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IFRS adoption in the United States: An analysis of the role of the SEC's Chairs ☆

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ABSTRACT

In this paper, we study the role of the SEC's Chairs in the possible adoption of IFRS in the United States between 2005 and 2017. We mobilize the theoretical framework of institutional entrepreneurship to analyze the multidimensional institutional process which involves the streams of problem recognition, policy development and politics. Our qualitative empirical study finds that the SEC Chairs attempted to couple the three streams to different extents to achieve policy breakthroughs on IFRS adoption. We show how the coupling endeavors of Chair Cox opened a temporal window of opportunity for IFRS adoption, while Chairs Schapiro and White were unsuccessful in coupling the streams due to limited recognition of IFRS adoption as a central problem for the SEC, the inability to develop a practicable policy solution and unfavorable conditions in the policy stream. Our paper offers insights into the reasons for the SEC's substantial efforts to introduce IFRS to U.S. capital markets and why these efforts never resulted in a formal decision on adopting IFRS for U.S. issuers. Our findings contribute to literatures on IFRS adoption, the temporal dimension of institutional entrepreneurship and the U.S. debate on IFRS.

1. Introduction

Financial reporting systems encompass institutionalized standards and practices. Thus, adopting a different reporting system, such as International Financial Reporting Standards (IFRS), constitutes a case of institutional change (e.g., Chua and Taylor, 2008; Guerreiro et al., 2021). While previous literature on IFRS adoption mobilizing institutional theory highlights the role of external pressures for countries' or companies' decisions to adopt IFRS (e.g., Albu et al., 2014; Alon and Dwyer,

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2014; Judge et al., 2010; Mir and Rahaman, 2005), there has been little attention to the role of the actual decision–makers and their use of agency in IFRS adoption processes (Guerreiro et al., 2021, 2015) and how this interacts with external forces.

In this paper, we study the role of the Securities and Exchange Commission's (SEC) Chairs with regard to a possible adoption of IFRS in the United States. For this purpose, we draw on the theoretical framework of institutional entrepreneurship (Battilana et al., 2009; Hardy and Maguire, 2017). More specifically, we take up Buhr's (2012) conception of the temporality of institutional entrepreneurship, which is based on Kingdon's (2003) study of agenda–setting in the U.S. federal government. Along these lines, the institutional process consists of three separate streams: problem recognition, policy development and politics. When a policy becomes coupled to a prominent problem as a solution and this combination finds support in the political stream, this opens a (temporal) window of opportunity (Kingdon, 2003, p. 178). In the words of Buhr (2012, p. 1569), with the alignment of the three streams, "the time is right in the institutional process and enabling conditions for institutional entrepreneurship occur." Accordingly, we aim to understand to what extent windows of opportunity existed for the SEC Chairs regarding IFRS adoption in the period between 2005 and 2017. More specifically, we analyze the problem recognition of the SEC Chairs Cox, Schapiro and White, their policy development and promotion activities, and the ways politics inside and outside the SEC were connected with their rulemaking efforts.

Our qualitative study builds on a comprehensive review of public material as well as interviews with 20 high level actors who were personally involved in discussions on IFRS at the SEC (in their roles of SEC Commissioners, chief accountants or senior staff members) or closely interacted with the SEC on its deliberations on IFRS (including Chairs of the Financial Accounting Standards Board (FASB), Financial Accounting Foundation (FAF) and the International Accounting Standards Board (IASB)).

Our study contributes to prior research that mobilizes institutional theory to shed light on countries' decisions to adopt IFRS. While this literature largely focuses on the role of external pressures, such as demands for IFRS by capital markets or by the International Monetary Fund and the World Bank (e.g., Alon and Dwyer, 2014; Irvine, 2008; Mir and Rahaman, 2005), we study the role of key decision–makers as potential institutional entrepreneurs. We introduce the theoretical framework of the temporality of institutional entrepreneurship (Buhr, 2012) to the financial reporting literature. With the separation of the three streams of problems, policies and politics, the approach by Buhr (2012) provides nuances to the notion of "enabling conditions" (Battilana et al., 2009) for institutional entrepreneurship in the context of regulatory processes. Our findings highlight the relevance of the efforts exerted by key policymakers in the institutional process in coupling the streams to achieve policy breakthroughs, such as IFRS adoption. More specifically, we show how Chair Cox successfully coupled the streams, which opened a window of opportunity to achieve the release of a final rule to facilitate the use of IFRS for foreign issuers and the issuance of a rule proposal for IFRS adoption by U.S. issuers. In contrast, Chair Schapiro did not clearly recognize a problem and consequently put less effort into the coupling of the streams but rather delegated the tasks of policy development and promotion to the SEC staff. This resulted in the production of an inconclusive staff report in 2012. Finally, Chair White's attempts in 2015 to work toward a policy breakthrough suffered from the unavailability of practical policy options and unfavorable political conditions.

Our study also contributes to further develop Buhr's (2012) framework regarding the temporal dimension of institutional entrepreneurship. As we link the process–oriented model of Buhr (2012) to more actor–centered research on institutional entrepreneurship (e.g., Battilana, 2006; Löhlein and Müßig, 2020; Suddaby et al., 2016), we more explicitly consider individuals' motivations, characteristics and actions. While Buhr (2012, p. 1570) maintains that a "collective of organized institutional entrepreneurs can open up a window of opportunity by relating its activities to the temporal conditions of the institutional process," our findings suggest that individuals' actions (or inactions) can actually *affect* the temporal conditions of the institutional process. On the one hand, actions can take the form of allocating resources for policy development, spreading a vision for change that leads other actors to recognize a problem with the status quo or mobilizing allies to foster positive reception of policies in the political stream. On the other hand, inactions can include abstaining from using ex officio power, i.e., the social position offered by an organization and/or the individual's position, to promote policy acceptance within the political arena. Thus, institutional entrepreneurship is not only driven by temporal enabling conditions but can also be an inherent part of the creation of these conditions. This finding also extends Battilana et al.'s (2009) process model of institutional entrepreneurship where enabling conditions are considered as an explanation for the possibility of entrepreneurs to take action but not as a factor that entrepreneurs can affect themselves.

Finally, our study provides new insights into the SEC's decision–making as well as into the IFRS debate in the United States. In contrast to prior literature that has focused on understanding the SEC's enforcement decisions (for an overview see Cunningham and Leidner, 2022), we provide deeper insights into the SEC's rulemaking process with a particular focus on the role of the Chair. Regarding the IFRS debate in the United States, we complement the literature (see e.g. Alon and Dwyer, 2016; Bhimani, 2008; Camfferman and Zeff, 2015; Hail et al., 2010a, 2010b) by providing a deeper understanding of the activities of the SEC Chairs in the rulemaking process. Whereas some prior literature classified the SEC as a change opponent or "veto power" that had to be convinced by IFRS proponents (Alon and Dwyer, 2016, p. 5), our study provides a more nuanced analysis of the SEC's position on IFRS and, by studying the role of the Chairs, offers explanations for why the SEC first expeditiously worked on introducing IFRS to U.S. capital markets, but then never came to a formal decision on adopting IFRS for U.S. issuers.

The remainder of the paper presents our theoretical framework, followed by a description of the data that we used for our study. We then present our analysis and, finally, summarize and discuss the key lessons learned in the conclusions.

2. Theoretical framework

2.1. Institutional entrepreneurship

Institutional theory aims at explaining how organizational structures, practices, belief systems, standards or policies at different levels become institutionalized or deinstitutionalized (Oliver, 1992). While traditional approaches to institutional theory have focused on external sources as explanations of institutional change, such as disruptive or field–configuring events (Meyer, 1982) or the characteristics of the institutional context (Mahoney and Thelen, 2010), more recently, endogenous factors have received increasing attention (Battilana et al., 2009). This entails, in particular, a focus on actors, that is, individuals, groups of individuals or organizations, who break with extant institutionalized practices and actively take part in the change implementation process (e.g., Lawrence and Suddaby, 2006). Such "organized actors with sufficient resources" who perceive a new institutional arrangement as "an opportunity to realize interests that they value highly" are labelled *institutional entrepreneurs* (DiMaggio, 1988, p. 14).

The literature on institutional entrepreneurship has analyzed entrepreneurs' context–dependent motivations, characteristics and actions (for summaries see Battilana et al., 2009; Hardy and Maguire, 2017; Pacheco et al., 2010). For instance, it has been highlighted that the personal background of institutional entrepreneurs affects their ability to become aware of alternatives and motivated to initiate an institutional change (e.g., Greenwood and Suddaby, 2006). To implement their aspired changes, institutional entrepreneurs engage in the development of a vision for change, where they frame the benefits of the aspired change to convince skeptics, and in the mobilization of allies through the development of coalitions and alliances (Battilana et al., 2009).

