issue of conventional institutional embeddedness (e.g. Western regulatory frameworks, conventional accounting practices and capitalistic values) at the level of regulators who are expected to approve and support Islamic accounting standardisation initiatives and at the level of IFIs accountants who are supposed to implement those standards. Interestingly, research findings indicate that Islamic finance practitioners who are expected to be part of the coalition to promote Islamic accounting standards are themselves comfortable with the conventional accounting practices. They even show resistance to the practices that they are not familiar with.

> The accounting now is primarily based on the conventional understanding of business. Maybe this is because of the mind-set of practitioners since they were trained in the conventional way...They don't really appreciate *Sharia* issues or *Sharia* needs that much...So the mind-set is like that. We need to change the mind-set (I-28, Academic and former accountant in an IFI).

The conventional institutional embeddedness of actors was attributed to the education systems in Muslim countries which contribute in deepening the embeddedness of graduates in conventional accounting. Interviewees questioned the role of universities in raising awareness about the Islamic perspective of financial reporting and stressed on the need for graduates who understand Islamic finance transactions and act critically and creatively when reporting such transactions. However, interviewee (I-27) argued that graduates who follow intensive programmes learning conventional accounting and western business values are not expected to work in different mentality after graduation. That is because, to use his words, "*you behave the way you were brought up*". A professor in accounting, added:

> If you look at the education of Islamic accounting, we don't have accounting professionals to teach…Students themselves who are going to be the future of this industry do not really understand what Islamic accounting is…They are much more familiar with conventional accounting (I-16).

7. Discussion

The paper's findings, first, reflect the historical evolvement of competing institutional logics (i.e. religion, profession, state, market and community) that prevailed in the Islamic accounting standardisation projects at international and national levels. The findings also reveal the dynamic organisational response to these heterogeneous logics. In contrast to the previous static overview of such projects (Ibrahim and Siswantoro, 2013; Kamla, 2009; Kamla and Haque, 2019; Maurer, 2002), the 'institutional logics domination maps' presented in this paper provide a 'dynamic view' that demonstrates the significant shifts in the dominant logics underpinning these projects and how each standard-setting body has responded to these shifts historically. The paper's findings illustrate that these standard-setting bodies have shown 'heterogeneity' in the way they have constructed their organisational responses to the dramatic shifts in their logics domination maps. In this regard, the national project of Beta has abandoned issuing any form of Islamic based guidelines. By contrast, the international project of Alpha is still pursuing its objective in developing Islamic accounting standards. Nevertheless, it has started efforts to close the gaps between its standards and IFRS. Theoretically, in their search for external support, organisations incorporate all sorts of logics underpinning their institutional context. However, organisations show heterogeneity in how they respond to their institutional complexity as they experience that complexity in different ways and degrees (see Greenwood et al., 2011). Ezzamel et al. (2012) ascertain that as new logics dominate a field, organisations adjust their practices so as to be consistent with the new dominant logics. Accordingly, it can be argued that the radicality and intensity of organisational response to the changes in the logics domination map is proportional to the intensity of those changes and the extent of new logics dominance as experienced by an organisation. By reflecting this argument on the two case-study projects, the heterogeneity of organisational responses which they showed can be attributed to the different degree of dominance of those prevailing institutional orders in their respective institutional context, i.e. religion logic in Alpha and profession logic in Beta.

In fact, the paper's findings show that Beta was under both international and national institutional pressures which eventually led profession logic to show greater dominance than it is in the context of Alpha. This was accompanied by greater support from the state and market logics as well in Beta. However, despite the increasing dominance of profession logic in Alpha's context, religion logic still plays a considerable role in influencing and giving legitimacy to its commitment to develop standards that cater for IFIs needs. Actually, this may lead to another reason to which the heterogeneity between the standardisation projects can be attributed, which is the centrality of institutional logics to organisational mission.

Pache and Santos (2010) suggest that the centrality of institutional demands to organisational mission determine the extent to which these demands are negotiable when conflicting logics start to challenge them. They highlight that the demands which are deeply embedded in the core mission of an organisation are not easy to be challenged as they prescribe which goals are legitimate to pursue. It can be noticed here that religion logic is deeply rooted in Alpha's mission which aims at the standardization of Islamic financial reporting in accordance to *Sharia*. This renders it difficult for Alpha to depart from that logic through which it attains its legitimacy. This justifies its decision to continue issuing Islamic standards in spite of the 'secular' institutional pressures and the dramatic changes in its logics domination map. On the other hand, analysing the mission of Beta shows that it aims to develop and promote standards that are consistent with 'international best practice' and to participate in the development of one set of international accounting standards. This may justify the fact that although the its first objectives were greatly ruled by religion logic, this logic was historically negotiable. Consequently, when this logic showed conflict with its overall mission, Beta prioritised the logics that are more consistent with its current mission. Therefore, it took the decision to accommodate Islamic financial reporting needs within IFRS framework consistently with the demands of profession logic.

