Defining the IASB's governance network: a social network analysis

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Abstract: The purpose of this study was to define and examine the IASB's governance network. The IASB's governance network was bound to include 14 organisational members and 407 individual actors. I used social network methodology to examine the professional and geographic perspectives represented as well as the extent to which the governance network was structurally embedded. It was found that the network forms a definable hierarchy that exhibits qualities of structural embeddedness. Banking interests were more embedded within the governance network than any other professional, academic, or social group. Also, a strong Western influence was detected. The societal benefit of this effort was to engage society in general and accounting researchers in particular in hopes of encouraging discourse about regulatory processes with both macro and micro consequences.

Keywords: international accounting regulation; international financial accounting; standards; international accounting standards board; IASB; accounting regulation; social network analysis; social network.

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1 Introduction

The concept of global administrative law is growing in significance as societies become increasingly interdependent and traditional geographic boundaries are replaced by electronic unity. Global administrative law is defined by Kingsbury et al., (2005, p. 17) as:

> "…comprising the mechanisms, principles, practices, and supporting social understandings that promote or otherwise affect the accountability of global administrative bodies, in particular by ensuring they meet adequate standards of transparency, participation, reasoned decision, and legality, and by providing effective review of the rules and decisions they make."

International accounting regulation as promulgated by the International Accounting Standards Board (IASB) is one such area of global administrative law. For this reason, political science literature may provide the necessary perspective to examine the complex arena of international accounting regulation. The actual act of accounting regulation is perhaps as much political science as it is accounting science. To illustrate Richardson's (2009) study of the Canadian accounting regulatory system also draws heavily on political science and social network literature.

The issues found with national accounting regulation are further complicated by the convergence to international accounting standards. Currently, over 120 nations require or permit the use of International Financial Reporting Standards (IFRS) including all members of the European Union. Moreover, countries such as Japan, Mexico, Korea, and the USA intend on adopting IFRS within the next five to six years. This delegation of governance over international accounting regulations to a private body – the IASB – is a significant example of non-governmental global administrative law (Mattli and Büthe, 2005b).

A global reach is essential to effectively address the scope of what Kingsbury et al. (2005) coined a global administrative space. Absent some sort of regulatory cooperation national bodies are insufficient to address the trend of global homology. In response, transnational administrative bodies have been established to remedy these insufficiencies as well as to erode the margins between national and global barriers (Kingsbury et al., 2005). These administrative mechanisms are not limited to formal governmental or intergovernmental bodies. Instead, private regulatory bodies are becoming important contributories to the growing form of global accounting regulation (Mattli and Büthe, 2005a, 2005b). In fact, Cassese (2006) cautioned researchers to avoid the view that global administrators are by default intergovernmental.

The existence of non-governmental global administrators may be in conflict with traditional democratic processes and governmental controls (Kingsbury et al., 2005). It cannot be argued that the IASB fills an integral role in the globalisation of accounting technologies (Lehman, 2005b). Further that the application of global administrative law to international accounting regulation is the most viable alternative at present. Accounting regulation requires extensive technical expertise, which naturally imposes some limitations on participation (Kingsbury et al., 2005). On the other hand, the IASB's non-governmental, privately funded organisational structure raises significant questions about traditional regulatory controls (Kingsbury et al., 2005; Perry and Nölke, 2006). In many instances global regulators, in particular non-governmental organisations like the IASB, lack numerous procedural safeguards, such as accountability, oversight, participation in the standard setting process, and transparency of the decision making process (Steward, 2005).

It should be questioned if certain organisations are employing structural mechanisms within the IASB's governance network that will likely ensure greater consideration in the accounting standard setting process. Thus the objective here is to define the IASB governance network as well as to describe some of its characteristics. Of course, it is nearly impossible to predict with certainty the level of influence and/or regulatory actions of the IASB given that it operates in a complex, highly political global space. Moreover, the efficacy of accounting convergence, in general, is beyond the scope of this work. However, all stakeholder groups should be concerned by the existence of structural mechanisms and should consider their impact on international accounting standards.

In the following sections, social network theory is discussed and a research design is developed. Using social network theory, the IASB's governance network is defined based on DiMaggio and Powell's criterion of authority. The organisations and actors included in the governance network were selected using Hanneman and Riddle's (2005) ego-centric sampling approach. An ego-centric (Hanneman and Riddle, 2005) or ego-centred (Wasserman and Faust, 1999) network begins with a focal organisation, the IASB in this case, and the network is expanded using the criterion of authority. It is evident based on ties of authority that the organisations theoretically defined as the IASB's governance network form a hierarchical structure.

Three properties of the IASB's governance network are then examined using social network analysis. The properties are: what professional affiliations are present within the governance network; what geographic locations are represented within the governance network; and to what extent is the governance network structurally embedded. Examining the structural properties of the organisational as well as individual actors within the IASB's governance network provides an opportunity to contextually analyse the relational qualities of multiple stakeholders while offering insights into the potential impacts of such arrangements (Jones et al., 1997; Rowley, 1997). Finally, the results of this examination are presented by research question and the implications of these results are discussed.

2 Social network theory

Researchers are turning to social network theory to examine the complex processes of accounting regulation. Some notable efforts are Richardson's (2009) study of the Canadian regulatory system and Perry and Nölke's (2005) social network analysis of the International Federation of Accountants (IFAC) and the European Commission. Researchers have also successfully used social network methodology to explore international accounting professional service networks (Koza and Lewin, 1999) and similar methodology to study international accounting models (d'Arcy, 2001).

Koza and Lewin (1999, p.652) characterised social networks as multiparty alliances creating a network to facilitate multilateral transactions. Koza and Lewin argued that these networks, "represent the old form of new organization" specially equipped for handling the complex economic activity in modern times. The development of structural networks in traditional organisational theory can be traced back to DiMaggio and Powell's (1983) influential work on isomorphic processes. DiMaggio and Powell's theory supposed that Weber's (as cited by DiMaggio and Powell, 1983) concept of bureaucratisation, or organisational rationalisation, was instead structuralisation of organisational fields. DiMaggio and Powell (1983, p.148, p.150) defined organisational fields as, "those organizations that, in the aggregate, constitute a recognized area of institutional life…[and once organizational fields are structured]…powerful forces emerge that lead them to become more similar to one another". Such homogenisation is achieved through isomorphic processes. In particular, they noted two types of isomorphism – competitive and institutional. The well-documented former emphasises market competition, whereas the latter emphasises political power and institutional legitimacy.

Social networks are far from haphazard; instead, purposeful integration into the network is facilitated by social control mechanisms, either formal or informal (DiMaggio

and Powell, 1983; Jones et al., 1997). The existence of these networks is robustly supported in professional service fields (Jones et al., 1997) as well as the accounting profession itself (Koza and Lewin, 1999). These concepts of purposeful social networks bear a striking resemblance to the idealisation of global administrative regulatory structure (Kingsbury et al., 2005). Although Kingsbury et al. stopped short of social network theory, they explicitly warned that global administrative law is not substantive rules; but the operating processes making such rules possible. The pronouncements in this context are of less importance than the structures with the power to bind the global world. To illustrate Kingsbury et al. (2005, pp.18–19) noted:

> "Some of the most dense regulatory regimes have arisen in the sphere of economic regulation: the OECD networks and committees, the administration and the committees of the WTO, the committees of the G-7/G-8, structures of antitrust cooperation, and financial regulation performed by, among other, the IMF, the Basel Committee and the Financial Action Task Force."

