Abstract
The absence of effective regulation from national and multilateral perspective has led to several private initiatives in an interconnected world improving the quality of the global business environment. The standardization of accounting and financial information for companies raising funds in the capital markets have been emerged consequently. The International Accounting Standards Board (IASB) is considered as one of the instances in which private actors define issues, make rules, and monitor compliance. Indeed, the IASB has devoted a great effort to defending its legitimacy, that is the key of its success. The legitimacy of this international accounting standard institution is based on the expertise of its members and the inclusiveness and transparency of its processes. Nevertheless, recently several voices have been raised against these norms, questioning its effectiveness, representativeness, but also its legitimacy. In this regard, our paper aims to highlight the factors that have propelled the international recognition of IFRS standards. Besides, this work presents the factors that have recently been raised to challenge this legitimacy and limit the scope and benefits of this standardization.

Keywords: Standardization; IASB; IFRS; Legitimacy; isomorphism; politics

Résumé
En l'absence d'une réglementation nationale et intergouvernementale efficace pour améliorer la qualité de l'environnement mondial, les problèmes environnementaux et sociaux, les alternatives "privées" se sont multipliées. Parmi ses alternatives, la normalisation des informations comptables et financières pour les entreprises faisant appel aux marchés des capitaux. A l’instar des autres organismes de normalisation, l’IASB a consacré beaucoup d’importance pour défendre sa légitimité, clé de son succès. La légitimité de cette normalisation comptable internationale est assise sur l’expertise de ces membres et l’inclusivité, la transparence et l’ouverture de son processus. Néanmoins, ces derniers temps plusieurs voix se sont levées contre cette normalisation comptable, en remettant en cause son efficacité, sa représentativité mais également sa légitimité. Notre article se propose de présenter les facteurs qui ont propulsé la reconnaissance des normes IFRS à l’international mais également les facteurs qui ont été soulevés dernièrement pour remettre en cause cette légitimité et limiter la portée et les avantages de cette normalisation.

Mots clés: Normalisation – IASB - IFRS – Légitimité – isomorphisme - politique
Introduction

The smooth functioning of an increasingly interdependent global economy requires adoption and compliance with a set of common standards. Studies and surveys conducted by the World Bank and the IMF have shown that the effective implementation of codes and standards can help to strengthen countries' financial stability and, consequently, reduce the contagion risk. While accounting and accounting standards have remained exclusive subject for experts and practitioners, they have been these last years at the heart of debate for different stakeholders. The series of scandals that shook several major groups in the early 2000’s (Enron, Worldcom, Parmalat, etc.), followed by the internationalization of accounting standards with the generalization of IFRS had remarkably an impact on financial industry. More recently the financial crisis and the negative consequences attributed to certain accounting policies such as fair value, raise questions about the relevance of the IFRS standards.

Therefore, our concern is as follows: On the basis of which mechanism have standards established by private transnational bodies been able to establish themselves on the international scene? And what are the limits of these mechanisms?

In order to demystify this issue, we have chosen to study the case of the IASB, by analyzing the adopted approach establishing its legitimacy and limits.

I. Background

Transnational private regulation consists of practices and processes created mainly by private actors, companies, NGOs, independent experts, standardization institutions and epistemic communities. They exercise an autonomous power of regulation, or a delegated power conferred by international or national law. The recent growth of transnational private regulation reflects the gradual transfer of regulatory power from the national to the global level, but also the redistribution of this power from public to private regulators. Once established, transnational private regulation produces profound distributive effects among private actors and between them and governments. Transnational private regulation differs from international law mainly because the mechanisms for producing its rules are not based on the legislative activity of States. Normative production is based on private actors interacting with international and intergovernmental organizations.

1.1 Standardization, why and for what purpose?

Standardization can simply be defined as a common language to economic, financial, technical and social partners. Standardization aims to avoid or resolve a crisis situation, improve stakeholder relations or decide under several alternatives. Over the past fifty years, standardization efforts have shifted from physical measurements to more esoteric functions. This situation has led to the creation of several standardization organizations. These standards bodies have played a key role in advancing the development and use of norms in almost all aspects of human activity (energy, transportation, communications, consumer devices, etc.).

Standards bodies have very effectively brought together technical stakeholders in consensus processes to collaborate in the development and implementation of normalization. As the standardization process has evolved, many different formats and types of organizations have
had to be created to meet the needs of technologies and emerging markets. Less formal structures have been put in place and dissolved as standardization projects evolve, mature and are completed. These organizations are often more focused and concentrated. They can quickly establish a work plan and consensus and can often complete the development of targeted standards in much less time than a traditional standards organization, including one attached to governmental institutions.