Second, the paper unveils the power relations between internal actors who represent competing institutional logics. It particularly shows the power of actors associated with the Big Audit Firms and international professional accounting bodies and the symbolic presence they acquired in the accounting standardisation field. These actors share a distinctive matrix of professional qualification and experience band, and hence, they possess significantly marketable cultural capital to influence Islamic accounting standardisation policy decisions. On the ground, this group of IFRS experts has acquired more power in the distribution of capital in the accounting standardisation field than actors representing local logics (Bourdieu, 1979, 1989; Bourdieu and Wacquant, 1992). These ‘local collaborators’ have worked on defending the ‘IASB territory’ and its interests, and hence their own interests and existence. They made great efforts to reinforce the globalisation of the accounting profession and standards at the expense of local needs (Jayasinghe et al., 2021; Kamla and Haque, 2019). They have consequently supported profession logic demands and played a significant role over time in directing both standardisation projects toward more incorporation of IFRS requirements.

Local actors who also own cultural, social and symbolic capital primarily gathered through their exclusive knowledge of *Sharia* rulings and representation in Islamic banks and national and international religious bodies produce actions and interpretations based on the acquired but durable embodied dispositions created by religious values. These dispositions generate ‘constructive resistance’ to epistemic community influence through the logic of distinction, that is based on subjective differences between professional and Islamic religious ethos and the re-production of Islamic religious values. The exploitation of symbolic capital (Bourdieu, 1979, 1989; Bourdieu and Wacquant, 1992) in the power relations by epistemic community, therefore, has not become a simple managerial affair to dictate the standardisation decision. It has alternatively depended on the overall distribution of other forms of capital in and around the Islamic accounting standardisation field. In this regard, instead of showing ‘passive acceptance’ (Kamla and Haque, 2019), the local actors representing religion logic have elected to demonstrate ‘constructive resistance’ to the pressure of external accounting bodies and their ‘local collaborators’ (Christensen et al., 2019; Haas, 1992; Himick and Brivot, 2018; Irvine *et al.*, 2011; Jayasinghe et al., 2021). This active response of local actors has been shown in heterogeneous ways in the standard-setting bodies under research due to their contextual and institutional differences and the distinctive balance of power within each body. In Alpha, this resistance was translated into efforts to ‘constructively’ bridge the ‘unnecessary gaps’ with IFRS, while keeping *Sharia* requirements preserved in its standards. These steps are hoped to enhance the acceptance of its requirements, as stated by interviewees. On the other side, this ‘constructive resistance’ was very limited in the context of Beta to merely shy and less influential calls for not ignoring the Islamic accounting needs. However, this ‘soft’ resistance has made an impact as Beta has adopted an approach that aims to convey Islamic accounting needs to the IASB with the aim of incorporating these needs within IFRS framework.

8. Conclusion

This paper’s chronological, cross-case analysis complements, extends and challenges the current understanding of the standardisation projects that aim to address local, industry-specific accounting needs, i.e. accounting for IFIs and Islamic accounting broadly. The ‘theoretical triangulation’ used in this paper helped extend this understanding by offering rich interpretations of ‘diverse’ events and issues in a coherent manner. It also provided an opportunity for multi-dimensional analysis about the institutional complexity surrounding these standardisation projects and the power dynamic going on between the actors involved which shaped organisational processes, events and standardisation approaches differently. In contrast to the ‘static view’ prevalent in prior studies, this paper reflects the historical evolvement of competing institutional logics (i.e. religion, profession, state, market and community) that have dominated in the Islamic accounting standardisation projects at international and national levels. It also illustrates that these standard-setting bodies have shown ‘heterogeneity’ in the way they have constructed their organisational responses to the dramatic shifts in their 'logics domination maps'. This has been reflected in the different standardisation approaches followed by these projects, according to the most dominant logics in their respective institutional context.

Power dynamic between actors (logic representatives) has also played an important role in this heterogeneity. The paper shows the power of professional accountants as a 'stratum' or 'class' with certain cultural make-ups and symbolic capital in the accounting standardisation field (Bourdieu, 1979, 1989). These 'local collaborators' have used their capital in the field to build coalitions and defend the 'IASB territory' and its interests locally at the expense of local accounting needs (Jayasinghe et al., 2021; Kamla and Haque, 2019). In this power dynamic, prior literature tended to convey a 'passive image' of local actors (i.e. religion logic representatives) in Islamic accounting standardisation projects in the face of epistemic community' pressures to incorporate IFRS requirements (Kamla and Haque, 2019; Levy and Rezgui, 2015). Challenging this view, the paper's findings demonstrate the active role of local actors in exerting 'constructive resistance' and advocating local accounting needs. Nevertheless, this constructive resistance was manifested in different forms and degrees, ranging between a relatively strong resistance to the full adoption of IFRS in the international project of Alpha and 'lenient' resistance that preserved 'ceremonial' existence of religion logic through conveying IFIs accounting issues to the IASB in the national project of Beta. This indicates that although the resistance of local actors may be limited to expressing their voices, it is still making a 'significant representation' for the historically established institutional orders and preserving some presence of religion logic demands in the standardisation process.