The aforementioned comments are significant on multiple levels. First, the authors explicitly supported the existence of rationally structured financial regulatory regimes. They do not intend that the formation of these networks is random. On this point they proposed that coordinated regulation is "often the very purpose…in fields such as…financial practices" [Kingsbury et al., (2005), p.23]. Second is the authors' use of social network terminology, perhaps inadvertently, such as dense, networks, and structures of financial regulation.

Networks of financial regulation are theoretically defined as governance networks. Jones et al. (1997) specified that exchanges within governances networks are patterned, neither uniform nor random, in that the patterns define conditions within governance forms. Furthermore that analysing such patterns can be used to empirically define governance network structure. Rowley (1997) also supposed the utility of using patterns to detect the influence of network structure. In particular, both posited the constraining effects of a highly dense, embedded network structure. Although the foundations of these propositions are different – the former calls on transaction cost analysis while the later on stakeholder theory – the underlying use of social network theory is cohesive.

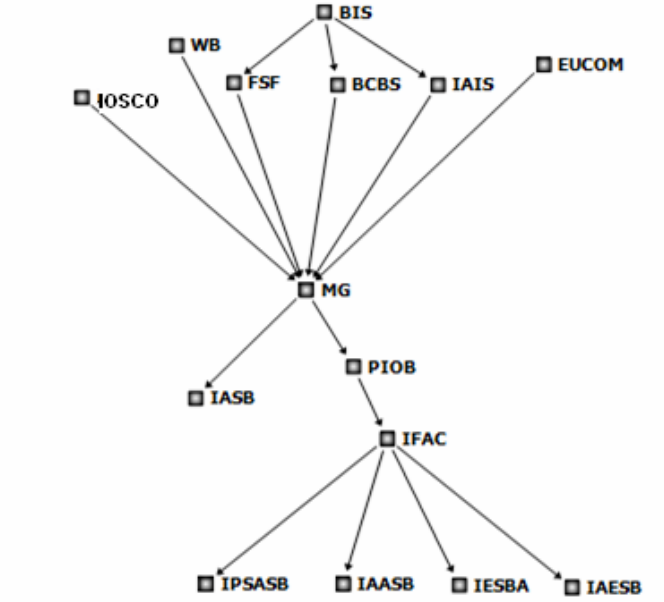
The first step in social network analysis is to define the IASB's governance network. DiMaggio and Powell (1983) specified that organisational fields cannot be defined *a priori*. Therefore, the IASB's governance network is defined based on DiMaggio and Powell's criterion of authority. The process begins with the focal organisation or the IASB.

Since identifiable ties of authority – decision making, monitoring, voting, or other such powers – are sharply defined, it is argued that the presence of such ties merits inclusion into the governance network (Jones et al., 1997). The criterion of authority was operationalised by analysing the organisation's governing body. Governing bodies were defined as the individuals with authority to guide the organisation's strategic mission, appoint members, or manage operations. Richardson (2009) used similar criteria including the right to appoint members in his formation of the Canadian accounting regulatory network.

There are several methods for determining the governance network boundaries or the set of nodes, which should be included in the governance network. The term node represents any actor, either organisational or individual, within the governance network. The nodes, or actors, were selected using Hanneman and Riddle's (2005) ego-centric

sampling approach, which is consistent with Wasserman and Faust's (1999) network defining technique. An ego-centric (Hanneman and Riddle, 2005) or ego-centred (Wasserman and Faust, 1999) network begins with a focal organisation, the IASB in this case. Since the network population or boundaries are unknown, measurable ties to the focal organisation were used to expand the network. Therefore, the relation of authority, defined as a variable above, was used to expand the network.

Figure 1 Non-scaled graph of IASB's governance network illustrating directional ties of authority between organisational nodes



Organizational Acronyms for Figure 1:

BCBS	Basel Committee on Banking Supervision
BIS	Bank of International Settlements
EUCOM	European Commission
FSF	Financial Stability Forum
IAASB	International Auditing and Attestation Standards Board
IAESB	International Accounting Education Standards Board
IAIS	International Association of Insurance Supervisors
IASB	International Accounting Standards Board
IESBA	International Ethics Standards Board for Accountants
IFAC	International Federation of Accountants
IOSCO	International Organization of Securities Commissions
IPSASB	International Public Sector Accounting Standards Board
MG	Mentoring Group
PIOB	Public Interest Oversight Board
WB	World Bank

Note: Graph created with NetMiner cited as Cryam (2009)

When conceptualising the relation of authority particular emphasis was given to formal interorganisational control mechanisms. These mechanisms were defined as formal structural agreements such as articles of organisation, bylaws, and unilateral accords. It is hardly debatable that a network exists if it is evidenced by binding formal agreements

(Jones et al., 1997; Wasserman and Faust, 1999). Furthermore, hierarchical arrangements characterise express authority.

The IASB's governance network – indentifying the organisational actors as well as individual actors – was bound as the IASB; Bank of International Settlements, BIS; Financial Stability Forum, FSF; Mentoring Group; Basel Committee on Banking Supervision, BCBS; European Commission; International Association of Insurance Supervisors, IAIS; International Organization of Security Commissions Organizations, IOSCO; World Bank; IFAC; Public Interest Oversight Board, PIOB; International Accounting Education Standards Board, IAESB; International Auditing and Assurance Board, IAASB; and International Public Sector Accounting Board, IPSAB. Collectively these organisations represent the organisational nodes in the IASB's governance network. A graphic representation of the IASB's governance network is provided in Figure 1.

Table 1 Detailed listing of the individual actor population

Organisation	*Committee*	*No. of members*
IASB	TAAG	9
IASB	SAC	42
IASB	IASB Board	15
IASB	IASC Foundation	27
IASB	IFRIC	16
IASB	IASB Working Group	34
World Bank	WB Directors	24
World Bank	WB Officers	24
Bank of International Settlements	Board members	17
Bank of International Settlements	Executive Management	11
Bank of International Settlements	BCBS Members	22
Financial Stability Forum	FSF	27
International Association of Insurance Supervisors	Executives	12
Public Interest Oversight Board	Board members	10
International Organization of Securities Commissions	Executive Directors	19
International Federation of Accountants	Board members	21
International Federation of Accountants	Nominating Committee	4
International Federation of Accountants	IAESB Board	19
International Federation of Accountants	IAASB Board	18
International Federation of Accountants	IESBA Board	18
International Federation of Accountants	IPSASB Board	18
Total individual actors		*407*

The individual actors (n = 407) were selected based on the criteria of internal decision making authority. In particular, these individuals included elite management as well as organisational board members. Individual members were not included for the European Commission or the Mentoring Group. Although the European Commission lists hundreds of members for numerous financial regulatory boards and advisory bodies it is uncertain how much authority these boards actually have to influence European law. Additionally, the Mentoring Group does not publish a list of individual members. The composition of individual actors within the governance network is detailed in Table 1.