In the context of institutional theory, acknowledging the importance of agency for institutional change leads to a paradox as the question arises how actors who are constrained by existing institutions can shape the very institutions they are embedded in (Seo and Creed, 2002). To address this paradox, prior literature suggests to consider the existence of *enabling conditions* that help actors to overcome institutional constraints (Battilana et al., 2009). Such enabling conditions for institutional entrepreneurship initiatives include the extent to which the context stimulates institutional change through economic, political, or social pressures. These pressures may arise from crises or jolts and involve, for example, increasing competition for resources and changing expectations of influential constituents that need to be satisfied (Oliver, 1992). Enabling conditions also encompass institutional entrepreneurs' social position which, for example, defines their power to access resources (Lawrence, 1999), their legitimacy and/or formal authority to initiate changes (DiMaggio, 1988; Phillips et al., 2000) as well as their social capital in terms of informal connections within a web of influential regulatory actors (Battilana et al., 2009).

2.2. Institutional entrepreneurship and the rulemaking process

To shed light on the U.S. deliberations on IFRS adoption through the lens of institutional entrepreneurship we draw on the theoretical propositions developed by Buhr (2012). Buhr (2012) combines ideas from institutional theory with concepts developed by the political scientist John W. Kingdon. Kingdon (2003) developed an inductive framework for explaining agenda–setting and rulemaking in the U.S. federal administration in which he distinguishes between actors ("participants") and processes. These processes are multidimensional and comprise three streams––problems, policies, and politics––that may overlap at times, but "develop and operate largely independent from each other" (Kingdon, 2003, p. 88). First, problem recognition involves that an issue has to be considered as sufficiently important to require action by policy–makers (in a financial reporting context see Pelger and Spieß, 2017; Young, 1994). Second, the development of policy alternatives reflects the generation and selection of ideas to address an identified problem. Third, the political stream reflects major events and developments inside (such as, changes of administration) and outside (such as, shift in public mood or pressure from organized political forces) the governmental organization. Each of these process streams can either foster or constrain a major policy change (Kingdon, 2003, p. 87). Considering the involvement of actors in the different process streams, Kingdon (2003, p. 179) highlights that "policy entrepreneurs" foster the alignment of problems, policies and politics. Once policy entrepreneurs succeed in "coupling" the three streams, they create a window of opportunity for change (Kingdon, 2003, p. 181).

Drawing on these concepts from Kingdon (2003), Buhr (2012) proposes that institutional entrepreneurship requires *temporally* favorable conditions. More specifically, when all three streams in the institutional process are favorably aligned, this provides "enabling conditions" (Battilana et al., 2009) for institutional entrepreneurship (Buhr, 2012). Such a constellation opens a window of opportunity in which institutional entrepreneurs can succeed in achieving policy breakthroughs: "When the time is right in an institutional context made up of political, policy and problem streams, essential conditions for institutional entrepreneurship arise" (Buhr, 2012, p. 1583). In her own empirical application, Buhr (2012) studies how the aviation industry became part of the European Union's (EU) Emissions Trading Scheme and focuses on different episodes in which the three streams of the policy development process aligned to different extents. She finds that a window of opportunity opened in the EU arena to include the aviation industry in the scheme because of "changes in the institutional process that provided favorable conditions at the same time and an organized collective of institutional entrepreneurs which related their activities to timely circumstances in the process" (Buhr, 2012, p. 1583). As her empirical focus is on processes and collective actions by organizations, such as the European Commission, she does not consider the level of individuals and also pays little attention to entrepreneurs' actual motivations, characteristics and actions.

2.3. Research setting and research questions

Our study focuses on policy development with regard to IFRS adoption in the United States. In the U.S. setting, the SEC is the responsible government agency to decide on the financial reporting standards to be applied by issuers in U.S. capital markets.[1] In the period of our analysis, between 2005 and 2017, the SEC considered whether it should introduce IFRS––instead of or alongside with U.S. GAAP––for the reporting of foreign and U.S. issuers. Fig. 1 provides a chronological overview of the SEC's key regulatory actions concerning IFRS.

The SEC consists of a Chair and four Commissioners, who are nominated by the President and confirmed by the Senate, to serve staggered five–year terms. No more than three of the Commission's five members can belong to the same political party. Each of the five members of the Commission casts one vote, and a simple majority is required for decisions, such as the publication of concept releases, rule proposals and final rules. The Chair appoints the heads of the SEC's five divisions and 25 offices,[2] and sets the Commission's agenda. Typically, Commissioners remain in office between three and five years.[3] Fig. 2 provides an overview of the SEC Chairs and Commissioners serving during the period of our analysis.

In this paper, we study the SEC's consideration of the possible adoption of IFRS through the lens of institutional entrepreneurship with a special focus on the role of the SEC Chairs.[4] For this purpose, we draw on the propositions developed by Buhr (2012) on the basis of Kingdon (2003). In particular, we conceptualize the SEC's deliberations on adopting IFRS as a multidimensional institutional process that potentially generates temporally enabling conditions for institutional entrepreneurship for the SEC Chairs. In line with more actor–centered research on institutional entrepreneurship (e.g., Battilana, 2006; Löhlein and Müßig, 2020; Suddaby et al., 2016), we complement this process perspective by linking it to the Chairs' respective motivations, characteristics and actions regarding IFRS adoption. More specifically, we address the following research questions:

1) To what extent did the SEC Chairs recognize problems with regard to the U.S. financial reporting system and how was this related to their personal backgrounds?
2) Which policies did the SEC Chairs develop and how did they act to promote the policy implementation?
3) How were the politics inside and outside the SEC related to the SEC Chairs' rulemaking endeavors?

3. Data

To address our research questions, our paper draws on archival and interview data. First, we analyzed publicly available information about past activities of the SEC with regard to IFRS. This includes public statements on IFRS by SEC Commissioners and senior staff between 2005 and 2017 that were available on the SEC's website.[5] We further studied transcripts and video recordings of SEC meetings on IFRS, the SEC's IFRS incorporation proposals, work plans, other SEC documents (such as annual reports, the Chair's calendars and memoranda) as well as interview material available on https://www.sechistorical.org. We complemented this material by targeted Factiva news searches and publicly available material from the FASB, FAF, Financial Accounting Standards Advisory Council (FASAC), IFRS Foundation, International Organization of Securities Commissions (IOSCO) and the U.S. Congress. Appendix A and Appendix B list all archival sources that we reference in this paper.

Second, between January 2019 and February 2020, we conducted 20 semi–structured interviews with 14 former Commissioners and senior staff of the SEC, and six close observers who had strong working relations with the SEC (i.e., the FASB, FAF, IASB and U.S. Treasury). Table 1 lists our interviewees. Seven interviews were conducted in person and 13 interviews were conducted by phone. The interviews lasted between 55 and 125 min, and provided almost 28 h of interview material. All but one interview[6] were recorded and fully transcribed for further analysis. The transcripts were read thoroughly by each author and jointly discussed by the author team with the aim of identifying the motivations and actions of the SEC Chairs and the institutional environment they faced at the SEC and beyond. A limitation of our study is that two of the three SEC Chairs that we cover (Mary Schapiro and Mary Jo White), declined to be interviewed.

To help the reader to keep an overview of our different types of sources, we refer to (1) our interview material by means of "Interview with [interviewee's name]" (see e.g. footnote 10), (2) official transcriptions of SEC actors' speeches or public

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1 In 1973, the SEC announced that it would look to the FASB for leadership in setting accounting standards.

2 For further details on the organizational structure of the SEC, see https://www.sec.gov/divisions.shtml.

3 Frequent turnover of Chairs and Commissioners (known as the "revolving door") arises mainly because federal government salary levels are only a small fraction of those prevailing in the private sector.

4 Our analysis focuses on the Chairs Cox, Schapiro and White. We do not consider Chair Walter in more depth as she served only for short periods.

5 To identify relevant statements, we downloaded all public statements or speeches from 2005 to 2017 published on https://www.sec.gov and used a bag–of–words text mining approach to identify speeches that included the terms "IFRS", "international accounting", "international financial reporting", "global accounting" and/or "IASB". In a next step, one of the authors checked the texts manually for relevance. This search revealed 191 speeches and public statements on IFRS.

6 Three authors conducted the unrecorded interview with careful notetaking to ensure accurate representations of the interviewee's responses.