This paper contributes broadly to the literature on the role of 'epistemic community' in accounting reforms (see Christensen et al., 2019; Haas, 1992; Himick and Brivot, 2018; Irvine et al., 2011; Jayasinghe et al., 2021). Similar to Jayasinghe et al. (2020), the findings of this paper reveal interesting cases in which the institutional orders (i.e. profession, market and state) advocated by the 'epistemic community' and its 'local collaborators' in the Islamic accounting standardisation process are challenged, although not always strongly, by local actors representing religion logic. As a result, there seem to be a co-existence of these competing institutional logics after settling the new dominant logic (profession) with a relatively 'weaker dominance' (Jayasinghe et al., 2021; Skelcher and Smith, 2015).

The paper's findings make several important implications for the practice of Islamic accounting standardisation. The paper demonstrates the extent of pressure on the Islamic accounting standardisation projects to demonstrate compliance to IFRS. IFRS proponents advocate the application of IFRS in IFIs based on the argument that Islamic finance transactions are now more market-oriented and merely mimic their conventional counterparts (Haniffa and Hudaib, 2010; Mohammed and Mustafa, 2013; Mukhlisin, 2021; Mukhlisin and Fadzly, 2020). The paper therefore suggests that there is a need for IFIs to work towards a completely 'independent' Islamic Financial Sector (IFS) that embraces the objectives and spirit of Islamic teachings *(Maqasid Al-Sharia)* (Ahmed, 2011). This would ensure the establishment of a 'mainstream' IFS with a fully independent set of standards to comply with. Developing such standards will be more feasible if the Islamic Financial Sector can act independently and international bodies, such as Alpha, are entrusted with authority to pursue strict compliance to those standards on IFIs, without any concerns of ensuring similar compliance to IFRS. From another perspective, the conventional embeddedness of actors has been highlighted in the paper as a constraining factor for developing and promoting an Islamic accounting framework. It therefore suggests that it is less likely for those actors to make substantial changes or participate effectively in implementing a different (Islamic-based) accounting framework, since their thoughts are determined by the institutional logics they are supposed to change (i.e. profession and market logics). Due to this presence of 'the paradox of embedded agency' (Seo and Creed, 2002), this paper concludes that any attempt for developing Islamic accounting standards requires, first of all, empowering the religion logic and creating a new 'culture of corporate reporting' among these actors. Higher education institutions have a great responsibility here since they contribute to creating and deepening the conventional accounting embeddedness between graduates without raising awareness about the existence of 'alternative accounting thinking' and 'local accounting' needs. Thus, unless universities and other educational institutions realise their role in this regard, the current reporting practices are not expected to be challenged.

While the current study has contributed to the understanding of Islamic accounting standardisation practices benefiting from a dual theoretical framework to provide rich multiple layers of analysis, opportunities for further research remain. The findings indicate that there have been increasing efforts among Islamic accounting standardisation projects recently to either bridge the gaps with IFRS or achieve harmonisation through collaboration with the IASB to accommodate Islamic financial reporting needs. These efforts are considered an interesting avenue for future research given the attempt for incorporating 'sacred' values and needs into 'secular' accounting framework. Such studies may adopt 'critical' approaches and incorporate normative, moral dimensions that present the ethicality and fairness of these efforts as well as their conformity to the Islamic morals and objectives. This is beyond the ILP limited theorisation which ignores the moral dimension and considers actions to be legitimate based on their conformity to certain institutional logics, rather than their fairness or moral righteousness (read Cloutier and Langley, 2013). Furthermore, given the dominance of IFRS and its stance in the accounting standardisation field and the power play with local stakeholders, future studies can use the notions of power and governmentality (Foucault, 1979) in addition to ILP and Bourdieu's notion of power, to further capture the global politics and deployment of power in adopting international accounting standards.

Notes

1. *Sharia* is the Islamic law. It is the legal and moral basis of Islam that governs cultural practices, social interactions and economic activities (Lévy & Rezgui, 2015).

2. The amendment allowed losses financed by 'investment account-holders' in *sukuk* to be recorded under a new heading "investments fair value reserve" which mimicked the way these losses were recognised in conventional bonds.

4. 8 out of 10 accounting committee members are big audit firms partners.

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