Inclusion in the network was considered complete when all relational ties had been exhausted or the theoretical population has been defined. The latter was the case here. Specifically, the selection of network actors at the upper boundary of authority was halted at the BIS. The only quasi-organisational groups found to be higher in authority than the BIS were national finance ministers. Consequently inclusion of these authorities forced inappropriate theoretical stretching of the relatively straightforward decision making criteria (Bonacich, 1987; Boorman and White, 1976; Wasserman and Faust, 1999). The lower boundary constraint of the focal organisation itself was supported by the decision making/authority criteria. Or, the IASB does not hold downward authority for any other organisation within the scope of the governance network. Finally, the lateral boundaries were limited to other global accounting standard setting organisations (Hanneman and Riddle, 2005; Wasserman and Faust, 1999).

3 Research questions

It is proposed that the IASB's governance network is marked by an intentional structure based on authoritative control via governance charters and other such administrative ties. If inter-organisational relationships act as purposeful social mechanisms embedded within a given governance network to coordinate and safeguard exchanges, then the governance network of the IASB should exhibit specific characteristics. Social network analytics were employed to determine the structural properties of the IASB's governance network. The network characteristics examined were:

1 What professional perspectives are represented by the individual actors within the IASB's governance network?

2 What geographic locations are represented by the individual actors within the IASB's governance network?

3 To what extent are the strategic members of the IASB's governance network structurally embedded as measured by relational ties such as co-directorship, employment or board memberships?

4 Data collection and research method

The data collected were transcribed to construct 3 datasets. Data pertaining to individual actors were coded into $dataset_1$, $dataset_2$, and $dataset_3$. All data collected were publically available existing data.

$Dataset_1$ corresponds to research question 1 – what professional perspectives are represented in the IASB's governance network. $Dataset_2$ corresponds to research question 2 – what geographic locations are represented in the IASB's governance network. These datasets were analysed as attribute data for the individual actors within the network. Accordingly, beyond defining the network, analysis of such data does not require social network methodology. Instead traditional mathematical methods were employed to meet these research objectives. The inclusion of supplementary analysis of the network data was intended to address the more descriptive aspects or actor-level properties within the network structure.

The individual actors holding authority in the IASB's governance network were entered dataset$_1$ (N = 407). This resulted in an asymmetric matrix measuring the composition attribute of professional affiliations. Or, the rows represent the set of actors and the columns represent the measured attribute. The attribute of professional affiliation was coded into five professional perspectives. The professional perspectives were categorised as

a national regulatory agency

b accounting industry

c banking industry

d academia

e other.

A recordable event for dataset$_2$ was defined as an actor's concurrent or previous employment, board membership, committee memberships, or appointed positions in any of the aforementioned professional fields. Matrix cells were coded as 1 – indicating presence – and 0 – indicating absence.

To examine geographic representation the individual actors holding authority in the IASB's governance network were entered into dataset$_2$ (N = 401). Within the raw data set 6 of the 407 actors are reported as organisational observers or participants in general. These six actors were included to examine professional affiliation and structural embeddedness since the organisational body represented was given. However, other specific information – geographic location or biographies – about these observers was not provided. Given the lack of geographic information these six actors were removed from this dataset. This resulted in an asymmetric matrix used to measure the composition attribute of geographic representation. The attribute of geographic representation was transcribed as the self or other reported nationality of the actor.

Dataset$_3$ also consists of the actor-level nodes (N = 407). Data collection for dataset$_3$ was completed during a comprehensive review of publically available data including:

a by laws

b incorporation articles

c annual financial reports

d formal committee memberships

e ad hoc committee memberships

f select meeting minutes

g select reports

h selected press releases, communiqués or other administrative documents

i non-administrative documentation.

The completed dataset$_3$ was an asymmetric matrix with the rows representing individual actors and the columns representing the affiliation variables defined as the organisations within the ISAB's governance network. A recordable event was defined as an actor's concurrent or previous board memberships, employment, committee memberships,

appointed positions, or otherwise documented official tie with any specific organisation within the governance network. The matrix cells were coded with 1 – indicating presence – and 0 – indicating absence. To illustrate, a recordable relational tie between actor (a_1) and a specific organisation within the population (*i*th column) resulted in a coding of 1 in row a_1, *i*th column. Multiple relational ties of actor (a_1) resulted in a coding of 1 in each respective organisational column. For example, 3 organisational ties of a_1 consisting of organisations 1, 2, and 3 resulted in coding of 1 in row a_1, columns $i\text{th}_1 \ldots i\text{th}_3$.

Dataset_3 is a 2-mode network. A 2-mode network measures the relations or linkages between actors and events. The actor is one mode and the event is the second mode. Data analysis for this network is intended to measure the actor's affiliation variable – co-membership or structural embeddedness – to the organisations within the network. This produces a subset of actors for each event, which is consistent with the second network mode (Wasserman and Faust, 1999).

The affiliation network was transformed into a 1-mode co-membership network and a 1-mode co-organisational overlap matrix. In the original 2-mode affiliation dataset a tie between an actor and an organisation resulted in a binary code of 1 in the actor row, organisational column. Two actors were considered to be affiliated with the same organisation if both actors had a 1 in the same organisational column. The result was an asymmetric 407 × 10, 2-mode network, which was used to derive a 1-mode co-membership overlap matrix and the 1-mode co-organisational overlap matrix.

The co-membership overlap matrix considers the number of organisational co-memberships shared by the individual actors. The number of times that 2 actors have a 1 in corresponding columns gives the number of events they have in common. These co-membership frequencies were transformed into an actor-by-actor matrix by recording the number of organisations to which the actors jointly belong. Summing relations of the actors to each organisation resulted in a 407 × 407 symmetric sociomatrix with valued relationships. The values assigned to each actor can range from 0 to 10. If an actor was not affiliated with an organisation a 0 was assigned. If an actor was affiliated with all organisations, the maximum value of 10 was assigned (Wasserman and Faust, 1999).

The co-organisational overlap matrix considered the pairs of organisations shared by two actors (Wasserman and Faust, 1999). The organisational overlap matrix was created by transposing the original 407 × 10 dataset into a 10 × 10 sociomatrix. Theoretically, this matrix is defined as an event overlap matrix or in this case an organisational overlap matrix. The transformation displayed the actor's participation rates in an organisation-by-organisation matrix, which recorded the number of actors that each pair of organisations shares. Or, as the name implies it measured the degree of organisational overlap among the actors, like the co-membership matrix above, the resulting co-organisational matrix was a 1-mode, symmetric, valued sociomatrix (Wasserman and Faust, 1999).

