Internal lobbying at the IASB

Julia Morley

Department of Accounting
London School of Economics and Political Science

London, WC2A 2AE

j.e.morley@lse.ac.uk

November 29, 2015

Abstract

This study adds to prior work on the production of accounting rules (Francis, 1987; Nobes, 1992; Brown and Feroz, 1992; Saemann, 1995; Pong and Whittington, 1996; Kwok and Sharp, 2005; Bhimani, 2008; Ramanna, 2008; Stenka and Taylor, 2010; Giner and Arce, 2012; Jorissen et al., 2012, 2013) by analysing the social psychology of standard setters. It complements work analysing the impact of psychological factors on standard setting (Hirschleifer and Teoh, 2009; Allen and Ramanna, 2013), finding that group effects (Bartel and Wiesenfeld, 2013; Haslam et al., 2006; Hogg and Abrams, 1988; Hogg et al., 1986) combined with existing project management structures at the IASB to undermine the IASB Liabilities Project. The paper uses interviews and analyses of IASB documents and board meetings to open up the black box of the standard setting organisation to reveal the existence of 'internal lobbying' *within* standard setting organisation that rendered the project vulnerable to external lobbying activities. Such findings contribute to the existing literature on lobbying and standard setting by demonstrating the importance of understanding the connection between lobbying activities and the social processes taking place within the standard setting organisation when trying to explain regulatory outcomes. Furthermore, the study addresses the role of technical staff at the IASB in the process of standard setting through interviews with almost all the staff who worked on the project as well as several board members.

Key words: IASB, liabilities, psychology

1. Introduction

Scholars in accounting have acknowledged that standard setting cannot always be relied upon to produce good regulation (Waymire and Basu, 2008). Furthermore, the production of "bad rules" may result not just from political interference or lobbying but also from specific psychological biases or social processes in the lobbying, professional and user communities (Hirschleifer and Teoh, 2009). Yet little attention is paid to the people and processes that produce standards compared with normative studies that assess the conceptual and functional adequacy of the final regulatory document.[1] The focus of this study is the social psychological biases and associated social processes affecting the individuals at the heart of the regulatory machine: the board members and technical staff at accounting standard setting organisations.

While embracing the role of factors relating to individual psychology as drivers of regulatory change, this study highlights the role of *social* psychology, in particular, group effects on the outcome of a recent IASB project. This was the Liabilities Project, which was intended to revise the methods employed for reporting obligations for which estimation uncertainty existed, such as pending litigations and clean-up costs for environmental damage. It proposed new rules for recognition and measurement, which reflected a trend towards the increased emphasis on balance sheet recognition and the use of economic methods for measurement.[2] However, in 2010, the uncompleted project was withdrawn from the standard setting agenda. Interview and documentary evidence suggests that group effects exerted a considerable influence on the outcome of the Liabilities Project. This study finds that knowledge of the organisational character of the IASB is an essential part of an explanation of the outcome of the Liabilities Project. This is because the IASB is not merely a technical and monolithic entity; it is *social* entity and, as such, the actions and behaviour of its board and its staff are coordinated by their perceived social identity and group affiliations. Research that fails to take into account the social psychological effects in standard setting processes may miss important factors driving the production of accounting rules. For example, intergroup conflict and group effects, or 'internal lobbying' between sub-groups on the board with competing accounting ideologies was observed. This led to non-compliance with accepted due process which offered opportunities to external constituents to block the project.

Drawing on theories of social psychology, this study finds that group

[1] Although, see Allen and Ramanna (2013) and Jiang et al. (2014) who identify specific characteristics of individual board members as indicators of likely voting behaviour.

[2] The IASC, FASB and ASB had already introduced similar recognition and measurement criteria based on financial economics into the reporting of pensions and financial derivatives.

effects within the IASB board (Bartel and Wiesenfeld, 2013; Haslam et al., 2006; Hogg and Abrams, 1988; Hogg et al., 1986) led to a tendency towards the polarisation of views between an influential subgroup on the board that advocated the use of fair value accounting and the other board members. This subgroup of five board members, the 'fair value group' shared common beliefs about the appropriateness of fair value approaches to financial reporting. The term 'fair value accounting' will be used in this paper to refer to the use of measurement approaches using the board members' interpretation of financial economics. This approach to measurement was associated with an emphasis on assets and liabilities. In explaining this shift, Chakravarthy (2014) argues that the increased commitment to this new approach to accounting was associated with an increased homogenisation of the views of the FASB board members after the publication of the Conceptual Framework. The influence of financial economics is not restricted to recognition and measurement issues in financial reporting, but may apply equally to the financialisation of narrative reporting (Chahed, 2014).

Furthermore, project management structures at the IASB enabled the fair value group to push items onto the agenda and shape the development, and the outcome, of the project. Such findings not only help explain this particular standard setting case but also contribute to the existing literature on lobbying (for example Giner and Arce, 2012; Jorissen et al., 2012, 2013) by demonstrating that, in addition to the internal lobbying by subgroups on the board, external lobbyists can respond tactically to perceived procedural errors, thereby undermining a project by invoking due process criticisms.

The paper contributes to the existing literature on standard setting in two ways. First, it opens up the 'black box' of the standard setting organisation to reveal the existence of a subgroup on the board, and associated group effects, on which there has been limited focus to date (Allen and Ramanna (2013), Hirshleifer and Teoh (2009) and Young (1994, 1996)). Second, it reveals that inter-group activity on the board, which can be thought of as 'internal lobbying', rendered the project vulnerable to external lobbying activities. Both the existence of internal lobbying and the extent to which external lobbying is tactical and responsive to the procedures followed by standard setters have until now been overlooked in the accounting literature. It should be noted that while this paper draws on the social psychology literature, specifically that research addressing group effects, it is not intended to make a contribution to the literature on social psychology beyond providing an empirical case study of group effects within the regulatory environment of financial reporting standard setting. It is, however, novel in its application of social psychology to the process of production of accounting standards.

The study is subject to certain methodological limitations, which are explored further in Section 4. These relate to the reliability of evidence used and the fact that, as a single case study, its findings are not obviously generaliseable to other standard setting projects. Nevertheless, given that the study analyses decision-making by board members who worked on many other projects over time, the very same social processes uncovered for this particular case are likely to be relevant for explaining the social processes at work for other projects.

The rest of the paper is structured as follows. In Section 2, I briefly contextualise the case by summarising the antecedent conditions and the chronological development of the IASB Liabilities Project. In Section 3, I introduce literature from social psychology and accounting relevant to this case. In Section 4, I describe the research methods used in this study. In Section 5, I provide documentary and interview evidence about the internal IASB culture and the IASB experience of lobbying against the Liabilities Project. In Section 6, I analyse the extent to which the evidence lends support to the hypothesis that social psychological factors made the IASB vulnerable to a particular kind of lobbying activity and suggest potentially fruitful avenues for future research.

2. The Liabilities Project

The Liabilities Project proposed changes to the rules for recognising and measuring uncertain non-financial obligations. It originally arose out of a need to ensure convergence with US GAAP in 2002[3], but a group of board members at the IASB became concerned about inconsistencies between the treatment of liabilities in IAS 37 and those in other International Financial Reporting Standards (IFRSs).[4] These board members argued that the *probable outflow* test in IAS 37 led to potentially misleading and un-objective reporting. In the view of a long-serving IASB board member, IAS 37 gave "weird" results in practice.[5] This board member argued that the existing rules enabled preparers to *understate* liabilities by claiming that an existing obligation failed the *probability of outflow* test which allowed them to argue that they should not be recognised on the balance sheet. Furthermore, disclosure practices have

[3] In an IASB meeting in July 2002, the IASB board identified inconsistencies between FASB Statement 146, *Accounting for Costs Associated with Exit or Disposal Activities* and the IASB approach formalised in IAS 37 and IAS 19 (b). These inconsistencies related to the treatment of restructuring costs; a lower threshold for recognition existed under IFRS than under US GAAP.

[4] It should be noted that there was no intention at this stage to attempt a convergence between IAS 37 and its U.S. equivalent, SFAS 5.

[5] This view was expressed by Interviewee-2.

been found to be deficient indicators of the probability of loss (Hennes, 2014).

For recognition, the new proposals removed the existing probability-of-outflow recognition test and in its place, introduced the concept of an unconditional "stand-ready obligation". A preparer would have a "stand ready obligation" if it was aware that it may have triggered an obligation, *even* if the probability of outflows was low. The example of such a stand-ready obligation which is often cited in IASB literature is that of a burger vendor who has negligently sold potentially poisonous burgers to customers. Thus, the stand-ready obligation reflects some culpability on the part of the preparer, even if financial penalties are unlikely to be imposed. Alternatively, an unconditional obligation might result from an ongoing responsibility to service warranty obligations.

Measurement issues were also addressed by the Liabilities Project. Advocates of changes to IAS 37 argued that the standard was interpreted incorrectly by many preparers who believed that expected values should be used *only* for large populations and not for single events. For single events, preparers tended to assume that the "individual most likely outcome" should be taken as the best estimate, even though other possible outcomes might affect the value (*ibid* ¶40).[6] The new rules addressed measurement ambiguity by removing the distinction between large populations of items (such as warranties) and one-off items (such as individual law suits against companies). It called for the use of expected values in all cases.[7] Figure C.1 shows the chronological development of the project.

Two exposure drafts were issued, the first on recognition in 2005 and the second, on measurement, in 2010 attracting negative feedback from constituents. The project did not result in the publication of a revised standard. After the November 2010 meeting, work on the project ceased with the IASB stating that: "the board will schedule future deliberations based on priorities with other projects, but expect to further deliberate in 2011". The project was removed from the agenda and listed as "paused", but recently has been added to the IASB work programme as a research project. [8] A senior IASB board member acknowledged that the project had

[6]However, the advocates of change pointed out that the standard qualifies this requirement by stating that the likely outcome is the appropriate measure *unless others are mainly higher or mainly lower*. The most likely outcome equates to the expected value whenever the distribution of probable outcomes is symmetrical and single-peaked.

[7]Some have argued that the IASB confused the concepts of *measurement* and *estimation*. As such, they tried to "position expected value as a method for determining a meaningful measure" which was "invalid" because no observable measurement attribute existed (Barker and McGeachin, 2013, pg.594).

[8]In 2012, IAS 37 was moved off the current projects agenda and onto the research agenda. At the time of writing, the project was paused but public consultations were

been “shelved” in 2010 (Interviewee-7). The decision to ‘shelve’ the project effectively constitutes a failure by its advocates to publish a new standard during their term of office on the IASB board. This paper attributes this outcome in part to the effect of social psychological factors.

[INSERT FIGURE 1 HERE]

3. Influences on standard setting

Much academic research on standard setting has focused on the role of lobbyists in driving the production of accounting standards (Watts and Zimmerman, 1978; Brown, 1982; Hope and Briggs, 1982; Hope and Gray, 1982; Sutton, 1984; Francis, 1987; Nobes, 1992; Brown and Feroz, 1992; Saemann, 1995; Pong and Whittington, 1996; Kwok and Sharp, 2005; Bhimani, 2008; Ramanna, 2008; Stenka and Taylor, 2010; Jorissen et al., 2013; Georgiou and Jack , 2015; Pelger, 2015). These authors analyse the influence of external interest groups and social norms on regulatory outputs. They either focus on the standard setting organisation as a whole or on the voting behaviour of individual board members. By contrast, this paper argues that a group of individuals on the IASB board exerted significant influence over the standard setting process, what I label ‘internal lobbying’. For the case of the Liabilities Project, this *internal* lobbying led to actions that invited *external* lobbying activity as response to an alleged weakness in due process.

Other scholars have argued that accounting change derives from more complex social and political interactions. In this regard, Cooper and Robson (2006) argue that overt power conflicts constitute only one part of the process of regulation with the result that the notion of ‘interests’ can be overused in research into accounting regulation. They point to the fact that limited attention has been focused on the structures in which regulatory agencies are situated, thereby highlighting the importance of relationships between organisations and their members. This study responds to the concern about interests, by tracing the factors that shaped the theoretical commitments of particular groups within the IASB and the effects of this on regulatory outcomes. In a similar vein, other scholars have identified the impact of political struggle on accounting and reporting policy (Cooper and Sherer, 1984; Puxty et al., 1987), other social forces of change in calculative norms (Bhimani, 1987) and the mediating role of accounting (Willmott et al., 1992).

planned for 2015. See http://www.ifrs.org/Current-Projects/IASB-Projects/ Liabilities-and-Equity/Pages/Non-financial-liabilities.aspx.

More recently, some researchers have analysed the existence of particular attitudes to accounting issues, such as the adoption of IFRS or the increased use of fair value accounting. Durocher and Gendron (2014) have demonstrated a lack of cognitive unity in the professional accounting community about fair value accounting, consistent with an ideological commitment to fair value among many users of IFRS (Durocher and Gendron, 2011).

Another approach to explaining regulatory outputs focuses on the standard setting entity itself, by studying the role of individual board members of standard setting organisations. In this regard, Allen and Ramanna (2013) analyse the voting behaviour of individual board members of the Financial Accounting Standards board (FASB) and identify a correlation between voting behaviour and individual professional experience. Implicit in this finding is the assumption that some causal mechanism that drives voting outcomes operates at the level of the individual standard setter, although Allen and Ramanna (2013) do not explore this mechanism as their work is explicitly individualistic in its focus.