2005	**April**	**21:**	*Publication of Nicolaisen roadmap for lifting the reconciliation requirement*
	…		
2007	**Mar**	**03:**	*Roundtable on lifting the reconciliation requirement*
	…		
	Jun	**20:**	*Open meeting – Vote on release of rule proposal on lifting the reconciliation requirement*
	Jul	**02:**	*Release of Rule Proposal on lifting the reconciliation requirement*
		11:	*Publication of rule proposal in Federal Register; start of 75 day commenting period*
		25:	Open meeting – Vote on release of concept release on allowing IFRS for U.S. issuers
	Aug	**07:**	Release of Concept Release on allowing IFRS for U.S. issuers
		14:	Publication of Concept Release in Federal Register; start of 90 day commenting period
	…		
	Nov	**15:**	*Open meeting – Vote on final rule on lifting the reconciliation requirement*
	Dec	**13:**	First Roundtable on IFRS in the U.S. markets
		17:	Second Roundtable on IFRS in the U.S. markets
		21:	*Release of final rule on lifting the reconciliation requirement*
	…		
2008	**Aug**	**27:**	Open meeting – Vote on release of Rule Proposal on IFRS for U.S. issuers (Roadmap)
	…		
	Nov	**14:**	Release of rule proposal on IFRS for U.S. issuers
		21:	Publication of rule proposal in Federal Register; start of 90 day commenting period
	…		
2009	**Feb**	**03:**	Extension of commenting period for 60 days (beyond February, 19 to April 20, 2009)
	…		
2010	**Feb**	**24:**	Open meeting – Statement in support of convergence and global accounting standards
	…		
	Oct	**29:**	First progress report on the Work Plan
	…		
2011	**May**	**26:**	Release of staff paper (invitation for comments on the "Condorsement proposal")
	…		
	Jul	**07:**	Roundtable on IFRS in the United States
	…		
	Nov	**16:**	Release of two staff papers prepared for the development of the Work Plan
	…		
2012	**Jul**	**13:**	Release of the Final Staff Report (the Work Plan)

Fig. 1. Timeline of SEC deliberations on incorporating IFRS in the U.S. financial reporting system. SEC actions regarding IFRS for foreign issuers (for U.S. issuers) are in italic (plain) text. Key events are highlighted in grey.

statements by the SEC actor's name and the date of the speech (see e.g. footnote 15),[7] (3) archival documents other than SEC actors' transcribed speeches, by referencing the archival source's name in the text and including the reference in the list of internet source documents (Appendix A) or list of Factiva news articles (Appendix B). Some of the archival documents contain direct statements of actors, which we then reference as "[Actor] in [archival source]" (see e.g. footnote 16). We use the common citation style for all academic articles in the references.

[7] All official transcriptions of SEC speeches can be found at https://www.sec.gov/news/speeches-statements.

Aug 2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Jan 2017
SEC Chairs												
Christopher Cox (R) Aug 2005 – Jan 2009				Mary L. Schapiro (I) Jan 2009 – Dec 2012			1	Mary Jo White (I) Apr 2013 – Jan 2017				
SEC Commissioners												
Paul S. Atkins (R) Aug 2002 – Aug 2008			Troy A. Paredes (R) Aug 2008 – Aug 2013					Michael S. Piwowar (R) Aug 2013 – Jul 2018				
C. A. Glassman (R) Jan 2002 – Jul 2006	Kathleen L. Casey (R) Jul 2006 – Aug 2011					Daniel M. Gallagher (R) Nov 2011 – Oct 2015						
Roel C. Campos (D) Aug 2002 – Sep 2007			Luis A. Aguilar (D) Jul 2008 – Dec 2015									
Annette L. Nazareth (D) Aug 2005 – Jan 2008			Elisse B. Walter (D)[1] Jul 2008 – Aug 2013					Kara M. Stein (D) Aug 2013 – Jan 2019				

Fig. 2. Terms of SEC Chairs and Commissioners (August 2005 to January 2017). The suffixes (R), (D) and (I) refer to Republican, Democratic and non–partisan Commissioners or Chairs. [1] Elisse B. Walter served as Chair from December 15, 2012 to April 09, 2013 and as acting Chair from January 20 – 27, 2009.

Table 1
List of interviewees.

#	SEC	Position	Time served in the position	Interview (min)
1	Aguilar, Luis A.	Commissioner	2008–2015	115
2	Beswick, Paul A.	Chief Accountant	2012–2014	75
		Deputy Chief Accountant	2008–2012	
		Senior advisor at OCA	2007–2008	
3	Campos, Roel C.	Commissioner	2002–2007	70
4	Carnall, Wayne	Chief Accountant at DCF	2007–2011	115
5	Casey, Kathleen L.	Commissioner	2006–2011	90
6	Cox, Christopher C.	Chair	2005–2009	70
7	Gallagher, Daniel M.	Commissioner	2011–2015	60
		Senior staff at DTM	2008–2010	
		Counsel to Commissioner Atkins	2006–2008	
8	Gillan, Kayla J.	Deputy Chief of Staff	2009–2011	60
9	Hewitt, Conrad W.	Chief Accountant	2006–2009	50
10	Kroeker, James L.	(Acting) Chief Accountant	2009–2012	120
		Deputy Chief Accountant	2007–2009	
11	Tafara, Ethiopis	Director of OIA	2003–2013	95
		Assistant Director of OIA	1999–2003	
12	Taub, Scott A.	Acting Chief Accountant	2003; 2005–2006	100
		Deputy Chief Accountant	2002–2007	
13	Anonymous	Senior officer at DCF	1990–2016	80
14	Anonymous	Senior advisor	2005–2011	90
#	**Close Observers**	**Position**	**Time served in the position**	**Interview (min)**
15	Denham, Robert E.	FAF Chair	2004–2009	70
16	Herz, Robert H.	FASB Chair	2002–2010	90
17	McGregor, Warren	IASB Member	2001–2011	55
		IASB Vice Chair	2009–2011	
18	Seidenstein, Tom	IFRS Foundation, Chief Operating Officer	2001–2011	90
19	Sobel, Mark	U.S. Treasury, Deputy Assistant Secretary	2000–2015	55
20	Tweedie, Sir David	IASB Chair	2001–2011	125

Office of the Chief Accountant (OCA), Division of Corporation Finance (DCF), Division of Trading and Markets (DTM), Office of International Affairs (OIA).

4. Analysis

4.1. Cox I: Lifting the reconciliation requirement (2005–2007)

Immediately before joining the SEC as Chair in 2005, Christopher Cox had served as a Republican Congressman for more than 16 years.[8] During this time, he acquired the reputation of "a business–friendly champion of free enterprise" (The Wall

[8] Cox represented a California district in the House of Representatives from January 3, 1989 until August 2, 2005. On August 3, 2005 he started as SEC Chair (Biographical Directory of the U.S. Congress, 2020).

Street Journal, 2005a). However, disruptive events, such as unprecedented corporate scandals, can affect the meaning that individuals attach to the characteristics of the current institutional system (see e.g. Hardy and Maguire, 2017; Suddaby et al., 2016). In case of Cox, observers were unsure about what to expect from the new Chair, since, after the Enron and WorldCom scandals, Cox had supported imposing the "toughest criminal penalties" possible on financial fraudsters (The Wall Street Journal, 2005a).

When Cox joined the SEC, his memories of the financial reporting scandals at the beginning of the decade were still vivid, since he had attended "extensive hearings into what happened at Enron and how," which had raised his doubts about the rules–based approach of U.S. GAAP:

> Andy Fastow [former CFO of Enron] famously told us, 'You can follow all the rules, and still commit fraud.' That memory did not fade by any means in the space of just a few years. It was an impression given by that scandal that America's accounting world had become such a densely reticulated thicket, any sharp operator could use it to his advantage. It was as if U.S. GAAP were *The Devil's Dictionary*.[9] Beyond mere do's and don't's there needed to be overarching commands at the principle level.[10]

As a member of Congress, Cox had thus recognized problems with U.S. GAAP and supported the enactment of the Sarbanes–Oxley Act of 2002 (SOX). Among other things, SOX directed the SEC to collect information about the applicability of a principles–based accounting system in U.S. capital markets (SOX, Section 108(d)) and encouraged the FASB to consider international convergence when developing accounting standards (SOX, Section 108(a)(2)). The SEC reacted by orchestrating the Norwalk Agreement that the IASB and the FASB entered into in 2002 (FASB and IASB, 2002) to promote the convergence between IFRS and U.S. GAAP and by developing a plan toward allowing foreign issuers to use IFRS without any reconciliation to U.S. GAAP. The development of a corresponding roadmap was announced by Chief Accountant Donald Nicolaisen in December 2003 (Camfferman and Zeff, 2015, pp. 78–79) and marked a fundamental policy change, since the SEC had previously been skeptical toward such a move (see SEC, 2000). In April 2005, Nicolaisen shared his thoughts on a possible design of such a roadmap in an article (Nicolaisen, 2005).

To Cox, Nicolaisen's roadmap "was a red flag waving in front of me as I entered the building. It was an unavoidable task that needed to be dealt with."[11] Based on his experiences in Congress, Cox was motivated to change the U.S. financial reporting landscape, and his position as SEC Chair equipped him with the resources and power to bring about change. As he did not have any professional background in accounting but had practiced as a securities lawyer before his political career, Cox benefitted from Nicolaisen's blueprint for a policy to introduce IFRS to U.S. capital markets by lifting the reconciliation requirement for foreign issuers. As Kingdon (2003, p. 71) points out, a policy is often not the "brainchild" of one single actor, but is developed, supported and implemented by different actors. In the case of IFRS adoption for foreign issuers, Cox could build on the policy suggested by Nicolaisen that aligned with the problem and political streams.