5 Results

Examining the structural properties of the organisational as well as individual actors within the IASB's governance network provides an opportunity to contextually analyse the relational qualities of multiple stakeholders while offering insights into the potential impacts of such arrangements (Jones et al., 1997; Rowley, 1997). This examination

focused on three properties of the IASB's governance network; namely, what professional affiliations are present within the governance network, what geographic locations are represented within the governance network, and to what extent is the governance network structurally embedded.

5.1 Research question 1: what professional perspectives are represented by the individual actors within the IASB's governance network?

A total of 703 professional ties were found among the 407 actors in dataset$_1$. As illustrated in Table 2, the individual actors within the IASB's governance network have the largest number of professional ties to banking with 216 closely followed by 201 ties to national governmental regulators. The 155 professional ties to the public accounting industry ranked a distant third. At face value; however, this outcome was not unanticipated given the organisational structure of the network. For example, four of the Mentoring Group's six organisational members represent the banking industry.

Table 2 Professional ties of the individual actors within the IASB's governance network

	National			*Public*		
	Regulator	*Banking*	*Academia*	*Business*	*Accounting*	*Other*
International Accounting Standards Board (IASB)	48	68	18	29	60	13
Public Interest Oversight Board (PIOB)	6	6	3	1	1	0
International Federation of Accountants (IFAC)	19	14	14	17	92	3
Bank of International Settlements (BIS)	66	77	9	1	0	4
World Bank	32	48	4	3	2	10
International Association of Insurance Supervisors (IAIS)	11	0	0	0	0	1
International Organization of Securities Commissions (IOSCO)	19	3	0	1	0	0
Total	*201*	*216*	*48*	*52*	*155*	*31*
Percentage	*29%*	*31%*	*7%*	*7%*	*22%*	*4%*

Note: Among the 407 individual actors total number of ties = 703.

The results from the subtotals of professional ties are more remarkable. When partitioned by organisation the individual actors within the IASB have more ties to banking than public accounting with 68 and 60 respectively. Among the 36 members of the 2 boards, namely the TAAG and IASB Foundation, with the authority to approve IASB, SAC, and IFRIC board members 26 documented professional ties to banking were found compared

to 5 professional ties to public accounting. This is the intuitive reverse of what one would expect from an accounting standard setting board.

Another substantial result is not with the sheer number of ties per se but with the type of banking affiliations found in the primary and secondary source documentation. Clearly a member of the BIS or World Bank is assumed to have a professional tie to banking. However, the banking attribute was coded to include any reported tie to the banking industry including central banks, public banks, private banks, investment banks, and development banks. Within the banking industry a robust investment banking subcategory emerged. Table 3 provides a summary of the investment banking subcategory. Of the 64 reported ties to investment banks 49 are for members of the IASB.

Table 3 Professional ties of individual actors to investment bank subcategory

Organisation	*Role*	*No. of actors*	*Organisation Total*
International Accounting Standards Board (IASB)	TAAG	4	
	IASC Foundation	16	
	Standard's Board	4	
	SAC	11	
	IFRIC	5	
	Working Group	9	
		IASB total	49
Public Interest Oversight Board (PIOB)	Oversight Board	3	
		PIOB total	3
International Federation of Accountants (IFAC)	IFAC Board	3	
	Nominating committee	2	
	IAESB Board	1	
	IESBA Board	1	
		IFAC Total	7
World Bank	Directors	2	
		World Bank total	2
Bank of International Settlements (BIS)	Executive Board	2	
		BIS total	2
International Organization of Securities Commissions (IOSCO)	Executive Committee	1	
		IOSCO total	1
Investment bank subcategory total			*64*

Based on Brown's (2004) study more professional ties to business were expected. Business only comprised 7% of the professional ties. An actor was assumed to have a professional tie to the business industry if the actor served in a high-level position for a public company or if the actor had a tie to the board of a public company. Of the 59 ties found to the business industry the majority were noted in the IASB. Twenty nine of the

59 ties were by IASB members. Moreover, 89% of the ties to business were found within the two accounting standard setting bodies – the IASB and IFAC.

Business ties of the members within the accounting standard setters were expected. International Financial Accounting Standards are primarily intended to regulate the business community. Thus input by business experts, one of the largest user groups is essential to the standard setting process. According to these findings, it appears that professional representation from business is rather low when compared to banking or national financial regulatory bodies.

The professional ties to academia and other professional groups were rather disappointing with 7% and 4% respectively. Again the majority of these ties can be found within the IASB and IFAC. Interestingly nearly half or 20 of the ties to academia were instructors of economics and not accounting.

The findings for this variable seem to support a detectible macroculture and underlying level of professionalisation within the IASB's governance network (DiMaggio and Powell, 1983). The most direct representation of professionalisation can be found in the professional affiliations for the individual actors as well as the relational ties among the actors. Organisations from the banking industry represented the highest level of the hierarchy and actors within the network hold the most professional ties to banking. Since the actors within the banking industry were coded to have a professional tie to banking this attribute was expected for these organisations. However, when partitioned by organisation the individual actors within the IASB were found to have more ties to banking than to public accounting. Most notable were the ties detected in the boards with the authority to appoint all other IASB members. Within these boards 26 documented professional ties to banking were found compared to five professional ties to public accounting.

These results are further confounded when the banking category is delineated into subcategories separating ties as belonging to central banks, public banks, private banks, investment banks, and development banks. The number of ties within the IASB for investment banks is only surpassed by the professional ties to the accounting industry. Whereas professional ties to the accounting industry were expected, a notable number of professional ties to investment banks were not. One reason that accounting regulation is delegated to non-governmental organisations is to capitalise on private party accounting expertise (Mattli and Büthe, 2005a). Deductively, a private body accounting regulator must retain the expertise of experienced accountants. As Mattli and Büthe (2005a, p.405) noted an accounting regulator needs, "…general accounting expertise, familiarity with existing financial instruments, and knowledge of current practices in order to be able to write an accounting standard that is feasible in implementation as well as effecting in achieving the goals [of accounting]…". Although the necessity for professional ties to accounting is not debated, the necessity for professional ties to investments banks; however, is questionable.