The normative influences on standard setters have also been explored using institutional approaches. Young (1994) explores institutional influences on the board members, which stem from the fact that they operate within a 'regulatory space' and dominated by norms of best practice within this 'space'. Young argues that decisions by standard setters cannot be properly explained by the consequentialist, rational choice theories that have been invoked by some scholars within the lobbying literature (for example Watts and Zimmerman, 1979) as these approaches erroneously assume that the "actor is separate from the environment" (Young, 1994, pg. 104) rather than partially constructed by it. This approach conceptualises the individual as the channel through which a dominant institutional logic flows, rather than as an autonomous decision-maker. In later work, Young (2014) considers the reasons why standard setters might describe technical arguments by constituents as more "pure" in some sense than due process criticisms as a means of obscuring the fundamentally political basis of standard setting.

Outside the accounting literature, organisational theories address issues of board activities. From an individualistic and often rational perspective, economic team theory (Marschak and Radner, 1959) extends expected utility theory to organisational settings, addressing questions about decision making within groups where no conflict of interest exists. However, in the case of the IASB, I find evidence of decision-making that appears to be less than fully 'rational', suggesting that the neo-classical approach is deficient for this case. Furthermore, economic team theory is primarily normative and has been subject to criticisms concerning its descriptive value (MacCrimmon, 1974). By contrast, group theory demonstrates the potential irrationality of particular forms of group behaviour based on psychological and heuristic-based decision processes which more closely describe the way people *actually* behave.

Other work in organisational theory, known as 'board dynamics theory' focuses on identifying processes that show how boards actually work rather than how they ought to work, or how they would work if they were rational. Such theories attempt to explain the outcome of board processes by assuming that boards are groups of interacting individuals (Forbes and Milliken, 1999) with the result that board composition, the skill sets of individual board members and even their emotions can drive decision-making. While the emphasis on description of processes is a central part of such research, this study does not take an individualistic approach, and instead views the IASB board (and technical staff) as members of two groups (fair value and non-fair value). It focuses on interactions between these groups (rather than between individuals) as a means of explaining the potentially sub-rational processes that played a part in undermining the Liabilities Project.

Although theories of boardroom dynamics may help to provide a more nuanced view of the IASB decision-making process by highlighting the way in which groups emerge as a result of the power and influence of particular individuals on the board, they fail to address the impact of group effects. Some scholars within the board dynamics field have used interview evidence to support explanations of particular kinds of behaviour by board members and consequent influences on board processes (Charan, 1998; Pettigrew and McNulty, 1995; McNulty and Pettigrew, 1999; Pye, 2001). Others, such as Brundin and Nordqvist (2008), have made calls for further empirical descriptive research into the way in which boards behave at a 'micro-level' (pg. 326). This paper attempts to answer this call by providing evidence of board processes and the group effects observed at the IASB board.

Indeed, political and sociological approaches to explaining changes in accounting norms have counterparts in theories that focus on the role of individual and group psychology. The role of organisational characteristics in constructing the identities of its members has been researched extensively in social psychology, particularly in the field of social identity theory (Tajfel, 1978; Turner et al., 1992; Haslam et al., 2006). By explaining the identities and associated behaviours of individuals and groups, such theories can throw light on mechanisms of accounting change.

In this paper, I draw on social identity theory as a means of explaining the behaviour of IASB board members, in particular by investigating the division of the IASB board into two different factions, those who were ideologically committed to fair value accounting and those who were not. Work in social psychology has examined various sources of group affiliation and the behavioural effects of groups and inter-group conflict in organisational settings. The formation of groups within social structures has been explained by theories of social identity and self-categorisation. According to theories of social identity, individuals in a social setting may categorise themselves as members of some particular group, which can be contrasted with a distinct 'outgroup' (Tajfel, 1972; Billing and Tajfel, 1973; Tajfel, 1978). The production of a common group perspective is also associated with mutual social influence (Turner and Oakes, 1989). The self-categorisation of an individual as a member of an ingroup will be expected to result in "category-congruent behaviour"(Hogg and Abrams, 1988, pg. 21). This will often be combined with an "accentuation of similarities between self and other *ingroupers*" and also to "differences between self and *outgroupers*" (Hogg and Abrams, 1988, pg. 21).

Experimental work in social psychology has shown that the sense of identification with an 'ingroup' may cause the individual to emphasise differences between the 'ingroup' and 'outgroup', as a means of raising self-esteem (Hogg et al., 1986). What is of particular relevance to organisational settings is that ingroupers will strive to reach agreement with other group members. This achieves coordination through the process of "identifying shared beliefs, specifying frames of reference, articulating background knowledge, clarifying points of disagreement and exchanging relevant information" (Haslam, 2004; Ibarra and Andrews, 1993; Lembke and Wilson, 1998, pg.36). An exemplar of the group ideal, known as a prototype, will guide norms of behaviour (Bartel and Wiesenfeld, 2013, pg 505). Experimental results have also shown that group effects can lead group members to remain committed to apparently failing projects (Haslam et al., 2006). Self-categorisation and group identity have been linked to sub-optimal processes of group decision-making labelled 'groupthink' (Janis, 1972), associated with an exaggerated sense of the invulnerability of the group and the power and moral worth of the ingroup. In addition, it is associated with negative stereotyping of outgroup leaders, reluctance to amend prior beliefs given new evidence and demonstrably conformist behaviour. Janis (1972) finds that groupthink tends to occur in situations where a high level of group cohesiveness exists as well as a lack of impartiality in leadership and a high-pressure environment.

Evidence from the case of the Liabilities Project, presented in Section 5, suggests that issues of social identity, self-categorisation and inter-group conflict existed at the IASB and may have exerted some influence on the outcome of the Liabilities Project. Although many of the members of the fair value group possessed a firm commitment to fair value accounting (and quasi fair value) approaches when they joined the IASB, the views of the group became polarised from those of the non-fair value group. Furthermore, the fair value group displayed high levels of confidence, associated with a casual attitude to due process.

The presence of the fair value group was associated with internal lobbying within the IASB, such that the direction of regulation was driven not only by the objectives of the IASB board overall, the conceptual framework and external lobbyists, but also by ingroup and intergroup processes within the standard setting organisation itself. Although certain individuals on the IASB board, such as Jim Leisenring and Mary Barth, were especially persuasive and demonstrated strong rhetorical skills in board discussions, I argue that their power and influence over the initiation and development of the project arose as a result of their operation as part of a group.

4. Research Methods

In order to explain the withdrawal of the Liabilities Project, I drew on evidence from IASB documents, interviews with key players in the Liabilities Project and recordings of board meetings.

First, I conducted a detailed analysis of documents published by the IASB relating to the project, including staff papers, exposure drafts, minutes of board meetings, webinars and comment letters received after the two exposure drafts. Reliance on these publicly available documents alone may be problematic though, as the documents may be subject to misinterpretation or may omit references to important evidence. This may result in a failure to identify correctly those factors which influenced the timing and outcome of the project.

Second, to mitigate this issue of the interpretation of documentary evidence, I carried out semi-structured interviews with fourteen individuals who were able to offer particular insights into the social psychology of the standard setting organisation or the development of the project. Eight of the interviewees worked for the IASB during the lifetime of the project. Of these, three were technical staff working directly on the project, one was a senior technical staff member and four were board members. The interview duration varied between one and two hours and all interviews were transcribed. Of the remaining six non-IASB interviewees, one was a former IASC board member who had been involved in IAS 37 and was able to throw light on the process of standard development. Three interviewees were involved in the writing of comment letters for professional organisations, and provided insights into the methods of lobbying employed. In addition, one interviewee was a successful applicant to the IASB for a position on the technical staff (although not necessarily for the Liabilities Project). This interviewee was able to point to some of the selection criteria applied by the IASB when hiring technical staff. In addition the interviewee had attended four board meetings and was able to comment on the dynamics observed. Taken together, these interviews reveal particular dynamics and relationships within the IASB that are not accessible through a documentary analysis alone. The combination of in-depth documentary analysis with interviews with key actors involved in the project offers a unique insight into the world of standard setting at the IASB.

However, weaknesses with interview-based evidence remain. One issue is the reliability of interview evidence, which may be compromised due to lapses of memory or commitments by interviewees to represent organisational views. These potential difficulties were addressed through the triangulation the multiple oral and textual reports of events. This served to highlight any factual inconsistencies between accounts provided. Another potential worry is that interviewees may have felt unable to give an honest account of events if this might have conflicted with their employers' non-disclosure rules or with social norms. As a means of enabling interviewees to talk freely, I provided assurances of anonymity. Finally, it is difficult to ensure that the sample of interviewees is representative of the population of potential interviewees. However, since the sample of interviewees covered most of those closely involved with the project, this bias is somewhat mitigated.

Third, as a means of further reducing the subjectivity inherent in interview evidence, I analysed the audio recordings of four board meetings at which the Liabilities Project was discussed (January 2006, October 2006, January 2007 and April 2000). I had downloaded recordings of three board meetings from 2006 and 2007 (which were previously available on the IASB website but have now been removed) and I analysed a later board meeting from April 2009 which is still currently available on the IASB website.[9] This analysis provides corroboration for statements made by interviewees about the dominance of certain groups of board members. Given that the recordings are not annotated, the ability to analyse the discussion by member and group affiliation requires a researcher who is able to recognise the voices of individual board members and staff . As I had interviewed many of them, met them or studied other audio and video materials in which they featured, I was able to identify the different speakers and record their contribution to the board discussion. In total, three hours and fifty two minutes of discussion were analysed. This excludes staff discussion time and cross-talk. As a means of identifying the existence of any dominance by a group, I analysed the discussion time between members of the fair value group and those outside

[9]http://www.ifrs.org/About-us/IFRS-Advisory-Council/Meeting-audio-playback/Archive-audio/Pages/archive-audio.aspx.

that group as well as minutes of discussion contributed per board members in the different groups. In addition, I calculated the proportion of times that a fair value group member came into the discussion as the first speaker after a staff statement, because this enabled them to shape the subsequent discussion or potentially crowd out alternative lines of discussion. Finally, the style of speech was analysed informally, with an emphasis on identifying the quality of English language used by board members, their assertiveness and other rhetorical devices employed, such as increased volume or banging on the table for emphasis. While there is no way of reliably establishing a link between these styles of argumentation and the resulting decision-making by the board, it is likely that the statements of persuasive individuals working in a coordinated fashion towards a particular goal will be more effective than the actions of weaker orators promoting a set of individual and disparate views (**?**).

Fourth, a potential limitation of this study is that it focuses on a single case study. It scrutinizes the effects of particular actions of board members and staff at the IASB on a single standard setting project, although these board members and staff worked on other projects during their time at the IASB. It does demonstrate the existence of group effects on the board during the period from 2002-2010, using evidence from this one case. The nature of case-based analysis means that one cannot reliably make inferences beyond this particular case study. Future work could usefully extend the analysis in this paper to different projects undertaken by the IASB while the fair value ingroup were in place (such as the financial instruments and insurance projects) and for projects initiated after 2012 when the last two ingroup members stood down from the board stood down.[10]

5. Evidence from the IASB Liabilities Project

Interview and documentary evidence provided in this section supports the hypothesised existence of social psychological group effects within the IASB board, which weakened the ability of the IASB to publish revisions to IAS 37 in the expected time-frame. These effects resulted from the existence of a strong subgroup of board members who advocated what they viewed as a modern approach to accounting which drew heavily on elements of fair value. For simplicity, I refer to this group as the ‘fair value accounting group’ or the ‘fair value group’ although this is admittedly a rather crude description of

[10]These were Warren McGregor and David Tweedie.

their view.[11] This lobbying of the non fair group board members by the fair value group members can be labelled 'internal lobbying'. Second, group effects led the project team to make decisions which made the IASB vulnerable to responsive actions of the projects' opponents, which ultimately led to the removal of the Liabilities Project from the IASB project agenda in November 2010.[12]

5.1. The 'fair value group' at the IASB

From the outset in 2001, the IASB made clear its commitment to providing users of the financial statements with relevant information for decision-making. Associated with this, fair value accounting emerged as the dominant aspirational reporting norm among a number of board members. Whether or not this aspiration was realised in the decade after the founding of the IASB is not clear. What is clear though, is that the IASB pushed for accounting rules which moved away from cost based measures and placed an emphasis on recognition rather than disclosure and the use of economic methods of measurement.[13] These may not have been pure fair value standards, and may be better described as reflecting a 'fair value approach'. The use of fair value accounting has been described as being "implicit in the IASB's pronouncements" by Whittington (2008, pg. 39), a former IASB board member.[14] Overall, board tended to view fair value approaches as the best way to address a number of different accounting problems.

However, an ideological commitment to 'fair value accounting' was not universal on the board. In fact, the board has been described as being polarised into two schools of thought: those who favour fair value and the fragmented set of those who favour range of alternative approaches (Lennard, 2002). In an interview, a financial analyst stated that the fair value supporters on the IASB board were "monotheists" who had "a creed" (Interviewee-4). For the purposes of this study, the existence of fair value accounting ideologues plays an important part in the explanation of the stalling of the Liabilities Project. The fair value group on the IASB board subsequently became known as the 'fair value space cadets' and stood in opposition to the 'dinosaurs' who tended

[11] It may be more appropriate to refer to this group as the 'modern accounting group' or the 'pro-financial economics group' but I will use 'fair value group' because this label was used by those inside and outside the IASB to describe the views of this subgroup, even if it lacks accuracy.

[12] The project was subsequently moved to the research agenda in 2012, but no further work was planned until 2015 when possible revisions would be considered.

[13] Such standards included IAS 39 for financial instruments which was adopted from the IASB's predecessor, the IASC and IAS 19 (a) for pensions.