The political stream outside the SEC offered favorable conditions to promote an institutional change in the financial reporting arena. As mentioned above, Congress had provided the SEC with the mandate to consider principles–based standards since the reporting scandals had eroded confidence in the superiority of the rules–based U.S. accounting standards (see e.g. Bhimani, 2008). Moreover, several reports commissioned by U.S. government agencies suggested that lifting the reconciliation requirement would increase the attractiveness of U.S. capital markets and sustain the U.S. global financial services leadership.[12] In the international domain, the EU had mandated IFRS for listed companies in 2005 and intended to nudge the SEC into a mutual recognition agreement by proposing to install a reconciliation requirement for U.S. issuers trading in the European market if the SEC were to decline to lift its reconciliation requirement for EU issuers.[13]

Regarding the political stream within the SEC, Cox faced the challenge that the Commissioners had been divided under his predecessor (SEC Historical Society, 2022b). However, using his social skills (Fligstein, 2001), which some described as "reflexes of a career politician," Cox was able to induce cooperation among the Commissioners (SEC Historical Society, 2022a). Cox spent substantial time on extensive meetings to reach consensus (The Wall Street Journal, 2005b), which led observers to conclude that "Cox appears to have made an effort to make the four other commissioners feel more involved, in hopes of reducing the level of public bickering and criticism" (International Herald Tribute, 2006). Similarly, Cox spent time to strategically fill key staff positions with allies that could support his endeavor to stipulate a fundamental change in the financial reporting arena (Battilana et al., 2009). For example, in the recruitment process for the position of the chief accountant, which had become vacant when Nicolaisen left the SEC in October 2005, Cox informed the candidate Conrad Hewitt in the job interview that adopting IFRS was one of his priorities (Hewitt in Durr, 2010, p. 20).[14]

Overall, at the beginning of his chairmanship, Cox experienced favorable conditions for institutional entrepreneurship activities in the financial reporting arena as the streams of problems, policy and politics were all aligned (Buhr, 2012). However, it needs to be highlighted that these "enabling conditions" (Battilana et al., 2009) were not simply given when Cox joined the SEC but that he was actively involved in coupling them (Kingdon, 2003). In particular, Cox was shaping the politics within the SEC by convening allies through his consensus–building activities with his fellow Commissioners and his

9 *The Devil's Dictionary* is a satirical dictionary written by Ambrose Bierce, published in 1906.
10 Interview with Cox.
11 Interview with Cox.
12 U.S. Chamber of Commerce (2007); Committee on Capital Markets Regulation (2007); Office of the Mayor of NYC and U.S. Senate (2007).
13 See Atkins on October 26, 2005; Charlie McCreevy in SEC (2007c).
14 Conrad Hewitt started his work as chief accountant in August 2006.

selection of key personnel. This shows the importance of institutional entrepreneurs' social skills (Fligstein, 2001) and social position (Battilana, 2006) in providing a fertile ground for their activities to induce institutional change.

Against this background, Cox publicly announced his support for lifting the reconciliation requirement in late 2006.[15] In a subsequent step, Cox mobilized publicly visible support from outside the SEC through the selection of panelists for a public roundtable meeting in March 2007. At the meeting, participants strongly encouraged the SEC to lift the reconciliation requirement:

> I think, unfortunately, you seem to have picked a topic and a panel where there seems to be very little disagreement. . . . my closing remarks are that this is a terrific idea. It can't come fast enough. (Ken Pott, head of Morgan Stanley's Capital Markets Execution Group in SEC, 2007c).

Chair Cox interpreted this feedback as a "resounding and in fact unanimous Yes" to the question of whether lifting the reconciliation requirement would be beneficial,[16] and acted swiftly to develop a rule proposal to that effect which the Commissioners unanimously approved and released in the summer of 2007 (see Fig. 1). Cox summoned the Commissioners only four months later, on November 15, and obtained a unanimous vote on the *immediate* lifting of the reconciliation requirement for foreign issuers (SEC, 2007 h). The speed of this decision, driven by the efforts of Cox,[17] surprised even close observers.[18] The release of the final rule on December 21, 2007 (SEC, 2007b) promptly resulted in a dual GAAP financial reporting system in the U.S. with about 1,100 foreign private issuers having the option to use IFRS in U.S. capital markets (SEC, 2007b, p. 82).

In this episode, the problems, policy and political streams were favorably aligned and provided enabling conditions for institutional entrepreneurship (Buhr, 2012). With his active mobilization of allies inside and outside the SEC, Cox, in the words of Buhr (2012, p. 1581), "successfully coupled the streams in the process". This enabled him to achieve a policy breakthrough in terms of lifting the reconciliation requirement for foreign issuers. The favorable constellation opened a window of opportunity for Cox to introduce IFRS to U.S. capital markets. With only one year between his first public statement and the release of a final rule by the SEC (see Fig. 1), Cox's swift action is in line with Kingdon's (2003, p. 175) observation: "When a window opens, advocates of proposals sense their opportunity and rush to take advantage of it.".

4.2. Cox II: IFRS adoption by U.S. Issuers (2007)

Cox's entrepreneurial efforts were not limited to the reporting requirements for foreign issuers. As a "true internationalist,"[19] Cox believed in international cooperation to get the most out of the globalization of capital markets.[20] Since, "[p]olicy entrepreneurs do not leave consideration of their pet proposals to accident" (Kingdon, 2003, p. 201), Cox actively promoted his ideas in various ways. Consequently, Cox informed members of the Office of the Chief Accountant (OCA) in an internal meeting in February 2007, when the rulemaking process for foreign issuers had not even been formally started, that consideration of the use of IFRS *for U.S. issuers*––a possibility that the SEC had not taken a stance on before––was a priority for him.[21] In Cox's view, truly global standards could exist only if U.S. companies also applied them. Therefore, Cox used various public speeches to spread the "vision behind International Financial Reporting Standards"[22]:

> The rationale for a global standard, rather than the Babel of competing and sometimes contradictory national standards, has been often stated. But it is so important that it bears repeating. Global accounting standards would improve investor confidence in the market, so long as the standards are high-quality, comprehensive and rigorously applied. They'd allow investors to draw better comparisons among investment options. They'd also lower costs for issuers, who would no longer have to incur the cost of preparing financial statements using different sets of accounting standards. And those lower costs would benefit the company's shareholders, who ultimately bear the burden of the entire cost of the financial reporting system.[23]

According to his speeches, Cox aimed for one set of accounting standards applied throughout the world. As noted by Kingdon (2003, p. 202), "[e]ntrepreneurs concerned about a particular problem search for solutions in the policy stream to couple to their problem, then try to take advantage of political receptivity at certain points in time to push the package of problem and solution." In early 2007, Cox suggested to level the playing field among foreign and domestic issuers by also giving an option to U.S. issuers to use IFRS. He first set out this policy at the public roundtable meeting in March 2007:

[15] Cox on December 5, 2006.
[16] Cox in SEC (2007g, hour 0:44:32).
[17] Atkins in SEC (2007h, hour 2:06:10).
[18] Interview with Tweedie.
[19] Interviews with Tafara and Casey.
[20] In several speeches, Cox expressed his belief in the merits of "close cooperation and collaboration with our partners in other nations as securities markets and financial services expand globally" (Cox in SEC, 2006) and of "international cooperation that's building bridges and establishing new bonds of trust that are essential to peace and prosperity" (Cox on May 9, 2007). Consistent with this belief, Cox strongly supported the SEC's leadership role in IOSCO. Given his great interest in the position, Cox represented the SEC in IOSCO after Roel Campos' departure in September 2007 (interview with Campos). Since May 2008 he chaired the Technical Committee, until the financial crisis forced him to hand over this task to Kathleen Casey (interview with Casey).
[21] Interview with Kroeker.
[22] Cox on April 26, 2007; May 9, 2007 and October 9, 2007.
[23] Cox on March 6, 2007.

> I've just got one more really hard question ...: Why should a foreign registrant which is identical to a U.S. registrant in every respect but for domicile -- including that is listed in the United States, it is offering securities to U.S. investors, it is subject to the same exchange rules, and it is subject to the same statutory requirements under the'33 Act and the'34 Act -- why should that foreign issuer have an election to use either GAAP or IFRS, when the U.S. company does not? (Cox in SEC, 2007c).