Furthermore, these findings support Perry and Nölke's (2006) conclusion that political influences on the IASB have morphed from those of business to those of finance. This conclusion is also supported in previous findings where Perry and Nölke (2005, p.1, p.17) used social network analysis to examine the various committees of the IASB and the European Financial Reporting Advisory Group. In particular, they found that, "…financial sector actors wield substantially more influence than other categories of business actors within the governance of international accounting standard setting". Furthermore, they noted a robust investment banking subcategory, which was reproduced

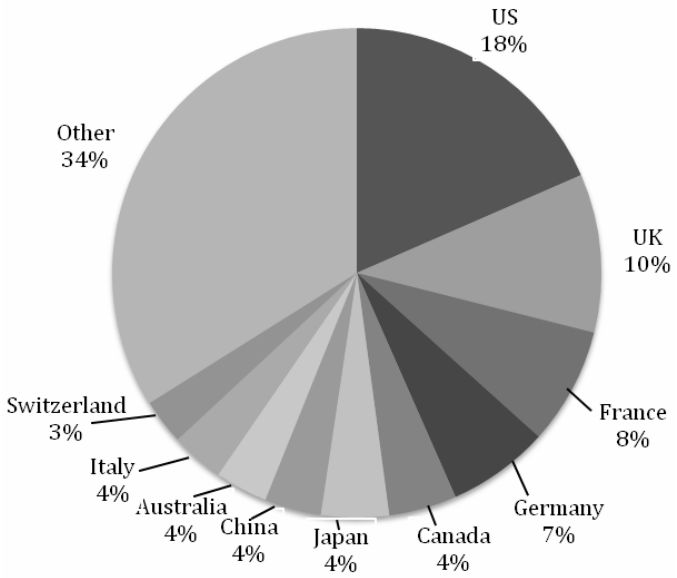
here. Interestingly they also found, "public actors have retreated and broad social constituencies are not represented at all". This shift from the political influence of the business industry to the financial industry does explain the results herein; especially the unexpectedly low ties to the business industry, who have long been cited by accounting scholars as controlling accounting regulation (Brown, 2004).

Consistent with the network analysis of Perry and Nölke (2005), not one professional tie to unions or any other type of generalised labour interest was found herein. In regard to labour only the interests of executive and elite workers were represented within the network. In particular, ties categorised as other professions were found to Financial Executives International, Michael C. Fina Co., and Mitchell Notley & Associates. These groups specialise in executive compensation, recognition, and benefit packages. Therefore it seems that although general labour is not represented executive labour is. This is concerning since compensation related accounting regulation often conveys vast society implications (James, 2008; Perry and Nölke, 2005, 2006).

5.2 Research question 2: what geographic locations are represented by the individual actors within the IASB's governance network?

Dataset$_2$ consisted of the reported geographic location for 401 of the 407 actors. Six of the 407 actors from the IASB's governance network represented at-large members, whose geographic information was not publically available. These actors were excluded from dataset$_2$. In sum, 56 geographic locations were reported in the total population.

Figure 2 Percentages of geographic representation of individual actors for entire network



The geographic representation is not proportionate however. As illustrated in Figure 2 the USA and UK constitute a combined 28% of the total geographic representation with 18% and 10% representation respectively. Similarly the Western nations of the USA, UK, France, Germany, Canada, and Italy comprise 51% of the overall representation. In fact,

only the ten nations as depicted in Figure 2 held more than 3% of the total. The remaining 34% of other representation consists of 46 nations, 6 with 0.7% or 3 members, 8 with 0.5% or 2 members and 21 with 0.2% or 1 member.

In 2004 Brown found that only 3 of the 45 members of the SAC, none of the 13 members of the IFRIC, and 1 of the 14 members of the IASB hailed from developing countries. Since Brown's study; however, 8 of the 39 members of the SAC, 7 of the 21 members of the IFRIC, and 1 member of the 15 members of the IASB hail from developing countries. Although the so-called Anglo-Saxon nations still retain over 50% representation of the 3 aforementioned boards, the increase of members from developing nations is marked.

From a geographic perspective the Western nations of the US, UK, Germany, France, Canada, and Italy comprise over 50% of the membership in the overall governance network as well as the IASB boards directly. Although this cannot be construed as Western control, it is an indication of Western influence of international accounting standards. It has been claimed that the IASB is dominated by a narrow band of Western, accounting experts (Brown, 2004). However, it should be noted that the majority of accounting experts with free capital market expertise is concentrated within the Anglo-Saxon countries (Mattli and Büthe, 2005b). Nonetheless, Brown (2004, p.387) noted, "…a structure with a more egalitarian approach, a structure claiming to have legitimacy based upon representativeness, would involve more representatives from the emerging countries".

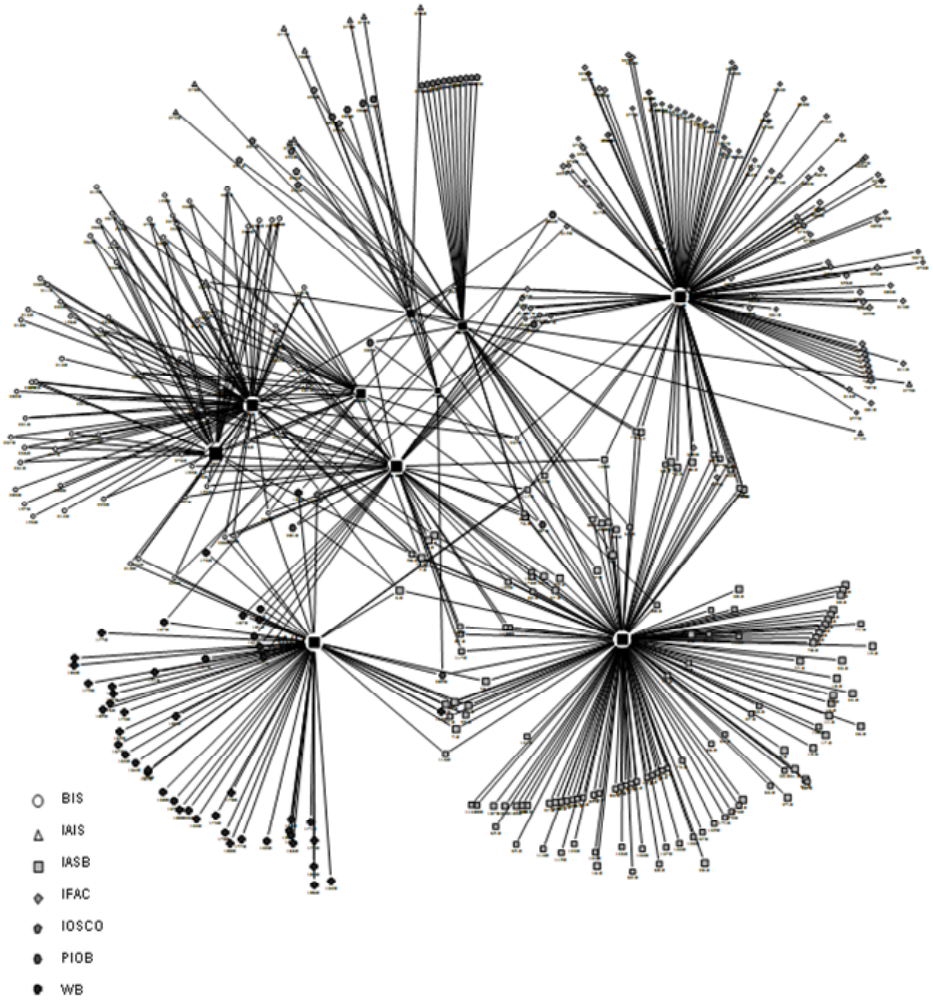
A marked increase in the representatives from developing countries was noted within the IASB's organisational structure since Brown's (2004) study. This increase; however, cannot be ascribed to the overall network since a benchmark for the network defined herein does not exist until now. For the IASB specifically such a longitudinal increase in geographic representation from developing nations is consistent with DiMaggio and Powell's (1983, p.148) theory on institutional isomorphism that contends as organisations emerge in a given field, "powerful forces emerge that lead them to become more similar to one another". Or, the authoritative organisations for the IASB are similarly geographically dispersed and thus the IASB's governance network would tend to follow this trend.