[14] Whittington served on the board of the IASB from 2001 to 2006.

to prefer traditional, historical cost approaches to reporting.[15] Specifically, five of the fourteen (and later, of the fifteen) board members constituted an ingroup with common beliefs about the benefits of the application of fair value to accounting problems. Four interviewees (three technical staff and one board member) identified board members Mary Barth (the academic member), Jim Leisenring, Warren McGregor, Patricia O'Malley and chairman David Tweedie as constituting a fair value subgroup of the IASB.[16] Although this group did not always advocate the same approach to each accounting issue they perceived as problematic, they tended to advocate the recognition of uncertain items on the balance sheet and the use of fair values for their measurement as a means to enhance the quality of information in the financial statements.

Mary Barth, an accounting scholar in the US, has published numerous academic articles focusing on the value relevance of fair value accounting (Barth et al., 1992; Barth, 1994; Barth et al., 1995; Barth and Landsman, 1995; Barth et al., 2001; Barth, 2006, 2007). She has argued that, "[u]sing fair values to measure assets and liabilities is attractive because it meets many of the Framework's qualitative characteristics of useful financial statement information. These criteria are to be applied in the context of the primary objective of financial reporting, which is to aid investors and other users of financial statements in making economic decisions." (Barth, 2006, pg 274).[17] Jim Leisenring worked as a board member at the FASB, where he had been closely involved in the development of key fair value standards such as FAS 133 for derivatives. The derivatives standard had been subject to intense lobbying by the U.S. Federal Reserve and Leisenring had been closely involved in the FASB's successful response to these lobbyists. David Tweedie, chair of the IASB had previously been Chair of the UK Accounting Standards board, where he had successfully introduced fair value standards for pensions (FRS 17). He was a key advocate at the IASB of fair value accounting norms and his position as chair afforded him additional influence. In 1969 he obtained a PhD from Edinburgh University School of Management[18] and lectured there from 1973 to 1978 after completing his training as a chartered accountant. Warren McGregor came from being the Executive Director of the Australian Accounting Research Foundation which advised the Australian Accounting Standards Board on technical issues. He was also involved with the IASC from

[15] These labels emerged during the project on revenue recognition.

[16] These views were expressed by Interviewee-3, Interviewee-7, Interviewee-9, Interviewee-10, Interviewee-11.

[17] See also Barth et al. (2001) for arguments for the value relevance of fair values measurements.

[18] This is now called Edinburgh University Business School.

1983 to 1999 as the technical adviser to the Australian delegation. Patricia O'Malley had previously served as the Chair of the Canadian Accounting Standards Board before becoming a board member at IASB.

The existence of this subgroup was to play an important role in exacerbating an ideological divide between those supporting fair value and those opposing it, vis-a-vis the technical content of the Liabilities Project. This divide was described by a former IASB board member (Interviewee-7), who observed that in board meetings, three of the fair value group were given assigned seating together on one side of the boardroom table, creating a space which was jokingly referred to as "fair value alley". Some level of animosity was evident between this ingroup and outgroup, evidence by the fact that the language used in arguments between these groups has tended to extend beyond the merely technical. Attempts to introduce standards with fair value components are often described as "fights" or "battles". In a 90-minute interview, Interviewee-7 used the term "fight" ten times when referring to attempts to issue financial reporting standards requiring the use of fair values. This is suggestive of the importance of emotional and ideological differences between the ingroup and the outgroup rather than rational and purely unemotional differences in preferences for technical schemes of financial reporting. If so, such group affiliations may have influenced the commitment of the advocates of fair value to particular technical approaches. So, what factors led to the existence of a fair value group on the board?

For a start, the initial selection of members for the initial IASB board prioritised those who were in favour of fair value accounting. Kenneth Spencer took up the role of Chairman of the Nominating Committee of the IASCF and, with David Tweedie, selected the first group of IASB board members. board member Warren McGregor recalls that, they selected the first IASB board members who were "by and large of like mind and were intent on reforming financial reporting" . This group had already worked together and had developed a common understanding about what constituted good financial reporting. This view is given further corroboration by Zeff (2012), who argues that "[s]ocialization of the new board was not all that difficult, because most of the members had already known each other" (pg. 822).

Furthermore, the fair value group shared three main characteristics related to language, experience of standard setting and prior affiliations. First, they were native English speakers and came from English-speaking jurisdictions that tended to favour fair value accounting.[19] Not only were they likely to

[19] However, it is interesting to note that the fair value group comprised only one UK national, David Tweedie, who as the chairman was less capable of putting forward his views in board meetings.

self-categorise as English-speakers, with a shared cultural understanding, but it also gave these members an advantage over non-native speakers in board meetings in the early years with the result that they tended to dominate proceedings, according to Interviewee-9.

Second, some members of the fair value group had been members of the G4+1, a transnational group which developed during the first few years of the 1990s before the formation of the IASB. According to Interviewee-12, a staff member at the IASB during the initial stages of the project,

> "...it was the people who thought a lot about liabilities on the old G4+1 network ...they were the key drivers on this. You know, they spent a lot of time in the run-up to IAS37, FRS12, you know, the G4+1 paper on future events and things like that."

The G4+1 provided a forum for standard setters from a number of anglophone accounting jurisdictions to share views and develop particular approaches to accounting issues. Furthermore, the G4+1 provided more than just scope for intellectual interaction by its members as it also had a social dimension (see Street, 2005, pg. 98). By offering opportunities for social interactions, this working group may have encouraged the breaking down of barriers between representatives of different accounting jurisdictions, and thereby the development of a pro fair value ingroup. As a result, the old G4+1 group was not just a working group but a group that shared an intellectual passion for particular approaches to accounting. A staff member argued,

> "I think a number of these board members actually found this very, very interesting — because it was picking up discussions they'd had previously, and that was, I think - you know, they just found it a very intellectually interesting topic."(Interviewee-12)

This intellectual commitment to particular ways of doing accounting may explain the advocacy and commitment of the members of the fair value group to their preferred approach.

Third, the members of the fair value group were all former standard setters or academics. This may go some way to explaining their commitment to an ideal of accounting that reflected elements of financial economic theory. The members of the fair value group were described by staff members as being "clever" and having "forceful personalities". When combined with their previous experience in standard setting and their confidence in the ability to push through controversial and contested standards, this group came to influence the overall view of board members by suggesting items for inclusion on agendas and by arguing forcefully for the superiority of a certain solution to a particular problem. The perception within this group, that this progressive approach was simply *the best* way to do financial reporting, increased the confidence of its members that they could (and should) launch the Liabilities Project primarily to achieve consistency with existing fair value standards, even if the project was not a response to demands from constituents for new accounting methods.

So far the discussion has focused on board members. But what of the technical staff whose task was to write research papers and draft the standards? This study finds that the fair value ideology extended beyond the board and to the technical staff at the IASB. When asked how (s)he went about developing the exposure drafts, a staff member stated,

> "I picked a lot of brains on it . . . obviously [Interviewee-11] and [Technical staff member X] were very helpful. And then I guess the people I remember that I spoke to most all around us were Trisha [O'Malley] and Jim [Leisenring]. And, you know, as a process, I remember I had a lot of very good quality input from board members, you know, as the draft went through its various stages."

In other words, the fair value as a norm of best practice had permeated to those who carried out the detailed technical work. Furthermore, the board members were able to guide staff. The same staff member stated that,

> "Jim [Leisenring] felt very passionately about it, of course - and was very supportive of the work that was being done . . . he often was saying very complimentary things about our work. And, you know, in that sense, I have, actually, very, very fond memories of Jim's support - of him trying to teach me, you know, in my early days through this project. Actually, just simply because I would talk to him about it. And he would just come in, you know, into my office, just to talk about it."

It is not at all surprising that board members would have been willing to offer technical guidance to staff working on the Liabilities Project. However, through such interactions, members of the fair value group were no doubt able to exert some influence on staff members preparing exposure drafts. As a result, the papers that appeared in the board meetings no doubt already reflected some elements of the fair value group's view, to a greater extent than if staff had been less directed. It should also be noted that these staff members, such as Interviewee-12, were often fairly new to the IASB and to technical accounting discussions, and were thereby potentially more open to influence by board members.

An applicant for the position of assistant project manager at the IASB, Interviewee-13, suggested that one selection criterion for new technical staff members related to fair value accounting. This interviewee stated that he had been asked about his attitude to fair value. He believed this to have been "the most important part of the interview" and after some specific fair-value related technical questions "they eventually asked 'so, what's your view of fair value' and that's the thing they were most interested in." This candidate remembers replying that he thought "fair value should be more widely embraced" and felt that they were satisfied with that response. This supports the view that the IASB technical staff demonstrated a pro-attitude to fair value and were likely to be responsive to the fair value group on the board.

The interviewee also revealed that certain board members were dominant at board meetings:

> "The people who are English native speakers definitely dominated the conversations. And if you look to nationalities, it was two Americans who clearly dominated the table ... Jim Leisenring and Mary Barth made sure their agenda is reflected in what was done by the IASB."

Interviewee-13 described Mary Barth as "the undisputed queen at the table" because of her technical competence, eloquence and self-confidence. Certain board members were singled out by interviewees as being dominating board discussions, especially on technical issues related to fair value. According to Interviewee-13, Jim Leisenring was extremely persuasive and could be quite pugnacious in his approach and Mary Barth presented "articulate" arguments, drawing on her academic experience. The interviewee suggested that these individual advocates could not successfully have dominated the proceedings as individuals and worked as a team to swing opinion on the board.

The same interviewee (Interviewee-13) had also attended board meetings as an observer in 2003 and noted that language skills played an important role in determining domination of the board discussions, particularly pronounced during complex technical discussions.The interviewee noted that non-native English speakers were at a significant disadvantage during board meetings, often being "intellectually competent" but "somewhat reserved" with the result that they made limited contributions to board meetings.

Another factor which drove the ingroup view was a shared technical background. This was true not just for the board members, but for the technical staff who prepared staff working papers, exposure drafts, comment letter analyses and so on. Although less is known about the impact of staff views on regulatory outcomes, it is clear that the team working on the

Liabilities Project were broadly in favour of fair value approaches to the reporting of non-financial liabilities, or at least they were willing to draft proposals that reflected the dominant fair value view at board meetings. A technical staff member, Interviewee-11, argued that,

> "The first big issue you get into colours your view and your understanding of what can be achieved and what a good result is ... If you are introduced to pensions as the first thing you think about in accounting, it actually means you are pushed into current values ... and you cannot then understand why other areas of accounting don't do this."

Each of the key board advocates of the Liabilities Project had experience in fair value accounting, as did many of the technical staff associated with the project.

Thus far, it has been shown that the fair value group on the board possessed certain characteristics and common objectives that would have been expected to increase their influence over the standard setting process. The important question, which I now address, is whether this fair value group influenced the outcome of the Liabilities Project, and if so, how?

5.2. Group effects, or 'internal lobbying'

Interview and documentary evidence reveals a picture of ingroup effects influencing both agenda-setting decisions and the ongoing management of the project. These were important because they opened up the IASB to due process criticisms from constituents. Group effects can be observed and these led to two categories of influence on decision-making. First, the proposed changes to IAS 37 were perceived to be merely clarificatory by the ingroup and slipped onto the standard setting agenda without compliance with normal procedures. Second, once the project was underway, the ingroup displayed excessive confidence in their ability to complete the project, in spite of the mounting opposition, and viewed opposing views as surprising and intellectually weak. As a result of these two effects, they did not take action in good time to avoid due process complaints and failed to adjust particularly unpopular elements of their proposed changes to IAS 37 (such as the requirements regarding pending litigations which were particularly unpopular with US interest groups).

The project was added to the standard setting agenda in 2003 as part of a convergence project, but its objectives soon shifted to a focus on new proposals for recognition and measurement of non-financial liabilities. This shift was not a response to constituents' demands, as would have been expected.

Instead, the impetus originated from the fair value ingroup who argued that the standard was often misinterpreted by preparers and was inconsistent with other standards for the reporting of uncertain liabilities (e.g. IAS 39 for financial instruments). This group was committed to the view that the inconsistency with other fair value standards was a problem that required attention, consistent with the existence of a logic of appropriateness (Young, 1996). Furthermore, they were not responding to constituents demands for change (Pelger, 2015), but acted on their own sense of appropriate amendments. Under IASB due process rules at the time, staff should have producd a research paper, as Figure 2 shows:

[INSERT FIGURE 2 HERE]

Constituents expected to see a staff research paper, but none was produced. The board members who had originally initiated the project justified this omission on the grounds that the project constituted only a minor clarification of existing rules with the result that it would be acceptable, given the procedural norms, not to publish a research paper. During the IASB board meeting to discuss the feedback received, the project team noted that many constituents appeared to have misunderstood IAS 37 (that is, the original standard). Faced with this, the members of the fair value group argued that they viewed the proposed amendments as constituting a mere "clarification of those ambiguities" (IASB, a). This suggests that the board did not want to portray the Liabilities Project as the development of a *new* standard. Instead, they pitched the project as minor, claiming that the intention was merely aimed at clarifying the original standard.