Cox thus considered an option for U.S. issuers to use IFRS as a logical consequence arising from the Nicolaisen roadmap (Cox in SEC, 2007c). Notably, during the discussion at the roundtable, former chief accountant Nicolaisen introduced the idea––for the first time in public––that the Commission should not only consider, but should *mandate*, the use of IFRS for U.S. issuers (Nicolaisen in SEC, 2007c). According to his own reflections, Cox indeed aimed at the mandatory use of IFRS as the ultimate goal. Yet, to enhance comparability for investors, he preferred to arrive at that destination by first giving U.S. issuers that already competed for capital with IFRS–reporting peers (in the U.S. and international capital markets) the option to use IFRS.[24]

Regarding the political stream within the SEC, the proposal for optional adoption, in the words of Buhr (2012, p. 1579) "represented a broader ideological package" as it was in line with the Republican Commissioners' general belief in the power of free markets.[25] Thus, this policy choice enabled Cox to successfully mobilize his fellow Republican Commissioners as allies. The policy also gained the more pragmatic support of the two Democrats on the Commission, Roel Campos and Annette Nazareth.[26] The political stream outside the SEC provided favorable conditions as well, since the general idea of developing one global set of high–quality accounting standards found strong support in U.S. institutions, including the Treasury[27] as well as bipartisan support from Congress.[28]

As the problems, policy and political streams continued to align favorably, Cox used this window of opportunity for quick actions: On April 24, 2007, the SEC announced that it would begin working on a concept release (SEC, 2007f). Only three months later, on July 25, 2007, the Commissioners unanimously voted to issue the concept release (SEC, 2007a, 2007i). Before the end of the year, the SEC hosted two roundtables on the potential adoption of IFRS by U.S. issuers (SEC, 2007d, 2007e), where most of the selected roundtable participants embraced the idea of fostering the development of a global set of accounting standards through some form of IFRS adoption by U.S. issuers.

Overall, this episode sheds light on Cox's entrepreneurial endeavors to spread his policy ideas and to build acceptance for them. As Kingdon (2003, p. 128) points out, such "attempts to 'soften up' both policy communities [...] and larger publics" are necessary prerequisites for pushing through policy proposals. In this vein, Cox's efforts to engage with the SEC's constituents and to gather support for his policy paved the way for further steps in the policymaking on IFRS adoption by U.S. issuers.

4.3. Cox III: Roadmap to mandatory IFRS adoption (2008)

Cox's time as Chair was limited, as he intended to end his tenure with the inauguration of a new President in January 2009.[29] Given this time constraint, the window of opportunity for a policy breakthrough under his aegis was beginning to close in 2008. Still, according to Chief Accountant Hewitt, the "original plans were to be able to issue a *final rule* [on adopting IFRS] by the end of 2008 or very early 2009."[30] This time plan necessitated a swift continuation of the rulemaking process.

However, "[p]olitical events flow along on their own schedule and according to their own rules, whether or not they are related to problems or proposals" (Kingdon, 2003, p. 201). In early 2008, the political stream outside the SEC was affected by a standoff between the Bush Administration and the Democratic majority in the Senate over the appointment of successors for the two Democratic Commissioners Campos, who left in September 2007, and Nazareth, who departed in January 2008. The understaffed Commission slowed down the policy–making pace, since it prevented Cox from legitimizing any major regulatory reform with bipartisan support for the larger part of 2008. Even though the staff had finished the drafting of the roadmap by the end of June 2008 (see Hewitt in FASAC, 2008, p. 3), it was only politically feasible for Cox to bring it to a vote after August 1, 2008, when all new Commissioners, the Democrats Luis Aguilar and Elisse Walter and the Republican Troy Paredes (replacing Paul Atkins) had taken office (see Fig. 2).

In early August 2008, with only five months left in his position, Cox immediately approached the three incoming Commissioners with his plan to release a rule proposal in form of a roadmap for the mandatory adoption of IFRS.[31] Only few weeks later, Cox followed up with scheduling an open meeting for August 27 to vote on the release of a rule proposal (SEC, 2008c). The Commission's open meeting ended with a unanimous vote in support of releasing a rule proposal of a "roadmap toward global accounting standards" (SEC, 2008b, hour 3:08:17; SEC, 2008c). The unanimous vote can be regarded as a further illustration of Cox's skills in coupling the streams of problem, policy and politics (Kingdon, 2003, p. 205) by achieving consensus

[24] Interview with Cox.
[25] See Casey at her confirmation hearing in the Committee on Banking, Housing, and Urban Affairs (2006): "I believe we should let market forces work." For Atkins' characterization as a "libertarian and free–market thinker," see e.g. Financial Times (2016).
[26] Nazareth on March 20, 2007; also Campos in SEC (2007i).
[27] Interview with Sobel.
[28] See e.g. (Senate) Committee on Banking, Housing, and Urban Affairs (2007); also interview with Herz.
[29] Interview with Cox. See also The Wall Street Journal (2008).
[30] Interview with Hewitt.
[31] Interviews with Aguilar and Kroeker.

among the Commissioners. While the incoming Commissioners understood that advancing the adoption of IFRS was important to Cox, they also suspected that "given the 2008 Presidential race and his expected departure on January 20, 2009, he had limited time and he needed to get [the positive vote of] some of us before we got our feet settled on such a complex issue."[32].

The policy outlined in the roadmap stipulated 2011 as the year in which the SEC would make a decision on whether to mandate the use of IFRS for all U.S. issuers by 2014 (SEC, 2008a, p. 33). Furthermore, the roadmap suggested that a limited number of U.S. issuers "in industries where IFRS is the most-used set of standards globally" (SEC, 2008a, p. 32) could already use IFRS for fiscal years ending on or after December 15, 2009. The latter point was controversial among the Commissioners as it represented a possibly irrevocable step toward IFRS adoption for U.S. issuers before a final decision in 2011. In contrast to the three Republican Commissioners, the two Democrats, Aguilar and Walter, were skeptical and insisted on including an alternative early adoption possibility ("Proposal B") in the proposed roadmap,[33] under which voluntary IFRS adopters would be required to provide an ongoing reconciliation to U.S. GAAP.[34] As a result, the roadmap was subject to "a number of significant changes that were made shortly before the meeting, including the need to provide a reconciliation back to U.S. GAAP," which were necessary "due to different perspectives on the proposal among the Commissioners."[35].

In contrast to normal procedure, the staff's draft of the rule proposal was subject to numerous changes *after* the Commissioners had voted on its release.[36] The Commissioners' deviating views on the details of the roadmap thus prevented an immediate release of the rule proposal after the open meeting on August 27, 2008. Nonetheless, the SEC announced, in its press release about the open meeting, a public comment period of only 60 days after the publication of the rule proposal in the Federal Register (SEC, 2008c). This again points to Cox's intention to pass a final rule within the remaining months of his tenure.[37]

However, the discussions about the early adoption option in the roadmap showed that the political stream within the SEC had become less favorable for Cox's policy, as the inevitability of a move from U.S. GAAP to IFRS was contested by the Democratic Commissioners, indicating a partisan divide over the extent and pace of a move toward IFRS. Due to the approaching end of his term, Cox had only little time to attempt to convince the incoming Commissioners of the importance of global standards. Apparently, the Democrats did not unequivocally share Cox's problem recognition that the move to global standards was necessarily beneficial from the U.S. perspective and disapproved of the rushed decision–making process.[38]

Only a few weeks after the open meeting, the political stream inside and outside the SEC changed substantially with Lehman Brothers' collapse on September 15, 2008. The SEC, and Cox personally, were blamed, amongst others by the Republican presidential candidate John McCain, for failing to meet their responsibilities (Financial Times, 2008). This rapidly undermined Cox's (and the SEC's) social position to advance a major regulatory reform. Moreover, also within the SEC, the financial crisis crowded out any other issue on the SEC's agenda: "I think on September 18, 19, 2008, if you walked into my office and mentioned IFRS, I'd have kicked you out."[39].

As the Commission had voted on the rule proposal, however, its release was inevitable.[40] On November 14, 2008, the SEC finally released the rule proposal, which was published in the Federal Register on November 21, and invited the submission of comments for *90 days*, until February 19, 2009 (SEC, 2008a). The delayed publication deprived Cox of the possibility to secure a vote on a final rule before leaving the Commission.[41]

Overall, this episode highlights the temporality of enabling conditions for institutional entrepreneurship (Buhr, 2012). In 2008, Cox clearly intended to use the window of opportunity in his remaining time in office to release a final rule toward the adoption of IFRS for U.S. issuers. With his policy change toward mandatory adoption, Cox achieved an alignment of the policy stream with his problem recognition of the tower of Babel of different reporting languages. However, this policy choice met increasingly unfavorable conditions in the political stream inside and outside the SEC. While the time lag in the replacement of the Democratic Commissioners could first be regarded as a *temporal* closure of the window of opportunity for a policy breakthrough, Commissioners' divergent views on important details of the roadmap indicated the limits to Cox's abilities to mobilize bipartisan support for a swift fundamental regulatory change. As noted by Kingdon (2003, p. 132), "[a]ttention to the technical aspects of a proposal can become extremely detailed" and time consuming. While the staff's challenges with finalizing the technical details of the roadmap at least delayed a swift use of the window of opportunity for change, the financial crisis brought all considerations on IFRS to a halt. Finally, Cox left the SEC without a policy breakthrough in the form of a final rule on IFRS adoption by U.S. issuers. This reflects Kingdon's observation (2003, p. 204): "Predictable or unpredictable, open windows are small and scarce. Opportunities come, but they also pass. Windows do not stay open long. If a chance is missed, another must be awaited.".