1.2 Why standards are important?

Standards are the fundamental elements in the development of international transactions by establishing consistent protocols that can be universally apprehended and easily implemented. This contributes to better compatibility, comparability and understanding. Adopted and applied globally in many markets, standards feed and secure international trade. Above all, standards enable trust between partners.

This also applies to the field of accounting. Indeed, the globalization of trade, the international implementation of major groups and the absence of control on capital movement have initiated a debate on the need for international accounting standards. These efforts have established a common language for a better understanding of accounting and financial data. In this way, generally the business community and particularly investors have given a unique interest on accounting profession and standards.

In literature review related to accounting, we talk about accounting standardization and accounting regulation. Bernard Colasse (2005) defines accounting regulation as, "the process of production, implementation and control of the application of accounting standards". In this sense, accounting standardization is only one aspect of regulation, namely the production of standards. Similarly, the accounting standard is human made. The technical complexity of some of them must not ignore that the standard is the work of men and women who think, do research, discuss, give their opinion, weigh the pros and cons, decide, reverse their decision, write the standard. This logic consists of a process that, far from being "rational", is made up of trial and error, iterations, pressures, a process influenced by personalities and context, a political process in short (Chantiri 2000).

The current evolution of international accounting harmonization towards American standards cannot therefore be considered as a simple consequence, an epiphenomenon of Americanization of the world, it participates in an invisible but powerful way; which gives it a very particular interest. (Colasse, 2000). Furthermore, Colasse (2015) argues that a good standard is not only a requirement but also an attribute that is intelligible and acceptable a priori to those who must apply it, which is why a standards body must appear legitimate both from a technical and a political point of view.

To question the effectiveness of accounting standards, to identify its criteria and the means of evaluating them, leads to clarify the foundations of their legitimacy, to question the very notion of legitimacy, to analyze its transformations according to different historical configurations and, consequently, to resort to law. This involves assessing the legitimacy of the standard-setter and the relevance of the standard in order to assess the accuracy of the standard. Taking the opposite view from a technical vision of these standards, assimilating them to simple technical objects
whose effectiveness alone would deserve to be evaluated. The increasing use of transnational standards established by independent bodies raises questions and uncertainties about how these bodies establish and maintain their legitimacy and responsibility outside the sovereignty of States.

In this article, through a comprehensive approach, we will look at the IASB case, to examine the process of disclosure and acceptance by several countries of the standards established by the IASB and recent limitations. We will give an overview of the mechanisms used by the IASB to defend their claims of legitimacy, and the abuses that this type of mechanism can present. This article is organized in two parts, the first part explains the reasons that contributed to the expansion of IFRS worldwide in a period between 2005 and 2015. Besides, the second part explains the criticisms raised in recent years about the legitimacy of this structure as a judge and party in the accounting standard-setting process.

II. The reasons behind the expansion of IFRS standards

Modern economies are based on cross-border transactions and the free movement of international capital. Investors seek diversification of their investment and multinational companies carry out operations or have international operations and subsidiaries in several countries. Moreover, investors and multinational companies faced a mosaic of accounting requirements that created costs, complexity and, ultimately, risks for both companies that prepare financial statements and for investors and others who use those financial statements to make economic decisions.

Ball (1995) concluded that the two main reasons behind the use of international standardization are:

- The internationalization of markets with an increased need for accounting data; and
- Increased political pressure to maintain regulation of these markets.

Within the organization, whether in the private or public sector, accounting developments are now considered to be increasingly associated not only with the management of financial resources but also with the articulation of organizational models of corporate management, their organizational segmentation and the strengthening or creation of particular power and influence patterns. At a broader social level, accounting figures can shape organizational and resource allocation decisions.

The harmonization of global accounting standards and practices has long been a central concern of several international institutions. The OECD and the United Nations have made efforts to make financial statements produced by companies in different countries comparable. However, these initiatives have not led to results comparable to those achieved by the IASB. The IASB has aimed to meet this challenge by developing a set of high quality and internationally recognized accounting standards that bring transparency, accountability and efficiency to financial markets around the world.

According to the IASB, IFRS would contribute:
- Transparency by improving the comparability and quality of international financial reporting;
- A reduction in agency costs between management and capital providers; and
- Improved economic efficiency by helping investors identify opportunities and risks around the world, thereby improving capital allocation.