The analysis of the audio recording of the January 2007 board meeting, reveals the new project manager repeatedly questioning whether addressing measurement issues is beyond the stated objectives of the project. She states that she does not understand why measurement was being addressed when the initial remit was simply to look at FAS146 convergence and then recognition of liabilities. She says, "What I'm saying . . . is that there is no measurement objective in IAS 37 today and what I'm saying is that it is beyond the scope of the project to get a measurement objective and put it in IAS 37". (00:24:48 - 25:00:07) She continues later on the same theme, saying, "I'm still not clear on what the board would like us to do . . . I'm not clear on where this conversation has exactly taken us. Has the conversation taken us down the line where we now have an explicit project objective to determine what the measurement objective in IAS 37 is?" (00:52:34- 00:52:56) The fair value group responded by arguing for a 'building block' approach that would build on what was already in the standard, thus addressing measurement as well as recognition as part of a process of clarification. In spite of some opposition from non-fair value group members (such as Gilbert Gerard, 00:56:00 - 00:56:24), the board did not remove the requirement to address issues of measurement which were subsequently detailed in the second exposure draft. Such arguments would be consistent with the existence of a fair value "logic of appropriateness" (Young, 1994) since the board appeared to see the introduction of fair value as an improvement to the quality of accounting for non-financial liabilities, irrespective of the views of others.

The analysis of the audio recordings of four board meetings revealed evidence of the relative influence of the fair value group, especially earlier in the project's lifetime. The intention was to find if any differences existed between the contribution to board discussion of the fair value group and the non- fair value group. The analysis of the board meetings reveals the dominance of the fair value group during the first few years of the project, specifically until 2009, both in terms of dominance of the discussion time and assertiveness of contributions. The analysis of the four meetings (totalling three hours and fifty-two minutes of technical discussion time, excluding discussion by staff members and chair) reveals a gradual diminution in the power of the fair value group between the early stages of the project and 2009. A key reason identified for this shift in the power of the fair value group is the change in the constitution of the board, with new board members. such as Stephen Cooper, who were both native english speakers and forceful in their contributions to technical debate. Figure C.2 below summarises the analysis of the audio recordings of the board meetings.

[INSERT FIGURE 3 HERE]

The analysis shows that the fair value group were dominant in terms of their share of the discussion time during the meetings that took place in July 2006, October 2006 and January 2007 with each member speaking for for between 2.3 and 5.4 times as long as those members in the non-fair value group. At this stage of the project, the topics for discussion were broadly focused on the project objectives, the first exposure draft and responses from constituents through letters and roundtable events. However, it can be seen that by the time of the April 2009 meeting, the influence of the group over the meetings (in terms of dominating discussion time) was declining. This can in part by attributed to the increasing contributions made by native English speakers such as Stephen Cooper who joined the board in August 2007. In the April 2009 board meeting analysed, Cooper spoke for sixteen minutes whereas Leisenring spoke for less than eight minutes. In contrast, in the earlier meeting in January 2007, Leisenring spoke for over twenty minutes. Other board members who were not native English speakers, yet had a excellent language skills and were assertive included Prabhakar Kalavacherla ("PK") who joined in January 2009 and spoke for over seven minutes and Wei-Guo Zhang who joined in July 2007 and spoke for just under seven minutes during the April 2009 board meeting. Naturally, the analysis of discussion time is a very blunt tool when attempting to analyse the influence of particular groups. For one thing, it underemphasises the impact on the discussion of the native english speakers who tended to speak far more quickly than those for whom English was relatively new. Those with a poor command of English would tend to speak slowly — and occasionally incoherently — which would result in a greater duration yet no proportionate increase in their influence over board decisions.

Domination of discussion time is a useful indicator of overall dominance of the agenda at board meetings, but other factors are also evidently important, such as the timing of a contribution to the discussion and the rhetorical skills and assertiveness of the speaker. In this regard, the fair value group members had the advantage in the earlier board meetings analysed, speaking earlier in the discussion and presenting their arguments more forcefully. Generally board meetings would begin with a staff member (usually the project manager) making a statement and asking for the board's decision on a particular question. This would often be repeated as the staff would need to ask several questions of the board during the meeting. The first speaker to respond to the staff member's question would have the potential to shape the initial discussion, thereby exerting influence on the flow of the meeting. In the July 2006 meeting, the staff asked 7 questions and a member of the fair value group was the first to speak after 4 of these questions (although the fair value group included only 5 individuals). In the October 2006 meeting, the discussion was less structured but fair value group members were first to speak after both staff questions. In the January 2007 meeting, the fair value group were first to respond to 12 of the 18 questions posed by the project manager. By April 2009 this pattern was beginning to change, with fair value group members speaking first after only 5 of the 12 staff questions asked, as the confident new board members jumped into the discussion early.

Rhetorical skills are hard to define, and their influence on board decision-making is not easy to identify. However, it is clear from the audio recordings that fair value group members were generally more assertive than their non fair value board counterparts in the 2006 and 2007 meetings. It is likely that this was a source of influence in shaping board discussions. Whereas fair value group members used repetition and made strong assertions, other board members would tend to precede statements by phrases such as "I think" or end statements with phrases such as " or am I wrong?" which weakened the rhetorical effectiveness of their remarks.

As an example, in the January 2007, meeting one non-native speaker from the non fair value group made a slow and faltering statement, asking a question that repeated much of what was discussed earlier in the meeting. The board member said,

> ". . . I'm not sure . . . what kind of things . . . especially that we are limited in what we can do in the measurement objective . . . .?" (00:23:48 - 00:24:47)

In response, the staff member repeated the answer she had previously given. Such contributions to the discussion were neither persuasive, nor influential on the course of the subsequent discussion. In contrast, in the same meeting, a fair value group member, Jim Leisenring, complained about the reporting of feedback from round table meetings in strong terms. He said,

> "What the hell does 'artificially' mean? I'm sure it was said. But what's artificial about it? I either applied the term or I didn't apply the term. There isn't anything either artificial or real! " (January 2007 IASB board meeting, 00:02:59 – 00:03:39)

In contrast to the remarks of the board member above, this statement was more emphatic, confident and forceful. The repetition of the term 'artificial' three times drives home Leisenring's frustration with what he apparently perceived as unhelpful feedback from certain constituents. It was also not unusual for him to raise his voice for emphasis (for example, in the January 2007 meeting at 00:33:51 - 00:34:13).

In addition to these prosodic features of the speech of members of the fair value group, other non-lexical factors, such as physical gestures, contributed to the power of the contributions made to board meetings. In the July 2006 meeting, Jim Leisenring became so animated in his complaints about constituents at round table meetings that the chair had to ask him to stop waving his hands about as he risked hitting the board member sitting next to him (00:31:40 - 00:32:45). In addition, Leisenring would often hit the table to emphasise a point, for example in the July 2006 meeting (00:09:50-00:10:40) and again in the October 2006 meeting (00:20:30 - 00:20:43).

Leisenring also used humour on occasion. In the July 2006 board meeting, he complained about a particular Big Four accounting firm attending multiple feedback meetings. He said,

> "If [X] show up in all three locations to say the same thing [nervous laughter from group] . . . I mean it's bad enough that we have to listen to it once! [laughter from group]" (00:31:40 - 00:31:49)

Having introduced the argument using humour, Leisenring then went on to develop this point more seriously in the next few minutes of the board meeting.

Other members of the fair value group, such as Mary Barth and Tricia O'Malley, were often supportive of Leisenring's view, although they tended to be less assertive. Furthermore, Warren McGregor and Jim Leisenring disagreed strongly on certain technical details on occasion, but both strongly advocated the proposed revisions to IAS 37. Leisenring and Barth were capable of being assertive when disagreeing with the views presented by other board members. The non fair-value group member, Gilbert Gelard suggested that any move away from neutral reporting of constituent views or removing comments which did not appear to make sense to some board members would be "a way to apply censorship." [20] but he was immediately countered by Jim Leisenring who repeated his view that staff ought to have challenged constituents during the round table sessions to ensure some they reached a "common understanding" of the meaning of their comments.

It has been shown that the fair value group dominated board discussions in the early stages of the project. However, it was not just group effects and the strength of particular individuals that contributed to their influence. Infrastructural features of the IASB, such as project management structures, increased the influence of the fair value group. Interview evidence reveals that, until 2007, the project was allocated a small group of board members as 'advisers', and that this advisory group was composed of members of the fair value group who were advocates for the proposed revisions to IAS 37 (Interviewee-10). This slipping of the project onto the agenda was feasible because of the ingroup influence. Although the project was discussed relatively frequently at board meetings, the discussion was sometimes relatively brief and periods of up to two months often separated board meetings.[21] As a result, the project team were likely to be less aware of potential dissenting views of other board members at the initial stages of drafting. The fact that the project advisory group was not representative of the views of the board members may have resulted in some bias towards the views of the ingroup being reflected in the initial exposure draft.

In 2005, a regular review by the Trustees had called into question decision-making and governance procedures at the IASB, in particular, board composition, voting mechanisms and due process. Yet, the project still proceeded without a research paper. The categorisation of the project as 'minor' meant that the team were not required by IASB procedures to commission an initial

[20] January 2007 IASB board meeting, 00:05:14 – 00:05:40.

[21] The dates of the board meetings are included as an appendix.

staff research paper. According to a member of the IASB technical staff, the ingroup supervisers of the Liabilities Project believed they were simply clarifying existing requirements whereas everyone else thought they were changing them.

> "the board members genuinely thought it was a clarification. Because, they read the standard one way and they thought, 'if other people are reading it differently we ought to clarify it' ". (Interviewee-10)

Yet, the fair value ingroup were apparently out of step with the constituents and ultimately, the other board members, who came to see the project as proposing major amendments to existing reporting requirements.

In the initial stages of the project, the fair value group believed that the project would be completed within a reasonable timeframe, and certainly while these individuals were still in post. Interview evidence suggests that the fair value ingroup believed the revisions to IAS 37 to be "obviously the 'right' thing to do" and that they would be able to persuade everyone else that this was the case (Interviewee-10). In an interview, a member of the IASB technical staff highlighted the confidence of the ingroup, and stating that initially, "there was an expectation that the project would be completed quite easily and without too much opposition because the board members at the time thought it was such an obviously right thing to do"(Interviewee-10).

The fact that the project was unlikely to result in the publication of a revised standard did not appear to weaken the group's continued advocacy. This is consistent with the view that highly cohesive groups, in which members share a strong social identity, are more likely than individuals to continue their support of a project, in spite of evidence to suggest this is not rational (Haslam et al., 2006).

The sub-group suggested responding to the negative responses from constituents through a "communication strategy to help constituents understand this project". Technical staff at the IASB were amazed that constituents did not seem able to understand what the IASB believed to be a straightforward technical approach. An interview with a member of the IASB technical staff revealed his view that,

> "With non-financial liabilities, people are really struggling with the concept of uncertain amounts . . . I'm not sure why there is so much confusion. Maybe people don't know what expected values are, which is a bit of a worry." (Interviewee-9)

In saying this, the staff member states his/her view that the project had somehow been *misunderstood* by constituents, or that constituents were not capable of understanding some of the technical concepts contained within the exposure draft. This attitude suggests an exaggerated sense of confidence combined with an intellectual commitment to fair value accounting, both of which are consistent with the influence of the ingroup and potentially symptomatic of groupthink.

The sense of incomprehension at the opposition faced by the project was expressed in an interview with an IASB technical staff member, who argued that,

> "I guess there was still a frustration among some staff, including me and some board members, that this project that was so obviously doing the right thing was taking *so* long and meeting *such* opposition. And we thought 'why'? 'Why can't people see that this is the right thing to do?"' (Interviewee-11)

In the face of negative responses to the first exposure draft, the same IASB staff member remembers thinking,

> "Oh for heaven's sake, what more do we need to do to convince you?!"

Interviewee-11 went on to suggest that the IASB "just completely underestimated people's opposition" to the project." The staff working on the project did not anticipate the negative responses they would receive after the first exposure draft in 2005. According to this staff member, even when they did receive significant criticism, they still believed that "there was some way of continuing to push this through." This reveals that members of the ingroup were confident both of the 'rightness' of the project in technical terms and their ability to overcome opposition. The project continued in spite of the negative feedback received from constituents, in comment letters, weblogs and meetings.

In a board meeting that took place in January 2007, the manager of the project presented a report of feedback from roundtable events to discuss the Liabilities Project revisions to IAS 37. Jim Leisenring expressed his irritation at the staff's 'neutral' and unannotated reporting of certain comments made by constituents. During the meeting, he demonstrated his frustration by describing certain constituents' statements pejoratively and questioning the purpose of recording such "obnoxious" views, referring to the case of pending litigation liabilities where he attributed to constituents the "huge misconception that I've heard in all the [round table] discussions that the figure included should be a figure that will actually be paid out." (01:20:04 - 01:20:42). This reflects the view of fair value group members that constituents' often held irrational opinions on technical accounting issues. The confidence of the ingroup that this demonstrates and this assumption that those who disagree must have been wrong, is consistent with the symptoms of groupthink proposed by Janis (1972).

By time of the publication of the second exposure draft in January 2010, outgroup board members began to become increasingly uncomfortable with project. Following complaints from constituents that the full draft of the new standard had not been made available soon enough after the publication of the exposure draft, the board considered extending the comment period. An extension would delay the vote on the new standard until after June 30th, at which date the three board members who had supported the project were due to retire. Jim Leisenring argued against such as delay, on the grounds that he did not believe that constituents misunderstood the proposals due to insufficient outreach or delays to the publication of the draft standard. If Leisenring's argument had been accepted and had the comment period not been extended, the vote on the revised standard would have taken place before his retirement on 30th June.

We have seen that the fair value group were instrumental in the original inclusion of the Liabilities Project on the standard setting agenda and to its continued development in the face of severe opposition. However, from 2008 the situation was very different for a number of reasons.