[32] Interview with Aguilar.
[33] Interview with Carnall. See also Aguilar in SEC (2008b, hour 2:52:20).
[34] The requirement for voluntary IFRS adopters to "disclose on an annual basis certain unaudited supplemental U.S. GAAP financial information covering a three-year period" SEC (2008a, p. 70) would have provided "early adopters of IFRS a way back to U.S. GAAP if the Commission determines not to adopt the use of IFRS in 2011" (Walter in SEC (2008b), hour 2:37:33).
[35] Interview with Carnall.
[36] Interview with Aguilar, Carnall and Kroeker.
[37] Other IFRS concept releases or rule proposals were published with a 75 or 90 day comment period (see Fig. 1).
[38] Interview with Aguilar.
[39] Interview with Aguilar.
[40] Interview with Beswick.
[41] Along with Chris Cox, Chief Accountant Conrad Hewitt as well as John White, another strong advocate of IFRS leading the Division of Corporation Finance, left the SEC by January 2009.

4.4. Schapiro I: Dealing with the crisis (2009–2010)

In 2009, the political stream continued to diverge from the policy stream. In January 2009, Mary Schapiro, who had spent her career at regulatory agencies, succeeded Chair Cox.[42] With the announcement of Schapiro as his nominee for the SEC Chair, President–elect Barack Obama, a Democrat, stressed his dedication to move quickly toward stricter regulation of the securities markets (Obama White House, 2008). The prospect of granting U.S. issuers more discretionary leeway in their financial reporting through the use of more principles–based IFRS, which allegedly offered more discretion for preparers than U.S. GAAP (see SEC, 2008a, pp. 43–45), conflicted with the overarching regulatory goals of the new Administration.[43] Moreover, the financial crisis elevated different problems onto Schapiro's and the SEC's agenda that were considered as being more pressing than potential disadvantages due to the use of multiple reporting standards throughout the world:

> Of the many things you need to address immediately after a historic market crash that revealed multiple issues––IFRS wasn't it. Because GAAP wasn't broken. FASB wasn't broken. Instead, money market fund rules were inadequate. Rating agencies were broken. The list is long of the matters that required attention. And of course our Enforcement Division got busier than its usual hectic pace, because you were finding fraud and Ponzi schemes all over the place, and those matters also required the attention of the Commissioners. And so when you come in every morning––of all the holes you want to put your fingers in to keep the dam from breaking––IFRS just wasn't a hole.[44]

Although "[n]ew faces mean that new issues will be raised" (Kingdon, 2003, p. 154), Schapiro still had to deal with the rule proposal that Cox had released as one of his last actions at the SEC.[45] However, Schapiro did not recognize a problem in the financial reporting domain that needed immediate attention but deferred her consideration of the rule proposal. With the new regulatory focus of the SEC and absent any strong personal motivation to advance the SEC's deliberations on IFRS,[46] Schapiro had few incentives to spend her limited time and political capital on pushing strongly for the substantial regulatory change that the adoption of IFRS would have demanded in the immediate aftermath of the financial crisis.[47] Consistent with a focus on other more pressing issues at that time, on February 3, 2009, the SEC announced an extension of the comment period on the IFRS roadmap by a further 60 days, until April 20 (SEC, 2009b).

However, the growing impatience with the United States' unwillingness to make a firm commitment on IFRS resulted in the recognition of a new problem at the SEC in form of "a risk that the U.S. would be left out of the conversation [on IFRS], to the detriment of domestic companies."[48] The problem of the lack of a U.S. commitment to IFRS aligned with events in the political stream. At the international level, political leaders throughout the world called repeatedly for a "single set of high quality, global accounting standards" (G20, 2009a, 2009b, 2008). Within the SEC, Commissioners Walter and Casey pushed for the further consideration of IFRS. While Casey regarded herself as "a spiritual advocate in the adoption of IFRS,"[49] Walter, as a daughter of a CPA, had a "key interest" in accounting issues and IFRS.[50] Importantly, Walter had shared an almost continual working relationship with Schapiro since 1988,[51] which made them not only close colleagues but also friends.[52]

Against this background, Schapiro regularly participated in the meetings of the Monitoring Board, a body set up in early 2009 to oversee the IFRS Foundation and expressed her support for achieving a single set of high quality accounting standards (Schapiro in Monitoring Board, 2009). Moreover, in August 2009, Schapiro appointed James Kroeker as the new chief accountant (SEC, 2009a), which surprised some observers who had expected her to choose a chief accountant more critical toward IFRS.[53] Accordingly, Chief Accountant Kroeker confirmed that the SEC intended to pick up its deliberations on a policy concerning the potential use of IFRS by U.S. issuers (Kroeker in CFO.com, 2009).

In terms of choosing a policy, however, Schapiro did not rely on Cox's roadmap but decided to delegate the exploration of other policy options to the staff level. More specifically, she proposed to ask the OCA staff to develop and execute a "work plan" that was meant to enable the Commission to make an informed decision by 2011 on whether to "incorporate" IFRS into the U.S. reporting system by "approximately 2015 or 2016" (SEC, 2010a, p. 15). While Cox's roadmap aimed at a final decision in 2011 on the mandatory adoption of IFRS by U.S. issuers, Schapiro's Commission statement avoided the term "adoption" and more cautiously aimed at exploring possibilities regarding "the scope, timeframe, and methodology" for a

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[42] Schapiro served as a Commissioner at the SEC from 1988 to 1994 and afterwards joined the government–authorized, nonprofit oversight body for broker–dealer firms (SEC, 2012a).

[43] Interviews with Aguilar, Beswick, Carnall and Seidenstein.

[44] Interview with Aguilar.

[45] Interviews with Kroeker and Gallagher.

[46] Interviews with Carnall, Casey, Gillan and Kroeker.

[47] Interview with Seidenstein.

[48] Interview with Aguilar. Also interviews with Carnall and Tafara. See also Tweedie in Accounting Today (2009) and the Financial Crisis Advisory Group's letter to the G20 (FCAG, 2010).

[49] Interview with Casey.

[50] Interview with Gillan. See also Walter on May 22, 2012.

[51] In 1988, when Schapiro became an SEC Commissioner, Walter served as deputy director at the Division of Corporation Finance. After the end of Schapiro's term at the SEC, in 1994, they both joined the Commodity Futures Trading Commission (Walter as general counsel and Schapiro as Chair). In 1996, both started to work for the National Association of Securities Dealers (NASD), which later became the Financial Industry Regulatory Authority (FINRA), until Walter left in July 2008 to become an SEC Commissioner (AllGov, 2022a, 2022b).

[52] Interviews with Gillan and Kroeker.

[53] For other candidates, see Camfferman and Zeff (2015, p. 507) and Selling (2009a; 2009b).

transition to IFRS (SEC, 2010a, p. 13). The search for a new alternative also aligned with Schapiro's earlier statement at her Senate confirmation hearing, where she vowed to "take a big deep breath and [to] look at this entire area [of IFRS adoption] again carefully" without "necessarily feel[ing] bound by the existing road map that is out for comment" (Schapiro in U.S. Congress, 2009, p. 22).

In support of this decision to defer the policy choice on IFRS adoption, the Commissioners met in an open meeting on February 24, 2010 where they unanimously decided

> to publish a statement regarding [the Commission's] continued support for a single-set of high-quality globally accepted accounting standards and its ongoing consideration of incorporating International Financial Reporting Standards into the financial reporting system for U.S. issuers. (SEC, 2010b).

Windows of opportunity "are opened by events in either the problems or political streams" (Kingdon, 2003, p. 203). While at the beginning of Schapiro's term, neither the problems nor the political stream provided a fertile ground for the promotion of a policy toward the use of IFRS by U.S. issuers, during her first year in office, conditions became more favorable. In particular, the questioning of the U.S. role in IFRS development by the international community as well as the continued interest by two Commissioners in the topic fostered Schapiro's problem recognition: "For a condition to become a problem, people must become convinced that something should be done to change it" (Kingdon, 2003, p. 114). Accordingly, she brought the topic of IFRS adoption by U.S. issuers back on the SEC's agenda and gained the unanimous support of her Commission to initiate a search for a new policy to address the problem. However, instead of making the issue a top priority for her, she deferred the policy development with regard to the form and extent of IFRS adoption to the staff.

4.5. Schapiro II: Exploring policies (2010–2012)

As a result of the Commissioners' vote in February 2010, it was now the responsibility of the SEC's staff to develop a policy for IFRS adoption. Given the lack of constituents' support for the previously suggested forms of IFRS adoption, i.e., voluntary or mandatory adoption,[54] the staff had to find an alternative option. In this regard, on December 6, 2010, Deputy Chief Accountant Paul Beswick proposed the use of a "condorsement" approach, which envisioned the *unilateral convergence* of U.S standards toward IFRS. This meant "the FASB would work to converge existing U.S. GAAP to IFRS" for standards beyond the ongoing FASB/IASB convergence projects.[55] New standards issued by the IASB would be considered for endorsement by the FASB. As Beswick's speech generated interest (SEC, 2011b, p. 7), the SEC staff issued a request for comments on the idea of pursuing the condorsement approach on May 26, 2011 (SEC, 2011b), which reflected the SEC staff's attempt to come up with something that would "advance the ball."[56].