IFRS standards have been developed with the objective of providing a single set of standards to improve the comparability of financial statements between companies around the world and to this end reduce the impact of differences arising from local accounting standards. They have been proposed for voluntary application. Nevertheless, the adoption of IFRS by the European Union has played a catalytic role by being the first major economy to take the decision to impose IFRS on listed European groups, and by giving this body of standards legal legitimacy through Regulation (EC) N° 1606/2002 of the European Parliament and of the Council of 19 July 2002. Since then, IFRS has completely changed the global accounting standards landscape and has affected accounting standards around the world at different levels.

According to the IASB's latest report (2018), the application of IFRS worldwide takes several forms, including:

- IFRS standards are mandatory by regulation;
- The application of IFRS standards is permitted by law;
- The application of IFRS standards is mandatory or recommended by the accounting regulator;
- The application of IFRS standards is mandatory or recommended by the supervisory authority (e.g. banks, insurance companies).

The following figure shows that IFRS are mainly applied in countries where the Act and regulations have made them mandatory.
These last years, many researches have tried to understand the reasons behind the expansion of IFRS and their success in the financial markets. Two aspects are often raised, namely institutional isomorphism and the legitimacy put forward by the IASB to explain the enthusiasm for IFRS standards.

2.1 Institutional Isomorphism

DiMaggio and Powell (1991) identify three sources of institutional isomorphism: coercive, normative and mimetic. Neo-institutional theory tools can be used to understand the evolution of accounting standard-setters ‘structures and trends in the application of accounting options.

Colasse and Pochet (2009) conclude that imitating an accounting standard-setting model perceived as effective would give legitimacy to the institutional reform carried out by the country's political leaders who would initiate it. Ultimately, even if the imitation of a socially validated model in another national context proves dysfunctional in the imitating country, this does not affect its legitimacy.

Barbu and Baker (2010) conclude through the results of their study that the adoption of IFRS standards is not a response to a demand for corporate governance but rather the weight of global governance on companies. Therefore, the authors conclude that organizations try to comply with the choices of other similar organizations that they consider more legitimate or successful in their institutional field. Indeed, out of a sample of 59 Groups, the mimicry in the application of IAS/IFRS standards is recognized by 40 groups out of 59. Thus, companies apply these standards under an influence that is predominantly coercive (46 companies out of 59) and mimetic (42 companies out of 59). Normative isomorphism is low, only (13 companies out of 59).

2.2 Legitimacy

The study conducted by Barbu in 2006 among CFOs concluded that the application of IAS/IFRS standards was not carried out to improve companies' performance in terms of financial reporting, but to strengthen their legitimacy. Legitimacy is defined according to Suchman (1995) as "the generalized perception or assumption that the actions of an entity are desirable, appropriate or appropriate within a system of socially constructed norms, values, beliefs and definitions".

Indeed, when an organization does not respect social and moral values, it is severely sanctioned by its environment. These sanctions can even lead to the bankruptcy of the organization. The organization must justify its existence by legitimate economic and social actions that do not jeopardize the existence of the environment in which it operates. Burlaud and Colasse (2010) have identified three sources of organizations’ legitimacy, namely political legitimacy, procedural legitimacy and substantial legitimacy.

Political legitimacy is "the legitimacy of an organization whose direct or indirect source is the election". Secondly, procedural legitimacy, "it is based on the use of procedures intended to guarantee its independence and impartiality". Finally, substantial legitimacy is "based on the possession of recognized knowledge and technical or scientific expertise".
Similarly, Richardson and Eberlein 2011 argue that legitimacy can be summarized as three parts: inputs, throughput and outcomes. The legitimacy of entrants refers to the qualifications of the participants in rule making, their skills and the ability to respond to the will of users. Rulemaking is considered credible, independent and qualified to use its knowledge and logical skills to make technical decisions in the standardization process.

The legitimacy of the flow is the equity of the process used to convert inputs into outputs (Richardson and Eberlein 2011). The legitimacy of the debit concerns the way the decision is made and provided that voters have equal access and an equal voice. The third component, the legitimacy of results, concerns the effectiveness of policies. In an international context, the legitimacy of the exit requires a supranational organization to have a significant scope of national jurisdictions that require and enforce international normative law.

In the case of the IASB, the IASB has established a recognized and respected accounting committee (compatible with input legitimacy or substantial legitimacy) and a rigorous and objective internationally recognized procedure (compatible with debit legitimacy or procedural legitimacy). Nevertheless, as we will examine in Part two, the IASB suffers from a lack of legitimacy of results or political legitimacy. Indeed, the other two sources of legitimacy are necessary but not sufficient to establish a lasting recognition of the organization and its standards.

III. Reasons behind the recent controversy over the legitimacy of IFRS standards

While international accounting standards are booming, national accounting standards continue to have a significant impact in most countries. This situation can be explained by the concern of national standard-setters to maintain control over the standards used by companies, because among the direct impacts of financial accounting, the calculation of taxes, often a major resource in the economy.