The first of these was the financial crisis, which exacerbated the difficulties faced by the project team. Since the upheavals of the financial crisis, constituents had been arguing that the proposed recognition rules would increase the level of liabilities for preparers, at a time when volatility in asset and liability values was perceived to be a concern (IASB, 2008)[22]. Concerns about due process were also heightened at this time, particularly for projects perceived to incorporate elements of fair value. The fact that particular approaches to accounting were increasingly referred to by the label 'fair value' meant that the such accounting came in for criticism once fair value had been suggested as a pro-cyclical factor that exacerbated the financial crisis. Had the fair value group been promoting a less clearly labelled approach — a family of modern accounting techniques — the Liabilities Project might not have been tainted by its association with fair value accounting. The fact that "fair value" has been stigmatized by many in the accounting community post-crisis and as such the fair value group may have found it particularly hard to push through the Liabilities Project after 2008. There is some discussion during the board meetings about whether or not the appropriate measurement for

[22] http://www.ifrs.org/Meetings/MeetingDocs/IASB/Archive/Liabilities/Development%20of%202nd%20ED/IAS
0802b06b.pdf

a non-financial liability proposed under the revisions to IAS 37 should be considered exit price fair value or not, and if so, whether or not it would be disingenuous to fail to label it as such.An interview with IASB staff member, Interviewee-11, revealed that fair value was the prevailing logic at the IASB until 2005, but that it subsequently began to fall out of favour for a number of reasons.

The second reason related to board composition. As the members of the fair value group reached the end of their terms on the board, the ingroup became increasingly weak, particularly with the retirements of Mary Barth in 2009 and the impending retirement of Jim Leisenring in June 2010. Interviewees suggested that the declining board support for the project was associated with the increasing realisation among less ardent supporters of the Liabilities Project that the project that it was unlikely to succeed, partly because of its unpopularity but also because of imminent changes in board composition that would remove key advocates. A long-serving and influential IASB board member, interviewed in January 2011 described the waning interest in the Project as follows,

> "There were some guys here who wanted to push it. Some of us thought, 'this isn't the right time, but you're going to run out of time unless you do it now, so this is your last chance. Let's see what happens.'" (board member, Interviewee-7).

With limited time before the key proponents of the project were due to step down in June 2010, several other board members judged the project not worth supporting. The project history did indeed display some tell-tale signs of rushed preparation such as the decision to re-expose only part of the proposed standard in the second exposure draft. This would be consistent with a desire by the fair value ingroup to rush the standard through in order to minimise the chances of a defeat as a result of imminent changes in board composition. Figure 3 shows those Board members who retired between 2006 and 2010.

[INSERT FIGURE 4 HERE]

It can be seen that the key advocates of the project (and members of the fair value group) retired in the three years before the project was removed from the agenda. Scholars of social psychology such as Bartel and Wiesenfeld (2013) have argued that prototype ambiguity develops if an ingroup is no longer able to define itself as a coherent entity. The changing board composition did indeed remove clear self-definition. In particular, the departure of Jim Leisenring, who was a natural prototype of the ingroup, may well have led to a shifting in the prototypicality and shared social identity of the group and thus to a weakening of support for the project.

By the time the second exposure draft came to a vote in spring 2010, the board was divided in its support. Figure 3 summarises key data about the board members at the time of the vote, in particular how they voted, whether they belonged to the fair value group, what they objected to in the exposure draft (if they voted against the project), what their backgrounds were, whether they had former affiliations to G4+1, IASC or FASB, and when they retired.

[INSERT FIGURE 5 HERE]

The three board retirements in June 2010 were of three members who had voted in favour of the second exposure draft (Leisenring, Garnett and Gelard). Their retirement effectively removed the definite majority as the new members' voting behviours were not known. This offered opponents of the project an opportunity to undermine it by delaying the vote until after June 2010, by which time three of the pro-votes would be replaced.[23] More importantly, the retirement of Jim Leisenring, a key advocate of the project, was likely to have a significant effect on the overall commitment of the remaining board members to supporting the project. According to Interviewee-10, these board changes were significant for the Liabilities Project because the board members standing down were "pioneering thinkers who were obviously not going to be replaced with pioneering thinkers" (Interviewee-10). The retirement from the board of members of the fair value ingroup was important not only because of the loss of the votes, but also because of the loss of project advocacy by these strong characters. Although only one of the board members who retired in June 2010 was a member of this ingroup (Leisenring), earlier retirements (O'Malley in 2007 and Barth in 2009) were important as they eliminated key advocates of the project.

5.3. External lobbying

The Liabilities Project offers an example of successful lobbying by IASB constituents to have a proposed new standard setting project removed from

[23]The three retirees were replaced by two new members, Elke Koenig and Paul Pacter who could not be relied on to vote in favour. Pacter was a career standard-setter having served at the FASB and having been heavily involved with IAS 39 which drew heavily on the US standard, FAS 133. This increased the chances that he would support a fair value project. However, Koenig's experience was in the financial services industry in Germany, and she was therefore a less reliable pro-vote.

the IASB agenda. One important reason why these arguments were effective was due process vulnerability generated by the actions of the ingroup, attributable to group effects. By contrast, lobbying against earlier projects to introduce elements of fair value had not been successful, for example financial instruments and pension projects such as IAS 39 and IAS 19.

The first Exposure Draft published in 2005 attracted 123 comment letters which were mostly negative and addressed both technical and due process issues. Technical concerns focused on the reliability of the proposed measurement approach and the need for the production of a revised standard. Constituents argued that any divergences in practice could be eliminated without the need to re-issue IAS 37 or dispense with the "most likely outcome" approach to measurement.[24] Overall, constituents doubted the need for a revised standard.[25] The IASB had to admit that, "[m]ost respondents disagree with the proposals and state that the board has not made a sufficiently compelling case for the changes arising from its consideration of contingencies."(IASB, a, ¶6).

The second exposure draft, published in 2010 attracted 211 comment letters, of which 114 were from preparers and 27 from professional accounting bodies. Technical criticisms included the use of expected values for single events which was seen to be unreliable and the problem of revealing privileged information for a pending lawsuit (the latter raised by the 88 preparers from a range of industry sectors). Other criticisms included the inclusion of profit and risk margins in the measurement of the liability and the logical flaw in 'copying' the valuation of liabilities from that used for valuing liabilities in a business combination. In procedural terms, constituents criticised the inconsistency between the definition of 'liability' in the exposure draft and that in the IASB conceptual framework.

The project team acknowledged that, "a substantial number of other respondents do not support the continuation of the project in its current form" (¶2.1.2, Comment Letter Analysis, 2010). It should be noted that this statement underplays the negative emphasis of many of the comment letters. A small number of organisations were key to the publication and European adoption of the standard. These were the European Financial Reporting Advisory Group (EFRAG) and the FASB. Obtaining the approval of EFRAG was key to having the standard published as EFRAG advises the European Commission on endorsement of standards. The approval of EFRAG is thus extremely important for the IASB as, without EU endorsement, a reporting

[24]An additional concern was that non-endorsement by the EU would place a burden on European companies with US listings.

[25]The fact that there had been only two referrals to the IFRS Interpretations Committee since the project was launched is consistent with this view.

standard does not form part of EUIFRS and cannot apply to EU listed companies (see also Zeff, 2002, pg. 45).[26] The views expressed on the project by EFRAG were generally negative. At a meeting on Wednesday March 17th 2010 between the IASB and representatives of EFRAG on convergence-related issues, the unofficial observer minutes state:

> "The EFRAG representatives expressed their grave concerns about the IAS 37 proposals. The EFRAG noted that there is lots of uncertainty about the probability-of-outflow recognition criterion and urged the IASB to expose the whole Standard for a new comment period."

The EFRAG comment letter in response to the second exposure draft states:

> "[I]n our view, the proposals set out in the exposure draft fail to satisfy the IASB's objective to improve the quality of financial reporting." (Comment Letter from EFRAG (CL184) 19th May 2010)

Such a negative response to the exposure draft could only signal the likelihood that the EU would refuse to endorse the standard if it were to be voted in by the IASB board. This in turn would no doubt impact on voting behaviour of the board; little point would exist in pushing through a standard if it was unlikely to be endorsed by the EU.[27] Speaking of a "sticky" meeting with EFRAG, a staff member at the IASB argued that,

> "to some degree, this was just a project to beat the IASB up over. Because, you know, there was a lot of concern about, you know, the standard setting here was running away a little bit . . . it was the whole argument that, 'there's too much fair value', you know, and 'this is radically changing accounting'. It got caught up in that debate at that particular time. And so, to some degree, I think it just got caught up by just a general concern that the IASB was sort of just getting too radical too quickly."(Interviewee-12)

The second exposure draft was particularly unpopular with US constituencies, particularly the American Bar Association (ABA). During a time of attempted rapprochement with FASB, the requirement to recognise pending litigations, and measure them at expected value, was claimed to be an obstacle to US

[26] This is subject to the requirements of IAS Regulation (no.1606/2002).

[27] Moreover, the perceived risk that the standard might fail to be endorsed may have increased as a result of the decision by the EU not to endorse the new standard on financial instruments, IFRS 9 in November 2009.

GAAP–IFRS convergence by the ABA . Given the importance attached to convergence by the IASB at this time, the decision to continue to push for rules relating to pending litigations may be seen as an example of group effects, specifically over-commitment to the project and over-confidence in the group's ability to succeed in publishing the revised standard without making significant concessions to ABA. One staff interviewee admitted that it was perhaps over-confident of the IASB not to water down the proposals to exclude pending litigation in order to mitigate opposition from the ABA (Interviewee-10).

5.3.1 Technical concerns

Many constituents argued that the existing standard worked well and that the proposed changes were "unnecessary and a mistake" (Interviewee-5). This interviewee stated that many constituents with whom he had discussed were of the opinion that,

> "[I]t ain't broke, so why fix it? People are quite happy with measuring liabilities, of the kind we're talking about here on the basis of 'do you expect to pay something?"

In other words, the project proposals were not seen as a sensible idea by constituents.

Many comment letters criticised the extension of expected values to single events. In particular, they objected to the fact that an 'apparently precise' probability for a single event may be misleading. For example Tata Steel Group UK, a UK preparer, argued that,

> "We believe that a liability measure based on the probability weightings of all possible outcomes is not the most rational measure, as the entity would calculate an amount that it would be unlikely to pay and this would not provide decision useful information" (Comment letter CL17).

The Singapore Accounting Standards Council, argued in its comment letter that,

> "...for single obligations, the use of an expected value approach is likely to result in measurement at an amount that bears little resemblance to the actual outflows, which the board recognises. It would lead to the inclusion in financial statements of amounts that, arguably, will be of very limited informational value" (Comment letter CL37).

This argument refers to the deficiencies of probabilistic valuations in cases where limited evidence exists and also highlights the belief in many constituents that the aim of providing *useful* information would simply not be met by the proposed measurement rules. In response, an IASB board member defended the proposal by arguing,

> "Although there are difficulties measuring such obligations, it is better to put a number in the accounts which is greater than zero, than to throw your hands up in the air and fail to assign any value" (Interviewee-2).

However, the Accounting Standards Board, the UK standard setter was not satisfied with the approach taken in the proposed standard and argued that,

> "The ASB believes that the measurement proposals, similar to the recognition proposals, will not be well received. In the absence of support for both ... and taking into consideration the IASB's divided views as is evident with 6 IASB members offering an alternative view) the ASB is of the opinion that the IASB should defer the project until post 2011 when it should have more time available to undertake a fundamental rethink of its proposals." (CL12, Accounting Standards Board).

This comment shows that external constituencies were aware of the increasingly weak support for the project within the IASB. This vulnerability would be open to exploitation by particular interest groups who were intent on blocking the project. Furthermore, constituents argued that the project represented an attempt to measure current exit price which they described as "fair value by stealth." (¶3.1.2, IASB Comment Letter Analysis, 2010)

Some respondents accused the board of proposing recognition criteria which were inconsistent with the conceptual framework. They argued that the removal of the *probability of outflows* test for the recognition of liabilities appeared to be inconsistent with the definition of a liability in the conceptual framework (IASC, 1989) which is predicated on the existence of an outflow of economic benefits. This inconsistency was particularly striking given that the voting academic board member had expressed a clear view that the aim of the IASB is to "to apply its conceptual framework, which is specified in its Framework for the Preparation and Presentation of Financial Statements" (Barth, 2007). Board members were aware of the potential problem of making proposals that were inconsistent with the existing conceptual framework, discussing this issue in board meetings (for example in the meeting that took place in January 2007). The inconsistency with the framework offered an opportunity to opponents of the project to criticise the IASB, even though existing, published standards, such as IAS 39 for financial instruments were also at odds with the probability of outflows element of the definition of a liability in the conceptual framework (Interviewee-10).

5.3.2 Procedural concerns

In addition to opposition on technical grounds, respondents raised due process concerns about the IASB's due process. In the comment letter summary produced for the board Meeting in February 2006, the staff noted complaints from constituents about four particular issues. First, no Discussion Paper had been produced with the result that there had been insufficient analysis and discussion of the proposed changes. Second, the comment period had been only 120 days, which was argued to be too short and which coincided with the holiday season and the semi-annual external reporting cycle. Third, the absence of field testing and/or roundtable discussions meant that implementation issues were not addressed. Finally, constituents criticised the absence of a cost-benefit analysis for the proposed changes.

Constituents were aware of the contradictions between the proposed recognition criteria contained in the exposure drafts and the conceptual framework at the time. As one interviewee from a professional accounting body stated,

> "they [the IASB] have a right to go ahead even if the whole world disagrees with them. But there does seem to be something odd about doing that . . . particularly as it's not as if what they're doing is in accordance with some kind of conceptual framework. If anything it's *overturning* the existing conceptual framework."(Interviewee-5)

This demonstrates the irritation felt by some constituents at the perceived lack of accountability and responsiveness of the IASB to its constituents.