The SEC organized a public roundtable meeting on July 7, 2011 to discuss the condorsement approach with constituents (SEC, 2011a). In contrast to large, internationally operating U.S. constituents that were invited to roundtables under the chairmanship of Cox (SEC, 2007d, 2007e), under the leadership of Schapiro the roundtable participants in 2011 represented investors, small preparers, and industry regulators. Ultimately, the constituents' feedback from 2007 largely differed from the feedback provided in 2011. Compared to Chief Accountant Hewitt who recalled meetings during his tenure "with about 30 CFOs quarterly and they could not wait to adopt IFRS for their financial statements, maintain one set of books,"[57] Schapiro made contrary experiences:

> [N]ot only have we not heard from a lot of shareholders saying[:] we've got to [incorporate] IFRS, it's really critical, we've heard the contrary[:] we think U.S. GAAP is a great measure of U.S. companies. ... I ask CEOs when they come in, CFOs when they come in ...[:] is there a real desire to go to IFRS[?] ... But even some of the biggest multinationals have very little interest, frankly, in making a big change to IFRS because of the cost, because of the disruption. (Schapiro in CQ FD Disclosure, 2011)

Apart from collecting feedback at the roundtable, Schapiro did not make use of her social position and capital to actively *promote* the idea of incorporating IFRS outside the SEC, for instance, through the selection of participants of public roundtables and via speeches that promoted the vision behind a single set of accounting standards. As Schapiro refrained from taking on the role of a policy entrepreneur, trying to couple the different streams, she largely left the task of finding support for a way forward to the chief accountant and his staff, downgrading IFRS to a technical policy issue.

Moreover, Schapiro downgraded the relevance of the problem of a potential loss of U.S. influence on IFRS. When the year 2011 ended without any decision by the Commission, the U.S. influence on the IASB became more and more tenuous for the international community (Reuters, 2011). However, at this point, Schapiro was unwilling to react to this pressure. For example, in February 2012, when confronted with EU Commissioner Michel Barnier's remark that "European patience has its limits, and we are not far from reaching that limit," Schapiro stated: "I don't feel any pressure at all to go along with anybody. ... I feel pressure to do the right thing for U.S. markets and U.S. investors" (Reuters, 2012).

[54] See e.g. Schapiro's summary of constituents' feedback on the roadmap: "Commenters generally supported the goal of having a single set of high quality, globally accepted accounting standards, but differed in their views about the approach in the proposed roadmap" (Schapiro in SEC, 2010c, hour 1:16:00).

[55] Beswick on December 6, 2010.

[56] Interviews with Casey, Seidenstein and Tweedie.

[57] Interview with Hewitt.

As pointed out by Kingdon (2003, p. 167), "without the prospect of an open window, participants slack off. They are unwilling to invest their time, political capital, energy, and other resources in an effort that is unlikely to bear fruit." In the absence of any significant events in the political or problems stream that could have promoted the policy issue of IFRS on Schapiro's agenda, she accordingly refrained from calling the Commissioners to a vote. In fact, by 2012, the political stream inside the SEC had become even less favorable for the advancement of major policy changes. Due to the Commissioners' ideological differences that surfaced in the course of the implementation of the Dodd–Frank Wall Street Reform and Consumer Protection Act, the SEC became increasingly divided.[58] This also spilled over to the issue of IFRS adoption: With Schapiro and Walter signaling support for the condorsement approach, Republican Commissioners Gallagher and Paredes favoring the voluntary use of IFRS,[59] and Aguilar seeing "no pressing need to abandon U.S. GAAP and certainly not until some of the concerns about IFRS were adequately addressed",[60] Chief Accountant Kroeker "didn't see any calculus in which we were going to get three Commissioners' vote to do something."[61].

The staff report was finally issued on July 13, 2012 (SEC, 2012b) and identified a lack of constituent support for the mandatory use of IFRS, but "substantial support for exploring other methods of incorporating IFRS" (SEC, 2012b, p. 4), including an endorsement approach and the continued convergence of IFRS and U.S. GAAP (SEC, 2012b, p. 3). The report did not include any recommendations to the Commission.

This episode provides evidence that Schapiro faced unfavorable conditions in the political stream and did not intend to act as a policy entrepreneur with regard to IFRS adoption for U.S. issuers. "An item's chances for moving up on an agenda are ... dampened considerably if no entrepreneur takes on the cause, pushes it, and makes the critical couplings when policy windows open" (Kingdon, 2003, p. 205). Given that the SEC Chair did not recognize IFRS non–adoption as a compelling problem that required the development and implementation of a policy, and therefore did not take actions to counter the unfavorable conditions in the political stream, the staff report did not include any clear policy for IFRS adoption.

4.6. White: The fourth alternative (2013–2017)

Mary Jo White joined the SEC as Chair in April 2013. Married to John White, one of the internal champions of IFRS during the era of Chair Cox,[62] and personally connected to former SEC Commissioner and then Trustee of the IFRS Foundation Harvey Goldschmid,[63] Mary Jo White had some pre–exposure regarding IFRS. According to Commissioner Gallagher, she aimed to deal with IFRS as this was a "massive open issue that was left on her desk."[64] Along this line, in a speech on May 20, 2014, White publicly vowed her commitment to stimulate a debate on IFRS for U.S. issuers by making "it a priority for the Commission to position itself to make a further statement on this very important subject."[65] As explained by the new Chief Accountant James Schnurr:

> Chair White noted that international regulatory and accounting constituents continue to want clarity on what action, if any, the Commission will take regarding the further incorporation of IFRS into the U.S. capital markets, and she was hopeful that the Commission would be able to provide that clarity sooner rather than later.[66]

Thus, in contrast to Schapiro's statements in 2012, White recognized the problem of waning U.S. involvement in the field of IFRS standard–setting. Accordingly, she directed Chief Accountant Schnurr "to bring a recommendation to the Commission"[67] and actively worked behind the scenes by scheduling one–on–one meetings with Commissioners, who received the latest staff summaries on IFRS.[68] In this vein, White acted as a policy entrepreneur as she used her social position (Battilana, 2006) as well as her "negotiating skills and ... sheer persistence" (Kingdon, 2003, p. 178) to promote the topic of IFRS adoption.

The selection of a policy of how to adopt IFRS by U.S. issuers, however, proved difficult for White. The development of the staff report under Schapiro's aegis had shown that there was not sufficient support by the Commissioners and SEC constituents for any of the previously developed policy ideas (the voluntary or mandatory use of IFRS, and the condorsement approach). Thus, Chief Accountant Schnurr developed a fourth alternative, which envisioned allowing U.S. issuers to provide supplementary IFRS based information next to their U.S. GAAP based filings.[69] This policy can be regarded as a modest attempt to introduce at least some form of (optional, additional) IFRS for U.S. issuers.

58 Interview with Aguilar.
59 Interview with Gallagher.
60 Interview with Aguilar.
61 Interview with Kroeker.
62 See e.g. the statement by John White, director of the Division of Corporation Finance on January 14, 2008: "I am comfortable telling you that the staff at the SEC — particularly in the Division of Corporation Finance — is deeply committed to the goal of achieving a single set of high quality, globally accepted accounting standards and we truly are interested in hearing from all stakeholders as we continue to progress down this road.".
63 Mary Jo White had been a student of Harvey Goldschmid at the University of Columbia. Goldschmid served as a Trustee of the IFRS Foundation between 2009 until his death in 2015 (Goff, 2013).
64 Interview with Gallagher.
65 White on May 20, 2014. Chair White made repeatedly clear that IFRS was a priority for her (see e.g. Committee on Financial Services, 2015, p. 47).
66 Schnurr on December 8, 2014.
67 Schnurr on December 8, 2014.
68 Interview with Gallagher.
69 Schnurr on December 8, 2014.

In the political stream outside the SEC, however, interest in further discussing any form of IFRS adoption was very limited. In contrast, White's initiative experienced an immediate backlash. For instance, only few weeks after White's announcement to restart the SEC's efforts to search for a suitable IFRS policy, the bipartisan Congressional Caucus on CPAs and Accountants (CPAA Caucus) raised concerns about Chair White's intentions in an open letter (Gonzalez, 2014). In responses to the policy proposal of the fourth alternative, constituents questioned why a company would "spend the time and money to provide IFRS–based information on a voluntary basis, while the benefits of such additional information remained unclear" (Accounting Today, 2015). Also at the international level, the IASB Chair, Hans Hoogervorst, commented that: "In a world where everyone is complaining about disclosure overload, I don't think many (companies) will be jumping up and down to see this as an additional disclosure" (Dow Jones Institutional News, 2015).