3.1 IFRS are not fully adopted

Zeff and Nobes (2010) demonstrated that few countries had actually "adopted" IFRS, in the sense that they incorporated the full text of IFRS directly and instantly into their national accounting laws without any changes. They point out that the adoption of a set of standards takes several forms, the following diagram summarizes the current situation in terms of adoption of IFRS standards.
Indeed, unlike FASBs, which have relied on the SEC to impose these standards, the IASB does not have the power to impose and enforce its standards. In fact, unlike a national standard, the IASB has no legal authority over national governments, so the promulgation of a single set of global accounting standards would not in itself guarantee that these standards would be universally adopted, controlled and applied by each national jurisdiction.

The question now arises of the changing role of national standard-setters. It arises for the scope within which international standards become mandatory, for example, the consolidated accounts of listed companies in the European case. The standard-setter must be a translator and a standards "adapter". It must also be able to interpret the standards. One could imagine that the role of the standard-setter is to confer legitimacy to the international standard. At the European level, these standards must be validated: this validation requires upstream monitoring of the process (which EFRAG does) and legitimization of the standard by the Commission.

3.2 Did we reach comparability?

The convergence of accounting standards has been called for by many multinational companies, listed companies and investors seeking to understand and compare the performance of companies around the world. Several studies conducted on the comparability of financial reporting worldwide within the countries that have adopted IFRS standards have concluded that the adoption of a single, high-quality set of standards has not made it possible to harmonize accounting practices. Indeed, as Burlaud and Baker (2015) argue, accounting practices are not determined solely by the applicable accounting standard, since the practice is more detailed than the standards, and the standards are used to regularize the practice, which is constantly evolving.

3.3 Questioning the effectiveness of IFRS

Despite the promises of the IASB and the broad scope of IFRS standards resulting from Figure 1, it should be noted that these standards do not apply to all companies (particularly SMEs, which constitute the bulk of the economic fabric) and only partially to the public sector, whose IPSAS standards are largely based on IFRS. Indeed, the 87% of countries that require IFRS for
all or most companies have only adopted them for the consolidated accounts of listed companies. In terms of the number of companies concerned, it is a minority but it is the one that relies most on the markets for their financing. In recent years, we have seen a shift in the criteria for the legitimacy of standards towards the notion of effectiveness. Thus, we will carefully examine three criteria used in the literature to evaluate the effectiveness of a standard, namely:

- The strength of the consensus that supports the standard;
- The ability to apply the standard
- The correspondence of the standard to the objectives set.

We can only observe that the evolution of the context, globalization and the spread of international standards are challenging traditional criteria for the legitimacy of standards. The historical approach and analysis of the evolution of legitimacy criteria raise the question of what are currently the criteria for the effectiveness and legitimacy of international standards. There is a consensus on two elements: adaptability and the recognition, dissemination and acceptance of the standard that compensates for its low legal status. Indeed, one remark is obviously observed: Facing legitimacy, a standard can only be effective if its objectives are shared. The fragility of international standards is precisely due to the fact that, outside the Anglo-Saxon world, the priority objectives of the accounting standard are not financial, but economic in nature. This difference is part of the history of continental accounting standards. The objectives of accounting data are economic when they are used to evaluate management actions, to inform on the state of the company and its management. The financial and prospective vocation would come second.

The current crisis of legitimacy of international accounting standards may be explained by the inadequacy of frameworks and standards to meet the needs of small traders and producers who do not understand their purposes. The latter make up more than 80% of the world's economic fabric. Grafting accounting standards in a context that does not share their purposes is doomed to failure.

3.4 National sovereignty to face the private regulation

Accounting is considered as a support and a tool for expressing the budgetary policies of nation states. The close connection in continental and southern countries between tax law and accounting law is proof of this. The "transfer" of this supervision to private authorities is all the more significant because these authorities have no democratic mandate and are dominated by Anglo-Saxon interests without taking into account the diversity of opinions. According to several researchers, IFRS are a powerful means of prolonging Anglo-Saxon imperialism. Their adoption corresponds to a surrender of sovereignty, a redefinition of the scope of its interventions, and a questioning of global financial balances. Indeed, imposing one's own standards is like imposing one's own ways of thinking and is in fact an undeniable source of domination.
3.5 Importance of politics in accounting

As presented above, the significant expansion of IFRS worldwide was driven by the EU's adoption of these standards but also by the support received by the US standard-setter, who has initiated a dialogue since the beginning on the convergence of US GAAP and international accounting standards. However, the United States, the world's largest financial market, after a long hesitating to fully integrate IFRS into its financial information system, despite the recognition of IFRS on all continents over the past 15 years, announced the termination of the convergence project and decided in 2014 to no longer continue on the basis of the Norwalk Memorandum signed in 2002.