As Schaub (2004) noted the jurisdictions directly applying the accounting standards should be entitled to representation with the IASB network. This is not to say that the idyllic mix of representation is necessarily proportionate. However, issues arise when standards developed for mainly Anglo-Saxon financial markets are unilaterally applied to all nations committed to IFRS. In some instances – such as the adoption of IAS 39 in the European Union – issues even arise amongst the Anglo-Saxon countries (Schaub, 2004). For example, Caramanis (2002, p.379) claimed that accounting convergence in Greece marginalised Greek accounting professionals in what he deemed to be, "…a complex system of superimposed, overlapping and often competing national and international agencies of governance".

Although it is agreed that a truly global marketplace must be interpreted by a codified set of consistently applied accounting standards, it is questioned whether the economical and political interest of member nations should be assumed by standard setting bodies on which member nations have little to no representation (Schaub, 2004). For example, Geyer (2003) argued that the ability for nations to resist globalising forces with adverse social or cultural implications is partially a function of active national lobbying against such forces. Herein; however, the case may not be as much for lobbying against

accounting convergence as it is for active involvement in the standard setting process which undoubtedly affects national jurisdictions, each with a particular set of needs and circumstances (Fenelon and Murguía, 2008).

Figure 3 Scaled bipartite graph of the affiliation matrix



Note: Created with NetMiner cited as Cryam (2009)

5.3 Research question 3: to what extent are the strategic members of the IASB's governance network structurally embedded as measured by relational ties such as co-directorship, employment or board memberships?

Dataset$_3$ is a 2-mode, affiliation network. The first mode consists of the 407 individual actors and the second mode represents 10 of the 15 organisational entities. Therefore, the dataset forms an asymmetric 407 × 10 matrix recording the actor's affiliation with any of the ten organisations. The organisational actors are the BIS, World Bank, FSF, IAIS,

IASB, PIOB, IOSCO, European Commission, BCBS, and the IFAC. Since the IAASB, IESBA, IESB, and IPSASP are boards controlled and organised solely by the IFAC the individual actors with an affiliation to these boards were coded to be affiliated with the IFAC. Additionally, the board membership for the Monitoring Group is not publically available. Therefore, the Monitoring Group could not be included as an organisational category, which is rather unfortunate given the Mentoring Group's position in the governance network.

Affiliation networks can be represented in matrix form or as a bipartite graph. Both representations are derived from the same data where the latter is in graphic form (Wasserman and Faust, 1999). The bipartite graph for dataset$_3$ is shown in Figure 3.

Basic statistics to determine the distribution of ties in dataset$_3$ were computed using NetMiner software. The mean number of ties, standard deviation from the mean number of ties, minimum number of ties, and maximum number of ties for the actors within the dataset were computed. As shown in Table 4 the minimum number of actor ties or co-membership links to an organisational node is 1. This finding is intuitive as the actors were automatically linked with the organisational board on which they served. The maximum links for a single actor was 4. Or, at least 1 actor has co-membership ties to 4 of the 10 organisations. The mean number of ties was computed as the average number of ties for each of the 407 actors. The resulting mean of 1.464 indicates that the average ties among the 407 actors are to 1.464 organisations. Or, on average each actor is tied to 1 to 2 organisations within the network.

Table 4 Distribution of relational ties for IASB affiliation network

Measures	*Value*
Mean	1.464
Std. dev.	0.707
Min.	1
Max.	4

This mean is consistent with the actual pattern of ties noted in the 407 × 10 affiliation matrix. The total number of ties found was 596. Four actors had ties with 4 organisations, 33 actors had ties with 3 organisations, 105 actors had ties with 2 organisations, and 263 had ties with 1 organisation. The actual distribution of ties also seems to explain the relatively high standard deviation of 0.707.

To measure the co-membership relationships of the actors, dataset$_3$ was transposed to derive a 1-mode, 407 × 407 co-membership overlap matrix. Since this matrix is too large to be reproduced in its entirety a partial representation for the first 10 actors in the dataset is presented in Table 5. In general, matrices yield two sources of information, namely the diagonal and the off-diagonal values. The diagonal values, shaded in Table 5, give the total number of ties for the mode – organisation or actor – under study. Since this is an actor-by-actor matrix the diagonal values give the total number of ties found for each actor. For example, the first diagonal entry for actor 1 indicates that actor 1 is linked to 1 of the 10 organisations included in the analysis. Accordingly actor 2 – diagonal value in the row for actor 2, column actor 2 – has a relational tie to 2 organisations, actor 3 has ties to 4 organisations, and so forth. The highest diagonal entries for the co-membership matrix are 4. This confirms that the maximum number of co-membership for an actor is with 4 of the organisations.

Table 5 Partial reproduction of IASB co-membership overlap matrix

	Actor 1	*Actor 2*	*Actor 3*	*Actor 4*	*Actor 5*	*Actor 6*	*Actor 7*	*Actor 8*	*Actor 9*	*Actor 10*
Actor 1	1	1	1	1	1	1	1	1	1	1
Actor 2	1	2	1	1	1	1	1	1	1	1
Actor 3	1	1	4	2	1	1	2	2	2	1
Actor 4	1	1	2	2	1	1	1	1	2	1
Actor 5	1	1	1	1	1	1	1	1	1	1
Actor 6	1	1	1	1	1	1	1	1	1	1
Actor 7	1	1	2	1	1	1	2	2	1	1
Actor 8	1	1	2	1	1	1	2	3	1	1
Actor 9	1	1	2	2	1	1	1	1	2	1
Actor 10	1	1	1	1	1	1	1	1	1	2

Notes: This matrix only reflects the first 10 actors within the database.
The complete matrix is 407 × 407.

The off-diagonal entries for the co-membership overlap matrix, which is partially reproduced in Table 6, measure the number of organisations to which a pair of actors jointly belong (Wasserman and Faust, 1999). Accordingly, the off-diagonal values, the unshaded values in Table 5, produce an actor-to-actor comparison of ties. For example, the value of 1 in the column for actor 1 and row for actor 2 indicates that actors 1 and 2 are co-members of 1 organisation. The value of 2 in the column for actor 3, row for actor 4 indicates that actors 3 and 4 have identical co-membership to 2 organisations. In sum, every actor is compared with every other actor to produce the number of identical co-memberships.

The number of possible off-diagonal actor-to-actor connections in a 407 × 407 matrix is 165,242. This value is calculated by taking all possible combinations 165,649 (407 × 407) and removing the 407 diagonal entries. The off-diagonal entries range from 0 to 3. Whereas, 0 indicates that the 2 actors share no co-memberships and 3 indicates that they share 3 co-memberships. A summary of the off-diagonal scores is presented in Table 6.