In the face of criticisms that the "stand ready obligation" was inconsistent with the conceptual framework as existence was not dependent on probable cash outflows, the board maintained an enigmatic position, in stating that its analysis, ". . . takes a broader view of rights and obligations together with inflows and outflows of economic resources than the current Framework"(IASB, b, ¶11). the board also stated that its standard setting initiatives, were "not dependent on completing the conceptual framework project" (IASB, 2006, ¶A15). The first of a number of project managers of the Liabilities Project responded by arguing that an unconditional "stand ready obligation" is consistent with the framework, whereas applying the proposals to a conditional obligation is not (Rees, 2006, pg.30).

In an IASB board meeting in June 2006, the staff argued that the inconsistency would be resolved if,

> "... no specific level of expectation is required for something to satisfy the definition of a liability. ... the focus in determining whether there is a liability has to be on determining whether there is a present obligation, not considering the probability of an outflow of resources" (Board meeting June 2006 ¶10).

On one hand, the IASB justified the revisions to IAS 37 as a means of promoting consistency in the recognition and measurement of liabilities, thus invoking some kind of conceptual purity (Young, 2014) , yet on the other hand they were charged by constituents of contradicting the conceptual framework.

The second type of procedural concerns raised related to 'due process' issues, in particular to the absence of staff research papers and the charge that constituents were given insufficient time to comment on the new proposals. The decision to add the project to the standard setting agenda did not result from demands for change from external constituents. Instead, the project morphed from a minor adjustment to IAS 37 as part of the convergence project with FAS 142, to being what was perceived by constituents as a major revision of the rules for recognition and measurement.

In fact, the IASB became acutely aware of procedural weaknesses, such as the lack of constituent demand for the project and the lack of a staff research paper before its addition to the agenda. In order to avoid encountering similar problems with future projects, the IASB reworked its procedures for agenda setting. Notably, from 2011 onwards, more extensive research was required before a project could be included on the standard setting agenda. As part of theis research, external constituents were consulted to seek their approval for the initiation of a project. Figure 4 shows the revised procedures for agenda seting.[28]

[INSERT FIGURE 6 HERE]

Another due process issue raised by constituents was the limited re-exposure of proposals. The Comment Letter Analysis prepared by the project team confirms this view as constituents are reported to have argued that,

[28] These changes were reflected in the IFRS Foundation Constitution and Due Process Handbook in 2013, which requires that the project agenda decision should occur "after, rather than before, the research process has occurred..." (http://www.iasplus.com/en/resources/ifrsf/due-process/iasb-due-process).

"... due process appears to have been condensed because of a desire to complete the project before the 2011 deadline and/or before board members come to the ends of their terms" and that, "a limited-scope exposure draft is a departure from the board's normal due process procedures and risks damaging the board's reputation" (Comment Letter Analysis, 2010, ¶5.1.2).

Professional accounting organisations also opposed the project. The ICAEW comment letter included strong complaints about process, in particular "the limited scope of the issues on which comments are invited". Furthermore, they argue that the IASB failed to address fully constituents' concerns to "highly controversial" proposals and asks why the IASB failed to "explain publicly why it has rejected commentators' views"(ICAEW comment letter, 19th May 2010). Even investor groups raised due process concerns. In their comment letter to the IASB, the analysts association, CFA (UK) note that the proposed amendments to the recognition criteria were not sufficiently re-exposed and they point to a lack of clarity in some elements of the recognition criteria and describe the aim of the standard as being, "a bit confusing" (Comment letter CL207).[29] These kind of comments and the language used may be interpreted as particularly negative given that they are made by a group which generally supports a move towards economic valuation and with whom the fair value ingroup would likely have felt the greatest ideological affinity.

The frustration felt by professional accounting organisations that the IASB ignored technical advice may have contributed to a desire to use any means necessary to halt the project. In this vein, the scepticism felt by many constituents about the effectiveness of providing technical comments to the IASB became clear during interviews. Interviewee-3, a technical partner of an international accounting firm, expressed his disatisfaction with the IASB's lack of responsiveness to constituents' technical criticisms. In this regard, he argued that:

> "This is one of those topics on which the IASB has become utterly pig-headed and has stopped listening to their faithful and loyal constituents" (Interviewee-3).

It is important to note that the term "pig-headed" used here refers to the interviewee's view that the IASB were acting cynically by using due process and outreach to constituents as a means creating legitimacy, even though they would often fail to amend technical components in response to constituent feedback. Interviewee-3 explained that opponents of the project aimed to use

[29] The preference of the CFA for fair value has also been described by Chakravarthy (2014).

due process objections to delay the project until its two main supporters were due to stand down from the IASB board in June 2010:

> "This was tactics. Within the IASB there were six dissenting opinions – and there were going to be two major changes to the board [at the end of June] ... So we thought if we could get it deferred till after June we might get another dissenting vote and get it defeated [...] By claiming due process in essence we are going above their heads to the trustees and the supervisory body ... It was the most effective way of putting pressure on them. Because if we simply said to them, 'we disagree with your technical arguments' they would (and regularly did) say (as they often do) in their basis for conclusions: 'Some people said this. We considered it. We disagree we are staying with that argument.' So if you try to argue technically, they are quite entitled to disagree."

Thus, certain interest groups realised that the most effective, and perhaps only, means of halting the progress of the project was by making complaints about due process, rather than emphasising the technical concerns that they believed to be important.

It is for this reason that group effects are so important in explaining the outcome of the Liabilities Project. Group effects, in particular the overconfidence of the fair value group and their view of the project as a mere clarification, contributed to due process vulnerabilities. External lobbying would have been far less powerful for this project, if internal lobbying had not led to a failure to follow procedure.

A member of the project team acknowledged that due process concerns were probably raised primarily as a means of blocking the project. In an interview, the staff member said,

> "They spotted a weakness in due process – some people genuinely thinking there was a problem with the due process – and ultimately there was, in that this standard which had had no discussion paper because it was supposed to be minor was making quite fundamental changes. But if people strongly dislike the answer, they will use any means to stop it happening. And that's when they start arguing due process and conceptual framework." (Interviewee-10)

In effect, the Liabilities Project became an accounting cause-célèbre as a prominent focal point for tensions between constituents and the fair value group on the board. These tensions arose not only from differences of opinion on technical issues but also from psychological factors such as the deep resentment felt by certain constituents who believed that their comments on technical issues went unheeded by an unlistening, unaccountable IASB. These technical and psychological battles were subsequently played out in the field of due process, the result being: Non-fair value group 1, Fair value group, 0.

6. Discussion and conclusions

Irrespective of the technical virtues of proposed changes to accounting rules, standard setters must carefully balance the requirements of due process and the demands of lobbyists if they are to be effective in publishing revised standards. The influence of a group of fair value advocates on the IASB board and on the technical staff on the processes followed in the Liabilities Project is the focus of this paper. Associated with the existence of this fair value group, effects observed included the over-confidence of the group in their ability to publish a revised standard as well as the polarisation of ingroup and outgroup views. Furthermore, the group dominated board discussions, especially in the early years of the IASB, in part, because of the fact that they were native English speakers with previous experience of standard setting.

The identification by Hirschleifer and Teoh (2009) of the important role of psychological biases in explaining the form of accounting rules is apposite given the evidence presented in this paper. Yet it appears to have been *group* biases rather than individual biases that played a role in influencing the project studied here. This paper contributes to the literature on standard setting by highlighting both the interactions between the fair value group and other board members at the IASB (which I label 'internal lobbying') and also effectiveness of external lobbying for this particular project resulting from the actions of the fair value group. It reveals that a fair value group, containing board members as well as techical staff, was responsible for pushing the project onto the standard setting agenda and managing it in a way that was perceived by many as being inconsistent with accepted due process requirements. Studying the existence of this group, and the effects it exerted on the standard setting process improves our understanding of the key factors influencing decisions made by the IASB. Furthermore, it highlights the tactical nature of lobbying by constituents.

Rather than treating the IASB as a single unit of analysis, or a black box, this study reveals the social processes within the standard setting organisation which play a role in shaping regulatory outcomes. Much of the existing literature on standard setting relies heavily on documentary evidence, such as comment letters to standard setting organisations (Giner and Arce, 2012) or an analysis of internal documents and board meetings (Baudot, 2014). Although these individual approaches offer many useful insights into the standard setting discourse, their reliance on documentary evidence may result in a failure to reflect the real motivations of participants in the process of standard setting and lobbying. A notable feature of this work is the interview access to board members and technical staff who worked on the project team. This enriches the accounts that emerge from documentary and aural sources by showing that group-effects led to decisions which opened up the project team to due process criticisms. Interview evidence revealed that lobbyists chose to raise due process complaints as the most effective means of slowing the progress of the Liabilities Project because they realised that technical criticisms would be ignored. Their use of tactical objections would not have been obvious through a review of documentation alone. The analysis of four board meetings reveals the domination of the board's discussion by the fair value group which can be attributed to its members' English language and rhetorical skills, their technical experience in standard setting and their former affiliations via organisations such as G4+1.

Admittedly, the role of group effects as a driver of the ideological commitments at the IASB should not be overplayed. The fair value group was composed of individuals who already held strong pro-fair value views before they joined the IASB, so it is not justifiable to argue that their views developed as a *result* of being part of a group at the IASB. However, the evidence from interviews points to the fact that group effects magnified the individual members' commitment to particular accounting approaches and provided a sense of heightened confidence in their ability to push through the Liabilities Project, in spite of the lack of support for it by constituents.

We have seen that the fair value group at the IASB appeared excessively confident in its ability to deliver a revised non-financial liabilities standard. While its members viewed their proposals as the best way to do financial reporting, many constituents argued that the project exceeded its initial remit. Interview evidence has revealed that the fair value group believed the Liabilities Project to be a minor project that was intended to clarify existing guidance, whereas it quickly became evident through constituent feedback and IASB board discussions that it was widely viewed as a major revision, which others viewed as being ideologically driven and impractical. No staff research paper was produced and board level advocates of the project argued that they were merely clarifying what was already in the existing standard. The fact that the project team and board level advisors acted as if the proposed changes did not constitute a major revision, contrary to the view of most of the constituents, suggests the presence of group effects. The fair value group were either unaware of the likely criticisms of the project or simply did not take them seriously due to an exaggerated sense of their ability to complete the project and gain necessary approval from constituents.

Group effects can be observed from agenda-setting, through to due process issues and a reluctance by project advocates to recognise that the project was not likely to result in a published standard in its current form. The Liabilities Project was added to the standard setting agenda in spite of a lack of constituent demand and without the publication of a staff paper. Similarly, the decision to limit the re-exposure of the proposals on recognition, in spite of the tense post-financial crisis due process environment, is indicative of overconfidence resulting from group effects. This decision led constituents to demand an extension to the comment period, as a result of which, the vote on the new standard would have to be delayed until after the retirement of its key advocates. A further expression of a group effect at the IASB can be seen in the sense of surprise on the part of both board advocates and technical staff at the hostile response of many constituents to the project proposals.

Of particular interest in the case of the Liabilities Project is the way in which this internal lobbying within the IASB made the project more vulnerable to certain types of external lobbying activity. Both the failure to publish an initial staff research paper and the failure to re-expose fully contentious technical issues is consistent with an *ingroup* effect, as well as showing tendencies towards the kind of sub-optimal decision-making associated with 'group think' (Janis, 1972). The IASB did not act as one unit, but instead the fair value ingroup drove the project. Group effects within the IASB thus appear to have played a part in creating the due process vulnerability which was then exploited by external lobbyists. Unlike technical criticisms, which the board could acknowledge but decide not to act on, due process criticisms effectively leap-frogged the board and involved the trustees at the IFRS Foundation to whom the board was answerable.

The project was further damaged by its omission from the agenda of the convergence project with FASB and by the financial crisis which led to concerns with projects perceived to be advancing fair value accounting, while prioritising crisis-related work. Ultimately the project became dependent on the continued support of this fair value group of board members. However, all but one of them was due to retire from the board by the end of June 2010.

Interview and documentary evidence suggests that the over-confidence of the group may have resulted from the fact that the members of the ingroup all had prior experience of publishing fair value standards, often in spite of tough opposition. For example, at the FASB, Jim Leisenring had been heavily involved in the project to publish FAS 133 in spite of opposition from Alan Greenspan at the Federal Reserve. At the same time, their willingness to act as if the proposed amendments were minor signals that they were out of touch with opinions of their constituents, and, more importantly, with those of fellow board members. Similarly the various project leaders had experienced fair value standards before, most being British and familiar with the introduction of fair value pension accounting in the UK.

We have seen that group-related features of the IASB appear to have led to the initiation of the project and the continued advocacy by the fair value group of a project containing unpopular technical proposals regarding both recognition and measurement. Yet, structural characteristics were also striking in their effect on the project, and on their facilitation of these apparent ingroup behaviours. The project staff tended to have a small group of board advisers on each project. On the Liabilities Project, the board advisers initially selected were all strong fair value advocates who supported the project. None of the interviewees were able to recollect the reason for the assignment but most suggested it was probably a random allocation. Whatever the reason for the particular composition of this advisory group, it may have prevented the project team from obtaining early feedback about possible dissent from other board members, particularly on agenda-setting issues. The IASB introduced changes to the agenda-setting process in 2011 which made explicit the requirement to issue a staff paper and to garner support from IASB constituents before including a project on the agenda.