Indeed, the FASB and the IASB seem to be in competition with each other with regard to the responsibility to develop accounting standards while at the same time cooperating at the same time in their coordinated standardization effort. In this competitive and cooperative environment, the achievement of the "convergence" objective could apparently be complicated by the lack of congruence between the environments where these accounting standards are developed, applied and used (Nobes, 1983; 1988; 1998). The main reason for the lack of convergence is in the political field, not in the technical one. It seems that the United States is reluctant to transfer regulatory authority over US issuers to a foreign, even truly international, agency based in London (with a second headquarters in Tokyo).

Expressing the opinion of all US investors on the replacement of US GAAP with a new set of global standards, in its July 2012 final report, the SEC stated that, in its view and that of the US investor, IASB standards would not have reached the level of quality of US GAAP. In this sense, it is unlikely that the SEC and FASB will grant their normative authority to the IASB. In addition, the same report goes on to state that investors have also indicated that the FASB, as an endorser, could play an important role in ensuring that any standards integrated into the U.S. financial reporting system are of sufficient quality to improve the current financial reporting system. This means that even in the relatively distant future, when IFRS is finally adopted for US issuers, these standards will still be reviewed and possibly amended. The approval of the FASB, on behalf of the specific needs of the American investor.

3.6 Do IFRS standards should be more European ?

In 2003, the French Presidency asked the European Union, the Commission and the Member States to be able to have a greater influence on the IASB's standards development. It insisted on verifying the compatibility of the proposed standards with the "European public interest". Maystadt (2013) questioned whether the European Union's contribution to the development of international accounting standards should be strengthened. Indeed, in a context where, on the one hand, the IASB continues to be subject to the major influence of North American positions (even if today it seems clear that the United States does not intend to adopt IFRS under the IASB), and on the other hand, the use of IFRS by countries outside the European Union, which legitimately request more influence within the IASB, Maystadt (2013) proposes several recommendations to obtain and maintain leadership in the process of developing and adopting IFRS. The European Union, being the main user of IFRS in terms of market capitalization.
The author highlights that the EU's influence is reduced because it is diffuse. Indeed, EFRAG, national standard setters, national and European supervisory authorities, European user associations, and other European stakeholders often adopt different or even opposing positions on the IASB's proposals, which reduces the EU's influence on the IASB. Although the initial objective that motivated the European Union's adoption of IFRS does not seem to be in question in Europe. Indeed, the G20, meeting in Moscow in 2012, continues to support a single set of international accounting standards and IFRS is the best choice at the moment.

Maystadt (2013) recommends:

- The implementation of a participation system for companies that benefit from IFRS standards in order to participate in the financing of the Board and guarantee its independence, which would further stabilize the organization.
- Proposal for better coordination between the positions of the various European stakeholders and the IASB through the expansion of EFRAG's power to increase the EU's influence on the IASB.

Conclusion

Ball (1995) evokes three limits to the adoption of a single normative corpus:

- The difference in the context in which accounting data are used. Regardless of the nature of the public or private accounting standard-setter, accounting standards are governed by economic and political constraints.
- The DNA of IFRS standards that are criticized for their strong American inspiration
- The evolution and updating of a single normative corpus will pose difficulties of rigidity and political interference that may hinder its evolution.

The aim is now to establish a process for legitimizing standards outside nation states and for uses belonging to companies with an international scope of action.

The difficulty of this process is not only due to the particular history of accounting standards in the different nations involved, but also to the fact that the standard reflects a hierarchy that distinguishes those who dictate or determine them from those who simply apply them. Historically, the liberating power of accounting standards has stopped at the borders of nations and the standard remains an attribute of sovereignty. However, borders have broken down and stakeholders are demanding instruments to measure their activities on a global scale. It is no coincidence that international standards are first manufactured by and for the most globalized nations, nor is it a coincidence that accounting terminology is now Anglo-Saxon. The timid European reactions to trying to intervene in the definition of international standards imply a unity and real political ambition to achieve, which Europe often lacks. The Community's positions are sometimes difficult to defend because the challenges of standardization, now combined on a global scale, are not the same for each of its members. Brexit may contribute, and this is a paradox, to the emergence of a "continental accounting model" as an extension of French standardization and the German framework. In any case, this is what Bernard Colasse, Alain Burlaud and Edouard Salustro considered as a desirable alternative to the domination of Anglo-American standards.
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