Table 6 Off-diagonal values for co-membership overlap matrix

No. of co-memberships for pairs of actors	*No. of entries in matrix*
0	114,948
1	46,976
2	3,216
3	102
Total possible occurrences	*165,242*

In an unconnected network scores of 0 and 1 are expected. Zeros are expected for the actor-to-actor pairs across different organisations. Ones are expected for the actor-to-actor pairs on the same organisational boards. For example, the 143 members selected from the various IASB boards will exhibit a pair wise score of 1 since they are all originally affiliated with the IASB. When compared with actors from other

organisational boards the value for IASB actors should equal 0 unless the actors are co-members of both organisational boards.

As illustrated in Table 6 the number of actors with identical co-memberships in 2 to 3 organisations within the IASB governance network is robust. For example, 3,216 occurrences for the value of 2 were found. Moreover, 102 instances of actors with 3 identical co-memberships were found. According to the diagonal values the actual rates of co-membership for the affiliation matrix were determined to be 4 actors with ties to 4 organisations, 33 actors with ties to 3 organisations, 105 actors with ties to 2 organisations, and 263 actors with ties to 1 organisation. This off-diagonal analysis enhances the actual results by providing additional details about the rate of co-membership. For example, the diagonal results state only that 33 actors had ties to 3 organisations, not which organisations. When the diagonal and off-diagonal results are combined they suggest that not only did multiple actors have multiple ties but multiple actors had multiple pairs of identical ties. For example, 11 of the 33 actors not only had 3 co-membership ties, but the 3 ties were to the same group of organisations.

To measure the number of organisations shared by each pair of actors dataset$_3$ was transposed to derive a 1-mode, 407 × 407 co-organisational overlap matrix (Wasserman and Faust, 1999). The co-organisational overlap matrix is presented in Table 7.

Table 7 Values for IASB co-organisational overlap matrix

	BIS	*WB*	*FSF*	*IAIS*	*IASB*	*PIOB*	*IOSCO*	*EU*	*BCBS*	*IFAC*
BIS	84	7	31	1	7	1	0	24	27	2
WB	7	67	2	1	13	1	3	11	3	2
FSF	31	2	31	0	2	0	0	6	4	0
IAIS	1	1	0	15	1	1	1	0	0	1
IASB	7	13	2	1	150	3	11	18	3	19
PIOB	1	1	0	1	3	12	1	3	2	2
IOSCO	0	3	0	1	11	1	34	4	0	4
EU	24	11	6	0	18	3	4	57	6	10
BCBS	27	3	4	0	3	2	0	6	29	2
IFAC	2	2	0	1	19	2	4	10	2	117

This matrix is calculated much like the co-membership overlap matrix above. Instead of focusing on pairs of actors, the focus is on pairs of organisations. Or, if two organisations have an actor in common in the original database both actors will have a binary 1 in the organisational column. This matrix counts the number of actors with recorded ties for each organisation as well as the number of actors that had two or more organisations in common.

The diagonal scores, the shaded values in Table 7, of the co-organisational overlap matrix indicate the total number of actors who were affiliated with the corresponding organisation. At first glance it appears that the IASB has the most members with 150, which is necessarily true. However, such an interpretation does not consider that the number of actors representing each organisation is not uniform. For example, 4 IASB boards were included with a total of 143 actors, whereas no European Commission boards were included (see Table 1). Instead, only the ties with the European Commission by the actors of the other boards were considered. Consequently, to interpret the diagonal

values it is appropriate to normalise them by considering the number of actors from each board included in the study. This normalisation is shown in Table 8.

Table 8 Comparison of diagonal values for the co-organisational overlap matrix to actor population

	Board members	*Co-organisational ties*	*Difference*
Bank of International Settlements (BIS)	28	84	56
World Bank (WB)	48	67	19
Financial Stability Forum (FSF)	27	31	4
International Assoc. of Insurance Supervisors (IAIS)	12	15	3
International Accounting Standards Board (IASB)	143	150	7
Public Interest Oversight Board (PIOB)	10	12	2
International Organization of Securities Commissions (IOSCO)	19	34	15
EU Commission (EU)	0	57	57
Basel Committee on Banking Supervision (BCBS)	22	29	7
International Federation of Accountants (IFAC)	98	117	19
Total	407	596	189

Table 8 accounts for the 407 automatic ties recorded for organisational boards to which the 407 actors were affiliated. The organisational overlap matrix shows that the 407 actors had a total of 596 ties to the 10 organisations included in the study. As a result, the 407 actors were found to have 189 additional ties to organisations other than the organisational board from which they were drawn.

The largest degree of organisational overlap was found with the European Commission. This is not surprising considering that none of the board members from the European Commission were included in the original dataset. Therefore, each tie is automatically considered an organisational overlap tie. Nonetheless it is interesting to note that 57 of the 407 actors had relational ties to the European Commission although none of the original actors were drawn from the European Commission.

The BIS ranked a close second. The study included 17 members of the BIS Board as well as 11 members of executive management for a total of 28 members. These 28 members produced 84 organisational ties with the other organisational boards for a total increase of 56 co-organisational ties. Again, these results are not surprising considering the BCBS, the IAIS, and the FAF are technically considered BIS hosted organisations. However, these results do quantify the pervasiveness of BIS organisational overlap within the seemingly unrelated accounting standard setting network.

The off-diagonal entries – unshaded values – found in Table 7 are also noteworthy. The off-diagonal entries record the instances of actor overlap between the organisations. The value of actor overlap for each organisation ranges from 0, no pairs of actors share membership, to 31, meaning that 31 actors share membership in these organisations. The FSF and BIS were found to have the greatest degree of actor overlap. This is expected given that the FSF is a BIS hosted organisation. In fact, by examining the values found in the FSF row, it appears that the FSF has ties to the banking organisations – BIS, World

Bank, BCBS–, the European Commission, and the IASB. Given the FSF's mission to oversee stable financial markets it is questioned why the ties outside of banking extend only to the accounting regulators and not the other financial market regulators – the IAIS and the IOSCO.

From the off-diagonal entries for the IASB presented in Table 7 it is evident the IASB board has co-organisational ties to every organisation within the theoretical governance network. The values in the IASB row indicate the IASB shares 7 co-organisational members with the BIS, 13 with the World Bank, 2 with the FSF, 1 with the IAIS, 3 with the PIOB, 11 with the IOSCO, 18 with the European Commission, 3 with the BCBS, and 19 with the IFAC. In fact, the IASB is the only organisation other than the World Bank to have co-membership ties to all the organisations within the governance network. This may seem intuitive given that the focal node used to select the IASB governance network was the IASB. However, the theoretical connection between the IASB and the other organisations in the network is assumed to stop at the organisational level or the organisations may be connected based on lines of authority, but the individual members that constitute the organisational boards are assumed to be autonomous members of a specific organisation. Therefore, it is apparent that the members of the IASB board share considerable ties to every organisation within the governance network.