In the political stream within the SEC, divisions among the Commissioners continued. The proposed fourth alternative gained support from Republican Commissioners Daniel Gallagher and Michael Piwowar, who praised the idea as a market–based test of investor demand for IFRS disclosures and "worthy of serious consideration."[70] Democratic Commissioner Kara Stein, however, challenged the idea, arguing that a dual set of financial reports for a single registrant could unnecessarily increase reporting complexity and questioned whether there would be benefits for investors or issuers.[71] Moreover, due to the delayed appointment of successors for Gallagher and Aguilar, who left in October and December 2015, respectively, White faced an understaffed Commission for the rest of her tenure, where the two remaining Commissioners held different views on the proposed option to provide supplementary IFRS information.[72] White therefore refrained from calling the Commissioners to a vote on IFRS adoption before leaving the SEC in January 2017.

Overall, White exerted efforts to couple the streams of problem, policy and (internal) politics. In particular, she orchestrated the development of an IFRS adoption policy that pragmatically addressed the problem she had identified. As noted by Kingdon (2003, p. 178), "[i]f one of the three elements [a compelling problem, a policy solution, and support from the political stream] is missing ... then the subject's place on the decision agenda is fleeting." This episode shows that Chair White particularly lacked supportive elements in the political stream. Public reactions to the fourth solution suggested a clear rejection of this policy proposal and her efforts to mobilize allies among the other Commissioners were unsuccessful as partisanship continued to affect her time as SEC Chair. Together with the understaffed Commission, this lack of support prevented the start of the formal rulemaking process.

Since White left the SEC, neither the Chair, nor any Commissioner, has mentioned the issue of IFRS for U.S. issuers, and the goal of a single set of global accounting standards was quietly removed from the SEC's Strategic Plan (SEC, 2018; for comparison see e.g. SEC, 2014, 2010d).

5. Conclusions

In this paper, we mobilize the theoretical framework of institutional entrepreneurship to shed light on the role of the SEC's Chairs with regard to a possible adoption of IFRS in the United States. Drawing on the concept of the multidimensional institutional process (Buhr, 2012; Kingdon, 2003), we analyze the problem recognition of the SEC Chairs Cox, Schapiro and White, their policy development and promotion activities, and the ways politics inside and outside the SEC interrelated with their rulemaking efforts.

Regarding our first research question, to what extent the SEC Chairs recognized problems with regard to the U.S. financial reporting system and how this relates to their personal backgrounds, we find that Chair Cox clearly saw problems with the financial reporting system in the United States when joining the SEC. In particular, he saw the problem of the tower of Babel of different reporting languages, impeding capital market efficiency, that could be addressed by adopting IFRS in the United States. This problem recognition was in line with his background as an internationalist and advocate of free markets. In contrast, Chair Schapiro did not recognize a problem in the financial reporting area, but rather (temporarily) came to accept international expectations of a U.S. commitment to IFRS as a price for its continued involvement in IFRS development. Her hesitance toward IFRS can be understood against her background as a domestic regulator, implying skepticism against more principles–based IFRS standards and delegation of standard–setting authority to an independent private institution outside the United States. Finally, Chair White regarded it as problematic that IFRS adoption remained an open issue which the Commission had not yet decided on.

Overall, this analysis shows that the background of potential institutional entrepreneurs can influence the extent to which they recognize problems in a specific subject area. The experiences gained and beliefs acquired in previous professional activities, in our case, as Congressman or regulator, as well as the professional and private networks of individuals matter when it comes to deciding whether a problem is perceived as sufficiently important to warrant further regulatory attention. This finding highlights that regulatory processes are not always driven by "a collective of organized institutional entrepreneurs" (Buhr, 2012, p. 1581), but can also be substantially shaped by individuals. In such cases, considerations of the potential entrepreneurs' background can enrich the study of rulemaking processes.

[70] Piwowar on November 16, 2015; Gallagher in SEC Wire (2014).

[71] Stein on March 26, 2015. The approach would have meant having to keep two sets of books by U.S. issuers choosing to provide this additional IFRS information (and this time, contrary to the "Proposal B" in the roadmap in 2008, even without the prospect of full scale IFRS adoption in the near future).

[72] The remaining two Commissioners next to White, Michael Piwowar and Kara Stein, had contrary opinions on Schnurr's proposal. See Piwowar on November 16, 2015 and Stein on March 26, 2015.

Our second research question concerns which policies the SEC Chairs developed and how they acted to promote the policy implementation. When Cox joined the SEC, he first built on the roadmap that had been developed by Nicolaisen to lift the reconciliation requirement for foreign issuers. However, in line with his problem recognition he was quickly moving further in the direction of IFRS adoption for U.S. issuers, first suggesting the policy of an optional adoption and then suggesting a roadmap toward mandatory adoption. To promote this policy, Cox actively disseminated the vision behind IFRS and succeeded in mobilizing allies for his cause within and outside the SEC. By spreading a vision for change and allocating resources to the development of a suitable policy, Cox himself temporarily affected the problems and political streams, since his vision for change led other actors to recognize a problem with the status quo and to support swift actions by the SEC.

In contrast, Chair Schapiro had different priorities and less inclination to actively advocate IFRS adoption. Schapiro inherited the roadmap when joining the SEC and was therefore forced to manage the change initiative. However, she immediately backed away from Cox's policy of a path to mandatory adoption but delegated the issue of policy development to the staff level, which brought about the idea of condorsement. While she allocated considerable resources to the development of the staff report, she neither publicly spread a vision to convince skeptics nor mobilized allies inside and outside the SEC for a move toward IFRS. Her unwillingness to make use of her social position and capital to promote IFRS adoption resulted in the release of a final staff report in 2012 that did not entail any clear policy direction.

Finally, Chair White displayed a stronger personal motivation to advance the issue of IFRS as reflected in her public speeches as well as in her meetings with other Commissioners. Given the history of the IFRS adoption debate, her policy options were limited and the idea of a "fourth solution" of voluntary supplemental IFRS information was developed. Ultimately, however, White was incapable of coupling the suggested policy with the problems and political streams.

Overall, we show that the individual willingness and ability of the potential institutional entrepreneur (Battilana et al., 2009) are important to understand developments in the policy stream. Formally, the SEC Chair has the power to set the Commission's agenda and to pick staff members for the execution of particular regulatory tasks. Furthermore, the Chairmanship equips individuals with a certain degree of public visibility that Chairs can use to promote their prioritized rulemakings. This particular social position (Battilana, 2006) provides the Chair with the opportunity to influence the problems, policy and political stream. Our analysis shows a connection between the Chair's success in coupling the three streams and his/her motivation and ability through his/her social position to actively promote institutional change.

Our third research question asked how the politics inside and outside the SEC are linked with the Chairs' rulemaking efforts. The political stream within the SEC primarily relates to the temporal characteristics of the Commission, such as its composition with Commissioners from both parties and the existence of policy proponents at the staff level. Due to Chair Cox's efforts and social skills to align the views of Commissioners, he was able to operate under favorable conditions for most of his tenure. However, the partisan division among Commissioners gained traction under Chair Schapiro, leading to contrary views of how the generally desirable aim of one set of global accounting standards could be achieved. Ideological differences in the Commission particularly came to light when implementing the Dodd–Frank Act and spilled over into considerations of IFRS. These differences made it impossible for Schapiro and White to obtain a majority vote on any proposal regarding mandatory adoption, voluntary adoption, adoption through endorsement of IFRS, or the option to provide supplemental IFRS information.

We identify different events in the political stream outside the SEC that affected the SEC Chairs' rulemaking endeavors. First, events with regard to the particular SEC appointment process constrained several Chairs to get a sufficient number of Commissioners to vote on rulemakings by the end of their terms. This pertains to the situations when Commissioners leave and substantial delays occur in the nomination and approval process of their successors, which involves the President and the Senate. In the period of our analysis, this led to the SEC being down to three Commissioners: From February to July 2008 under Chair Cox and from January 2016 to January 2017 under Chair White (see Fig. 2). This organizational feature especially deprived Chair Cox and Chair White from the possibility to sufficiently legitimize regulatory initiatives with the vote of five Commissioners. Second, during the first years of his term, Cox found favorable conditions in the political stream for pushing for global accounting standards. The financial crisis after the collapse of Lehman Brothers, however, challenged the social position of the SEC as an organization and Cox as a Chair. The crisis also shifted attention in the political stream to other issues than IFRS adoption. Due to the inability of Schapiro and White to mobilize support for their policy proposals from outside the SEC, in their time as Chairs the political stream was not coupled to the policy and problems streams and prevented the opening of a window of opportunity for a policy breakthrough.

Overall, our study shows the importance of considering central actors and their use of agency in multidimensional institutional processes, such as IFRS adoption. In this regard, we show that regulatory rulemaking cannot be explained by a coincidental alignment of the problems, policy, and political streams. Instead, institutional entrepreneurs need to couple these streams to achieve a policy breakthrough (Buhr, 2012; Kingdon, 2003). In the words of Kingdon (2003, p. 205), "[t]he joining of the separate streams […] depends heavily on the appearance of the right entrepreneur at the right time." We show how institutional entrepreneurs can actively affect the development of the streams to open windows of opportunity for policy breakthroughs. Thus, our study suggests that IFRS adoption (or non–adoption) can best be explained by considering the interplay of key decision–makers with the internal and external forces of their institutional environment.

Declaration of Competing Interest

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

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