While social psychological characteristics based on the existence of a fair value ingroup can be implicated in the decision to introduce and subsequently push the project forward against the wishes of many constituents, the existence and power of the group was also crucial to the project as it was only they who continued to advocate the project once it had been subject to intense criticism. After Jim Leisenring's retirement from the board, the project had lost one of its key advocates and with insufficient support on the board, was extremely unlikely to have been voted through, as stated by several interviewees. The removal of the fair value group from the board was linked to the removal of the project from the standard setting agenda.[30]

The case of the Liabilities Project also highlights the use of tactical criticisms by constituents. Recent work has argued that, while lobbying of standard setters may be based on self-interest, the arguments made in comment letters tend to focus on conceptual arguments rather than on the economic consequences of a particular requirement (Giner and Arce, 2012, pg.674). The use of tactical procedural criticisms to block the Liabilities Project appears to have had more to do with a general opposition to the IASB's emphasis on current value accounting than any specific objections

[30] Although the financial crisis was a serious factor in making the publication of the revised standard difficult.

relating to the proposals contained within this standard. In line with Young (2014), the due process objections raised against the project were viewed by the IASB as part of an overall objection to the shift towards fair value and thereby as lacking in "purity" due to their grounding in political rather than conceptual or technical factors.

In questioning the extent to which theories of social psychology can throw light on the IASB's decision-making processes and its effect on regulatory outcomes, this paper is merely touching on what appears to be a promising area for future research. Further work could examine occasions where group effects or internal lobbying have enabled the publication of unpopular standards, or could analyse group dynamics over time or for different standard setting agencies cross-jurisdictionally. Finally, the effectiveness of new agenda-setting procedures introduced in 2014 by the IASB to combat the kinds of problems seen in the case of the Liabilities Project could usefully be examined.

Acknowledgments

I appreciate the helpful comments from an anonymous reviewer and from participants at the conferences of the American Accounting Association, the European Accounting Association, the British Accounting and Finance Association and the Journal of Accounting and Public Policy. I am also grateful to Christopher Napier and colleagues at LSE for their valuable suggestions on an earlier draft of the paper.

A. Chronology of IAS 37 and the Liabilities Project

August 1997	Exposure Draft E59 Provisions, Contingent Liabilities and Contingent Assets
September 1998	IAS 37 Provisions, Contingent Liabilities and Contingent Assets
July 1999	Effective date of IAS 37 (1998)
May 2003	Discussed at IASB meeting
May 2004	Discussed at IASB meeting
September 2004	Discussed at IASB meeting
October 2004	Discussed at IASB meeting
December 2004	Discussed at IASB meeting
May 2005	Discussed at IASB meeting
June 2005	Exposure Draft of substantial revisions to IAS 37
February 2006	Discussed at IASB meeting
March 2006	Discussed at IASB meeting
May 2006	Discussed at IASB meeting
June 2006	Discussed at IASB meeting
July 2006	Discussed at IASB meeting
September 2006	Discussed at IASB meeting
October 2006	Discussed at IASB meeting
November and December 2006	Round-table discussions
January 2007	Discussed at IASB meeting
March 2007	Discussed at IASB meeting
April 2007	Discussed at IASB meeting
May 2007	Discussed at IASB meeting
July 2007	Discussed at IASB meeting
October 2007	Discussed at IASB meeting
December 2007	Discussed at IASB meeting
February 2008	Discussed at IASB meeting
April 2008	Discussed at IASB meeting
May 2008	Discussed at IASB meeting
December 2008	Discussed at IASB meeting
April 2009	Discussed at IASB meeting
June 2009	Discussed at IASB meeting
July 2009	Discussed at IASB meeting
October 2009	Discussed at IASB meeting
November 2009	Discussed at IASB meeting
December 2009	Discussed at IASB meeting
January 2010	Re-exposure of proposed revisions to Exposure Draft
March 2010	Discussed at IASB meeting
April 2010	Staff paper on application of Re-exposure draft to law suits
June 2010	Discussed at IASB meeting

Figure 1: Chronology of IAS 37 1997 to 2010

B. Interviews conducted

KEY:

- IASB - International Accounting Standards Board
- ICAEW - Institute of Chartered Accountants in England and Wales
- CFA UK - Chartered Financial Analysts Institution
- ASB - Accounting Standards Board, UK.

Organisation	**Name**	**Position during project**	**Date of Interview**
IASB	Interviewee-14	Former Board Member	February 2015
Big Four Auditing Firm	Interviewee-13	Applicant for IASB Staff Position	November 2014
IASB	Interviewee-12	Technical staff	November 2014
IASB	Interviewee-11	Technical Staff	April 2014
IASB	Interviewee-10	Technical Staff	June 2013
IASB	Interviewee-9	Technical Staff	August 2011
IASC	Interviewee-8	Former Board Member	May 2011
IASB	Interviewee-7	Former Board Member	January 2011
IASB	Interviewee-6	Former board member	December 2010 and March 2015
ICAEW	Interviewee-5	Technical Staff	August 2010
CFA UK	Interviewee-4	Financial Reporting and Analysis Committee	August 2010
ASB/Big four audit firm	Interviewee-3	ASB member, ICAEW Financial Reporting Faculty, Partner of Big 4 audit firm	August 2010
IASB	Interviewee-2	Board Member	March 2010 and May 2010
ASB	Interviewee-1	Research Staff	February 2010

Table 1: Interviews conducted between 2010 and 2015.

C. Figures

C.1. Figure 1

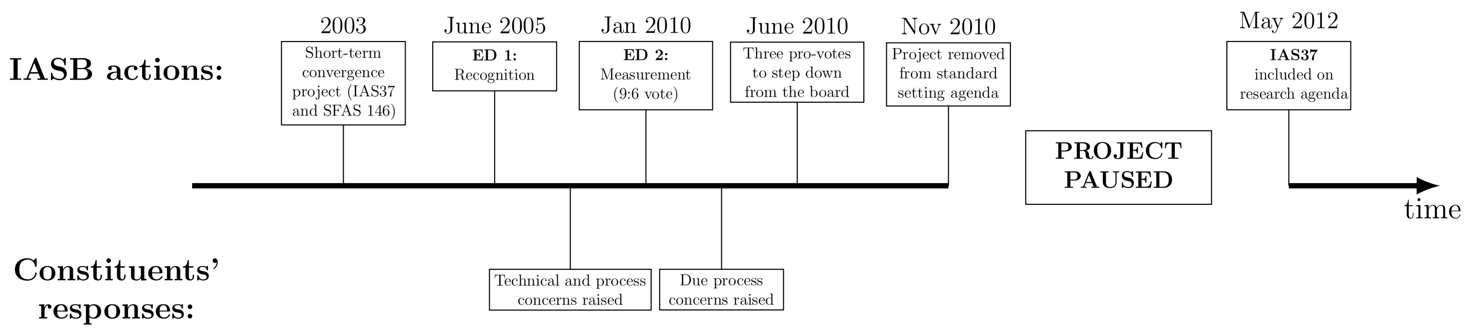

Figure 1: The chronology of the Liabilities Project from 2003 until its removal from the agenda in 2010. The action boxes above the horizontal line represent the actions taken by the IASB and those below the horizontal line represent the actions by external constituents in response.

C.2. Figure 2

Meeting date	Discussion time by group (hr:min:sec)		Discussion percentage by group (%)		Discussion time per board member (hr:min:sec)		Multiple of minutes of discussion by FV to non-FV members
	FV group	*Non-FV group*	*FV group*	*Non-FV group*	*FV group*	*Non-FV group*	
Jul-06	00:20:09	00:07:33	72.74%	27.26%	0:04:02	0:00:50	4.80
Oct-06	00:29:23	00:23:06	55.99%	44.01%	0:05:53	0:02:34	2.29
Jan-07	0:43:28	0:14:29	75.01%	24.99%	0:08:42	0:01:37	5.40
Apr-09	0:26:41	1:07:11	23.31%	58.68%	0:05:20	0:07:28	0.71

C.3. Figure 3

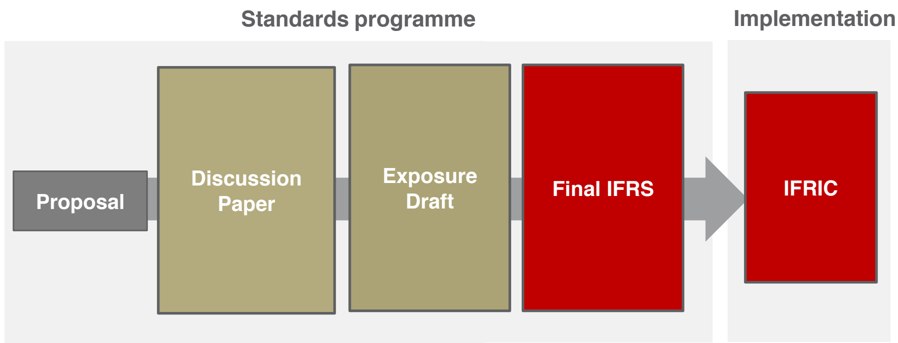

Figure 2: Agenda setting procedures at IASB 2001-2006. Source: IASB Meeting, April 2014, Agenda Paper 13A, *The Research Programme*

C.4. Figure 4

End of term	**Name**	**Vote: ED (2010)**	**Vote ED 2005**
June 2010	R. Garnett	For	For
June 2010	G. Gelard	For	For
June 2010	J. Leisenring	For	For
June 2009	T. Jones	n/a	For
June 2009	M. Barth	n/a	For
June 2007	H. Bruns	n/a	For
June 2007	A. Cope	n/a	For
June 2007	P. O'Malley	n/a	For
June 2006	G. Whittington	n/a	Against

Table 2: Board changes during the Project

C.5. Figure 5

Name	Vote for 2010 ED	Member of fair value ingroup	Objected to profit and risk margin	Objected to due process	Background	Former member of G4+1?	IASC affiliation?	FASB affiliation?	Retired in June 2010?
Leisenring	For	**yes**	no	no	Audit	yes	**yes (1)**	**yes (1)**	**yes**
McConnell	For	**yes**	no	no	Equity analysis		**yes (2)**	no	no
McGregor	For	**yes**	no	no	Audit	yes	**yes (3)**	no	no
Tweedie	For	**yes**	no	no	Audit and academia	yes	**yes (4)**	no	no
Yamada	For	no	no	no	Audit	no	**yes (5)**	no	no
Finnegan	For	no	no	no	Equity analysis and regulation	no	no	no	no
Garnett	For	no	no	no	Accounting, audit and financial analysis	no	no	no	**yes**
Gélard	For	no	no	no	Accounting	no	**yes (6)**	no	**yes**
Gomes	For	no	no	no	Central banking and prudential regulator	no	no	no	no
Cooper	Against	no	yes	no	UK equity analysis	no	no	no	no
Danjou	Against	no	**yes**	**yes**	French securities regulator	no	no	no	no
Engström	Against	no	**yes**	**yes**	Financial reporting practice	no	no	no	no
Kalavacheria	Against	no	yes	no	Audit	no	no	no	no
Smith	Against	no	yes	no	US audit partner	no	**yes (7)**	**yes (7)**	**yes**
Zhang	Against	no	yes	no	Securities regulation	no	no	no	no

Figure 3: Voting behaviour of board members at the 2010 ED and their backgrounds.

Notes

1. Leisenring was a FASB guest on the IASB board 1990–1996, was also a member of the IAS 39 implementation group. At the FASB, he was a board member, director of research and international activities and the chair of FASB's Emerging Issues Task Force.

2. McConnell was a financial analyst and former member of the IASC board, becoming vice chairman in 1998.

3. McGregor was the technical adviser to the Australian delegation and Chairman of the IASC's Insurance Steering Committee

4. Tweedie was the IASC's UK delegate 1995–2000 as Chair of the ASB.

5. Yamada was a member of the Executive Committee of the IASC, of the Japanese delegation at the board of IASC 1996–2000, and of the Financial Instruments Joint Working Group and of the former IAS 39 Implementation Guidance Committee.

6. Gélard was a technical adviser to the IASC 1988—97.

7. Smith served on the IASC Standing Interpretations Committee (SIC), and as chairman of IASC's IAS 39 Implementation Guidance Committee and was US delegate in 2000. At the FASB, he was a member of the Emerging Issues Task Force, Derivatives Implementation Group (DIG) and Financial Instruments Task Force.

C.6. Figure 6

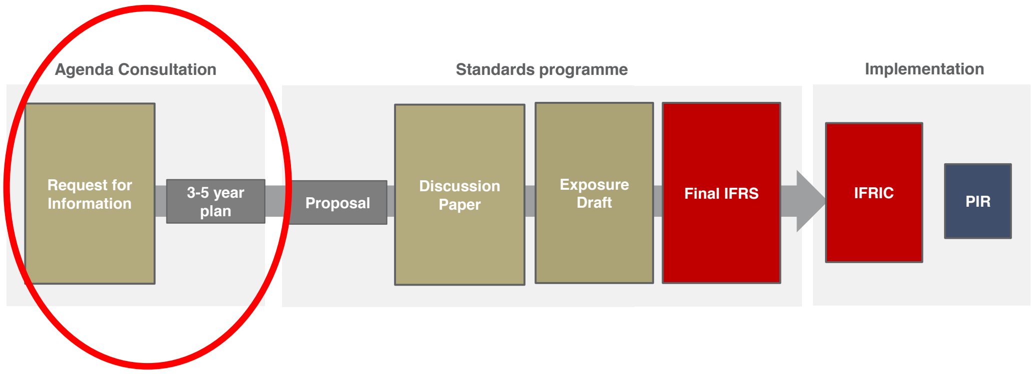

Figure 4: Agenda setting procedures at IASB post-2011. The elements highlighted using the red ellipse were newly added to the overall agenda-setting process. Source: IASB Meeting, April 2014, Agenda Paper 13A, *The Research Programme*

References

FRS 17. *Financial Reporting Standard 17, Retirement Benefits.* Accounting Standards Board, 2000.