6 Conclusions

The IASB's governance network was defined and examined utilising social network analysis. First, it was concluded that a discernible governance network does exist. Every organisation within the governance network is bound by formal and informal lines of authority (Jones et al., 1997). Second, banking institutions – BIS and World Bank – hold the most influential positions of authority within this governance network. In terms of organisational authority (Jones et al., 1997), structural properties (Rowley, 1997), and operational viability (Mattli and Büthe, 2005b) these banking institutions may exert substantial influence to ensure that their interests are secured when it comes to international accounting regulations.

The first research question was crafted to examine the professional perspectives represented by the individual actors within the IASB's governance network. This concept of professionalisation can have a profound impact on the nature and direction of accounting regulation (DiMaggio and Powell, 1983). Again, ties to the banking industry were found. The individual actors exhibited more ties to the banking profession than any other category. Professional ties to banking comprised 31% of the total ties found. In fact, the accounting industry ranked a distant third with 22% of the total ties. The more concerning finding; however, was the type of banking ties noted. A robust investment bank subcategory emerged with 64 reported professional ties, 49 of which were professional ties of the IASB members directly. In fact, more ties were found to the investment banking subcategory than to academia, business, and other groups, which included labour unions, environmental, social, and other interest groups not captured in another category with 48 ties, 52 ties, and 31 ties respectively.

Although professional ties to national regulators – national regulatory interests –, the accounting industry – subject matter expertise –, business industry – largest user group applying the standards –, and even banking in general given the composition of the governance network can be justified, the pervasiveness of investment banking ties is

suspect. This leads to two conclusions. First, when professionalisation and structural embeddedness are considered as criteria for safeguarding and coordinating exchanges, the banking industry has the most dominant macroculture in this population (DiMaggio and Powell, 1983; Jones et al., 1997). Second, representation by investment banking interests, which are strictly profit motivated, is more embedded within the governance network than any other academic, social, or environmental group. Such representation is also considered a structural mechanism through which the banking industry can influence the international accounting regulators.

The geographic representation of the individual actors within the IASB's governance network was the focus of the second research question. The Western nations of Canada, France, Germany, Italy, UK, and the USA have majority representation in the governance network. In fact, 51% of the representation is shared by these six Western nations whereas the remaining 49% is sparsely distributed among 56 nations. Accordingly, strong Western influence over the shaping of international accounting regulations is certainly concluded. However, an increase in geographic representation was noted when the IASB's governance network was compared to Brown's 2004 findings.

The final research question was intended to determine the extent to which the individual actors of the IASB's governance network were structurally embedded as measured by relational ties such as co-directorship, employment, or board memberships. Structural embeddedness is another mechanism used to safeguard exchanges and exercise control within an inter-organisational network (DiMaggio and Powell, 1983; Granovetter, 1992; Jones et al., 1997; Rowley, 1997). The existence of structural embeddedness was supported by the statistical properties of the affiliation matrix, as well as by the values rendered in the co-membership overlaps matrix and co-organisational overlap matrix. Accordingly, it is concluded that the IASB's governance network is a structurally embedded network as the individual members have considerable co-membership ties to multiple organisations. Furthermore, the findings of the co-organisational overlap analysis exhibited similar patterns of control as representatives from the BIS had the most co-organisational ties.

These network governance mechanisms may be necessary to enable the governance network to thrive in rapidly changing markets. Jones et al. (1997, p.917) theorised that effective network governance mechanisms must strive to resolve problems of adapting, coordinating, and safeguarding exchanges. By synthesising social network theory and transaction cost economics theory they posited that structural embeddedness is employed in network governance to enable social mechanisms to resolve the aforementioned problems. Moreover, Jones et al. theorised that, "the interaction of these social mechanisms in network governance may promote cooperative behavior while at the same time thwarting problems characterised as social dilemmas" (p.933–934).

On the other hand these social network phenomena may, at least partially, explain the lack of procedural transparency and inclusion (Hopwood, 1994; Mattli and Büthe, 2005a, 2005b; McCombie and Deo, 2005), multiple principal problem (Mattli and Büthe, 2005a, 2005b), narrow membership (Brown, 2004; Caramanis, 2002; Hopwood, 1994), national legitimacy (Schmidt, 2002), regulatory fairness in the face of diverging interest (Chand and White, 2007), and the influence of international organisations (Caramanis, 2002; Graham and Neu, 2003; Lehman, 2005a) previously noted with international accounting regulation. In other words intentional structural embeddedness in network governance may manifest as unbalanced, isolated cliques in which information is tightly controlled by in-member factions (Jones et al., 1997; Granovetter, 1992). Faerman et al. (1999)

concluded that this type of interorganisational cooperation was purposefully constructed in financial regulation as an informal means of centralised control. If this is accepted then it appears that the in-member factions exercising centralised control are heavily influenced by the financial industry.

Accounting regulations impact the lives of virtually everyone in modern society. The regulations passed by the IASB are globally binding and inherently capable of serving certain stakeholder interest at the expense of other stakeholder groups (Mattli and Büthe, 2005a). It appears that the structural forces of the IASB will lead it to serve the interest of financial markets, which are typically aligned with investment, profit, and capital generation. In some instances this could be at the expense of labour and social relations (Brown, 2004). Furthermore, this arrangement is likely to benefit investors and financial stakeholders over the interest of workers and other social stakeholder groups (Langley, 2004; Perry and Nölke, 2006; Waldenburger, 2002). Of course this would imply various consequences for a broad base of stakeholder groups.

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Appendix

Reference for commonly used acronyms

AICPA	American Institute of Certified Public Accountants
BCBS	Basel Committee on Banking Supervision
BIS	Bank of International Settlements
CPA	Certified Public Accountant
EAP	Expert Advisory Panel
EC	European Commission
EESC	European Economic and Social Committee
FASB	Financial Accounting Standards Board
FRB	Federal Reserve Board
FSF	Financial Stability Forum
FTC	Federal Trade Commission
GAAP	Generally Accepted Accounting Principles
GAAS	Generally Accepted Auditing Standards
IAASB	International Auditing and Assurance Board
IAESB	International Accounting Educational Standards Board
IAIS	International Association of Insurance Supervisors
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IASC	International Accounting Standards Committee
IASCF	International Accounting Standards Committee Foundation
IESB	International Education Standards Board
IFAC	International Federation of Accountants
IFIAR	International Forum of Independent Audit Regulators
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
IPSAB	International Public Sector Accounting Board
IOSCO	International Organization of Securities Commissions
IBRD	International Bank for Reconstruction and Development
ICSD	International Center for Settlement and Agency Disputes
IDA	International Development Association
IES	International Educational Standards
ISA	International Standards on Auditing
NGO	Non-governmental Organization
OECD	Organisation for Economic Cooperation and Development
PIOB	Public Interest Oversight Board
SAC	Standards Advisory Committee
SEC	Securities and Exchange Commission
PIOB	Public Interest Oversight Board
SEC	Securities Exchange Commission
TAAG	Trustees Appointment Advisory Group
WTO	World Trade Organization