Abigail Allen and Karthik Ramanna. Towards an understanding of the role of standard setters in standard setting. *J. Account. Econ.*, 55:66–90, 2013.

Richard Barker and Anne McGeachin. The recognition and measurement of liabilities in ifrs. *Account. Bus. Res.*, 43(6):579–604, October 2013. URL `http://ssrn.com/abstract=1952739`.

Caroline A Bartel and Batia M Wiesenfeld. The social negotiation of group prototype ambiguity in dynamic organizational contexts. *Acad. Manag. Rev.*, 38(4):503–524, 2013.

M E Barth, W H Beaver, and W Landsman. The market valuation implications of net periodic pension cost components. *J. Account. Econ.*, 15:27–62, 1992.

M E Barth, W R Landsman, and J M Wahlen. Fair value accounting: Effects on banks earnings volatility, regulatory capital, and value of contractual cash flows. *J. Bank. Financ.*, 19:577–605, 1995.

Mary E Barth. Fair value accounting: Evidence from investment securities and the market valuation of banks. *Account. Rev.*, 69:1–25, 1994.

Mary E Barth. Including estimates of the future in today's financial statements. *Account. Horizons*, 20(3):271–285, 2006.

Mary E Barth. Standard-setting measurement issues and the relevance of research. *Account. Bus. Res.*, Special Issue: International Accounting Policy Forum:7–15, 2007.

Mary E Barth and Wayne R Landsman. Fundamental issues relating to using fair value accounting for financial reporting. *Account. Horizons*, 9(4): 97–107, 1995.

Mary E Barth, William H Beaver, and Wayne R Landsman. The relevance of the value relevance literature for financial accounting standard setting: another view. *J. Account. Econ.*, 31(1-3):77–104, 2001.

Lisa Renee Baudot. Transnational accounting policy-making: Dynamics of deliberation and consensus between "space cadets" and "dinosaurs". Working paper, ESSEC Business School presented at AAA conference Atlanta, August 2014, 2014.

Alnoor Bhimani. Accounting and the emergence of "economic man". *Account. Org. Soc.*, 19(8):637–674, 1987.

Alnoor Bhimani. The role of a crisis in reshaping the role of accounting. *J. Account. Public Policy*, 27:444–454, 2008.

M G Billing and H Tajfel. Social categorisation and similarlity in intergroup behaviour. *Eur. J. Soc. Psychol.*, 1973.

L D Brown and E H Feroz. Does the FASB listen to corporations? *J. Bus. Financ. Account.*, 19(5):715—731, 1992.

P R Brown. Fasb responsiveness to corporate input. *J. Account. Auditing Financ.*, 5(4):282–290, 1982.

Ethel Brundin and Mattias Nordqvist. Beyond facts and figures: The role of emotions in boardroom dynamics. *Corporate Gov.*, 16(4):326–341, 2008.

Yasmine Chahed. Financialisation and accounting standard-setting: The case of narrative reporting. *Working paper, London School of Economics*, 2015.

Jivas Chakravarthy. The ideological homogenization of the FASB. PhD thesis, Goizueta Business School, Emory University, 2014.

R Charan. *Boards at Work: How Corporate Boards Create Competitive Advantage.* Jossey Bass, San Francisco, CA., 1998.

David J Cooper and Keith Robson. Accounting, professions and regulation: Locating the sites of professionalization. *Account. Org. Soc.*, 31:415–444, 2006.

David J Cooper and Michael J Sherer. The value of corporate accounting reports: Arguments for a political economy of accounting. *Account. Org. Soc.*, 9(3–4):207–232, 1984.

Sylvain Durocher and Yves Gendron. IFRS: On the docility of sophisticated users in preserving the ideal of comparability. *Eur. Account. Rev.*, 20(2): 233–262, 2011.

Sylvain Durocher and Yves Gendron. Epistemic commitment and cognitive disunity toward fair-value accounting. *Account. Bus. Res.*, 44(6):630–655, 2014.

European Financial Reporting Advisory Group. *EFRAG Press Release*, 2006.

FAS 133. *Statement No. 133: Accounting for Derivative Instruments and Hedging Activities.* Financial Accounting Standards Board, June 1998.

D P Forbes and F J Milliken. Cognition and corporate governance: Understanding boards of directors as strategic decision-making groups. *Acad. Manag. Rev.*, 24:489–505, 1999.

Jere R Francis. Lobbying against proposed accounting standards: The case of employers' pension accounting. *J. Account. Public Policy*, 6(1):35–57, Spring 1987.

Omiros Georgiou and Lisa Jack. How investors and analysts evaluate fair values: Assessing linkages between users and standard setters using resonance and dissonance. *Working paper, University of Manchester*, 2015.

Begona Giner and Miguel Arce. Lobbying on accounting standards: Evidence from ifrs 2 on share-based payments. *Eur. Account. Rev.*, 21(4):655–691, December 2012.

S Alexander Haslam. *Psychology in Organizations.* Sage, London, 2004.

S Alexander Haslam, Michelle K Ryan, Tom Postmes, Russell Spears, Jolanda Jetten, and Paul Webley. Stick to our guns: social identity as a basis for the maintenance of commitment to faltering organizational projects. *J. Organ. Behav.*, 27:607–628, 2006.

Karen M Hennes. Disclosure of contingent legal liabilities. *J. Account. Public Policy*, 33:32–50, 2014.

David Hirschleifer and Siew Hong Teoh. The psychological attraction approach to accounting and disclosure policy. *Contemp. Account. Res.*, 26(4):1067–90, 2009.

David Hirshleifer and Siew Hong Teoh. The psychological attraction approach to accounting and disclosure policy. *Contemp. Account. Res.*, 26(4):1067–90, 2009.

M A Hogg, J C Turner, C Nascimento-Schulze, and D Spriggs. Social categorisation, intergroup behaviour and self-esteem: two experiments. *Revista de Pscicologia Social*, 1:23–27, 1986.

Michael A Hogg and Dominic Abrams. *Social identifications: a social psychology of intergroup relations and group processes.* Routledge, 1996 edition, 1988.

T Hope and J Briggs. Accounting policy making – some lessons from deferred taxation debate. *Account. Bus. Res.*, 12(46):83—96, 1982.

T Hope and R Gray. Power and policy-making: The development of an r&d standard. *J. Bus. Financ. Account.*, 9(4):531–558, 1982.

IASB. Minutes of Board Meeting, February 2006, 2006a. URL www.iasplus.com/agenda/converge-ias37.htm.

IASB. Information for observers of board meetings. Technical report, May 2006.

IASB. Agenda paper 6b - probability recognition criteria. Technical report, February 2008. URL http://www.ifrs.org/Meetings/MeetingDocs/IASB/Archive/Liabilities/Development\%20of\%202nd\%20ED/IAS37-0802b06b.pdf.

IASB. Exposure Draft Snapshot: IAS 37 Replacement. Technical report, IASB, January 2010.

IASC. Framework for the preparation and presentation of financial statements, 1989.

H Ibarra and S B Andrews. Power, social influence and sense making: effects of network centrality and proximity on employee perceptions. *Admin. Sci. Quart.*, 38:277–303, 1993.

IAS 37. *Provisions, Contingent Liabilities and Contingent Assets*. International Accounting Standards Board, 1998.

IAS 39. *IAS 39, Financial Instruments: Recognition and Measurement*. International Accounting Standards Board, 1998.

IAS 19. *Employee Benefits (revised)*. International Accounting Standards Board, 2004a.

IASB Round-Table Discussions. *IAS 37 Round-table Discussions: Summary of outcomes*. International Accounting Standards Board, November and December 2006.

IASB. *Information for Observers of Board Meetings, February 2006*. International Accounting Standards Board, 2006b.

IAS 19. *Employee Benefit Costs*. International Accounting Standards Committee, 1998b.

I L Janis. *Victims of Groupthink*. Boston:Houghton-Mifflin, 1972.

John (Xuefeng) Jiang, Isabel Yanyan Wang, and Daniel Wangerin. Saying no in standard setting: An examination of FASB board members' voting decisions. September 2014 2014.

A Jorissen, N Lybaert, R Orens, and L van der Tas. Formal participation in the IASB's due process of standard setting: A multi-issue/multi-period analysis. *Eur. Account. Rev.*, 21(4):693—729, 2012.

Ann Jorissen, Nadine Lybaert, Faf Orens, and Leo van der Tas. A geographic analysis of constituents' formal participation in the process of international accounting standard setting: Do we have a level playing field? *J. Account. Public Policy*, 32:237–270, 2013.

W C C Kwok and D Sharp. Power and international accounting standard setting. evidence from segment reporting and intangible assets projects. *Account. Auditing. Account. J.*, 18(1):74—99, 2005.

S Lembke and M G Wilson. Putting the "team" into teamwork: alternative theoretical contributions for contemporary management practice. *Hum. Relat.*, 51(927–943), 1998.

Andrew Lennard. Liabilities and how to account for them: an exploratory essay. *Accounting Standards Board, Technical report*, 2002.

Kenneth R MacCrimmon. Descriptive aspects of team theory: Observation, communication and decision heuristics in information systems. *Manag. Sci.*, 20(10):1323–1334, June 1974.

J Marschak and R Radner. *Economic Theory of Teams*. Yale University Press, 1959.

T McNulty and A Pettigrew. Strategists on the board. *Organ. Stud.*, 20: 47–74, 1999.

C Nobes. A political history of goodwill in the uk: an illustration of cyclical standard setting. *Abacus*, 28(2):142—164, 1992.

Christoph Pelger. On the IASB's construction of legitimacy: The case of the agenda consultation project *Working paper*, 2015.

A Pettigrew and T McNulty. Power and influence in and around the boardroom. *Hum. Relat.*, 48:845 – 73, 1995.

Christopher Pong and Geoffrey Whittington. The withdrawal of current cost accounting in the united kingdom: A study of the accounting standards committee. *Abacus*, 32(1):30–53, 1996.

A G Puxty, Hugh C Willmott, David J Cooper, and Tony Lowe. Modes of regulation in advanced capitalism: locating accountancy in four countries. *Account. Org. Soc.*, 12(3):273–291, 1987.

A Pye. A study in studying corporate boards over time: Looking backwards to move forwards. *Brit. J. Manage.*, 12:33–45., 2001.

Karthik Ramanna. The implications of unverifiable fair-value accounting: Evidence from the political economy of goodwill accounting. *J. Account. Econ.*, 45:253–281, 2008.

Henry Rees. The IASB's proposed amendments to IAS 37. *Accounting in Europe*, 3:28–34, 2006.

G Saemann. The accounting standard-setting due process, corporate consensus, and fasb responsiveness: employers' accounting for pensions. *J. Account. Auditing Financ.*, 10(3):555—564, 1995.

R Stenka and P Taylor. Setting uk standards on the concept of control: an analysis of lobbying behaviour. *Account. Bus. Res.*, 40(2):109—130, 2010.

Donna L Street. *Inside G4+1: The working group's role in the evolution of the International Accounting Standard setting process*. Institute of Chartered Accountants in England and Wales, 2005.

Timothy G Sutton. Lobbying of accounting standard-setting bodies in the u.k. and the u.s.a.: A downsian analysis. *Account. Org. Soc.*, 9(1):88–95, 1984.

H Tajfel. Social categorisation ("la categorisation sociale"). In S Moscovici, editor, *Introduction a la psychologie sociale*, volume 1, pages 272–302. Paris: Larousse, 1972.

H Tajfel. Social categorization, social identity and social comparison. In *Studies in the social psychology of intergroup relations*. London: Academic Press, 1978.

J C Turner and P J Oakes. Self-categorization theory and social influence. In P B Paulus, editor, *The psychology of group influence*. Hillsdale, NJ: Erlbaum, 1989.

M E Turner, A R Pratkanis, P Probasco, and C Leve. Threat, cohesion and group effectiveness: Testing a social identity maintenance perspective on groupthink. *J. Pers. Soc. Psychol.*, 63:781–796, 1992.

R L Watts and J L Zimmerman. Towards a positive theory of the determination of accounting standards. *Account. Rev.*, 53:112–134, January 1978.

Ross L Watts and Jerold L Zimmerman. The demand for and supply of accounting theories: The market for excuses. *Account. Rev.*, 54(2):273–305, 1979.

G Waymire and S Basu. Accounting is an evolved economic institution. *Foundations Trends Account.*, 2(1–2):1–174, 2008.

Geoffrey Whittington. Fair value and the IASB/FASB conceptual framework project: An alternative view. *Abacus*, 44(2):139–167, 2008.

Hugh C Willmott, Anthony G Puxty, Keith Robson, David J Cooper, and E Anthony Lowe. Regulation of accountancy and accountants: A comparative analysis of accounting for research and development in four advanced capitalist countries. *Account. Auditing. Account. J., 5* (2):32–56, 1992.

Joni J Young. Outling regulatory space: Agenda issues and the FASB. *Account. Org. Soc.*, 19(1):83–109, 1994.

Joni J Young. Institutional thinking: the case of financial instruments. *Account. Org. Soc.*, 21(5):487–512, 1996.

Joni J Young. Separating the political and technical: Accounting standard-setting and purification. *Contemp. Account. Res.*, online, 2014.

Stephen A Zeff. “Political” lobbying on proposed standards: A challenge to the IASB. *Account. Horizons*, 16(1):43–54, 2002.

Stephen A Zeff. The evolution of the IASC into the IASB and the challenges it faces. *Account. Rev.*, 87(3):807–837, 2012.