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INSTITUTIONAL ISOMORPHISM IN ACCOUNTING INNOVATIONS

Experience in the public and corporate sectors[1]

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ABSTRACT

Accounting regulations and systems are subject to constant change. The evolution of accounting practices can be described as the outcome of different key factors. In this study, the authors examine two distinct areas of accounting, that of public sector accounting and of the corporate sector accounting using a neo institutional approach. The objective of the study is to present that, despite the differences of accounting in the two sectors, they can be examined within the same theoretical framework, and that different types of accounting innovation can be explained with institutional isomorphism. The research based on the relevant international and Hungarian literature indicates that certain groups of isomorphism can be observed in the diffusion of accounting practices. The normative one has proved to be the weakest and the coercive the strongest. It can also be concluded that in both public and corporate sector accounting innovations, the normative isomorphism emerges first, followed by the mimetic and finally the coercive one. As far as the authors are aware, this paper is the first of its kind in Hungary inasmuch as it reviews the two accounting subsystems within a uniform theoretical framework.

JEL codes: M40, M48

Keywords: isomorphism, public sector, public management, non-financial reporting

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1 INTRODUCTION

In addition to changes in the relevant regulations, the renewal and development of accounting practices is the consequence of key factors. Changes in accounting are not isolated events, on the contrary, they are connected in time within the global discourse of certain areas. They are also strongly influenced by how the actors involved felt their necessity and then implemented them (Hyndman–Liguori, 2016). The renewal of accounting schemes cannot be discussed on their own as independent of other more comprehensive social events and processes (Borbély, 2019), or of changes in other scholarly areas (Lantos–Lukács–Száz, 2022). In this paper, two distinct segments of accounting – that of public sector accounting and of the corporate sector – are discussed within the framework of a neo institutional approach through a literature review. The focus is on accrual accounting, which is spreading fast and wide for public sector accounting, while in the case of corporate sector accounting, focusing on changes in reporting practices.

Examining the two areas side by side might look strange at first sight, however, it is not a new approach. Weber (1968) regarded the modern state as a factory from the aspect of social sciences, since both a factory and a state embody bureaucratic power serving an impersonal, objective goal. He also called attention to the similarities of the work processes, pointing out the limited options for intervention into the operation of a state by people or into the operation of a factory by its shareholders. Consequently, Weber (1968) explains the development of a capitalistic factory and the development of a state cannot be imagined independently from each other. In that regard, the idea mentioned by Christensen et al. (2019) involving mostly English-speaking countries, according to which a state can be regarded as a *business enterprise,* is not a completely new approach. The above phenomena are discussed from an institutional approach at the level of business studies, which is one of three research levels (or directions) mentioned by Csaba, László (2021) in a paper.

2 THEORETICAL FRAMEWORK – BRANCHES OF THE NEO INSTITUTIONAL THEORY

The first step in examining the problem is to briefly review the framework and branches of institutional theory. As pointed out in Csaba's (2021) study, there is no public agreement on what the essence of the institutional theory is. This may stem from the multi-disciplinary and dynamically changing by nature. In their study, Baskerville-Grossi (2019) divided the neo institutional theory into three branches based on Gestel-Teelken (2006) (*Table 1*): one is sociological institutionalism with legitimacy as its central research topic. For this sector, institutions are derived from their legitimation. Secondly, economic institutionalism is defined as institutions originating from strategic partnerships, while historical institutionalism emphasises the role of path dependence (Korsakiené et al., 2015).

Table 1
Branches of the neo institutional theory

Theoretical aspect	Central research topic	Origin of institutions	Trigger of institutional changes
Sociological institutionalism	Identity	Legitimacy	Diffusion and imitation
	Options offered by institutions to ensure actors' identity (logic or social acceptability)		
Economic institutionalism	Material interest	Strategic cooperation, Rational selection, transactional costs	Voluntary agreements and changing preferences
Historic institutionalism	Power	„Path dependency" and unintentional consequences	Contradictory response to external events

Source: own design based on Baskerville–Grossi (2019)

According to Baskerville–Grossi (2019), actions are embedded in an institutional context built from formal and informal rules, norms and cognitive rules as well as cultural concepts. Government organisations introduce innovative changes in their operations regarding their financial control systems, not only to achieve higher economic effectiveness but also to legitimise themselves because of various forms of institutional pressure or impact (Broadbent–Guthrie, 1992; Lapsley, 1999).

Another approach is present in the study by Bruton et al. (2010). The authors divided the institutional theory into two branches, an economic political branch and a sociological/organisational theory branch (*Table 2*).

Table 2
Branches of the institutional theory

Characteristics e	Economic/political branch	Sociological/organisational theory branch
Assumptions	People make decisions relying on conventions and standardised rules or agreements	People make decisions heuristically; their actions are based on different conventions and subconscious decisions due to cognitive limitations
Drivers of human behaviour	Rules and procedures, formal control	Social norms, common culture, cognitive protocols and patterns
Relationship between institutions and organisations	External institutions provide structures for organisations	Organisations are adapted to the values and limitations required by the institutions of society

Source: own design based on Korsakiené et al. (2015)

This approach differentiates sociological institutionalism only while it manages the economic and historical-political branches jointly. It is obvious there is no clear framework to be used when examining the phenomena being the topic of this research. On the other hand, it reiterates the differentiability of sociological institutionalism.

3 SOCIOLOGICAL INSTITUTIONALISM AND INSTITUTIONAL ISOMORPHISM

Legitimacy is the core issue of the sociological branch. Legitimacy relies on generally accepted views stating actions are wanted, proper and acceptable in a given set of norms, values and convictions (Suchman, 1995). That governs the behaviour of the members of society and of the actors of the economy.

In their study, DiMaggio–Powell (1983) discussed the reasons why organisational innovations diffuse in a sociological context. They have found organisations operating in similar fields are getting more and more alike because they implement similar organisational innovations. The authors make a difference between early and new adaptors, as they apply new solutions originating from different motives.

In examining this, it is worth dividing each methodological innovator into early and late adopters. Early adopters aim to improve organisational performance. However, these practices are often associated with some value beyond the technical requirements, so that they are not only associated with more efficient performance of tasks. As innovations spread, the reasons for the newer adopters are less rational, as they are more concerned with securing legitimacy. For this reason, changes that affect a wide range of organisations cannot always be seen as the result of rational choices. The phenomenon is termed institutional isomorphism, which is a process forcing a given unit to resemble other units in its environment. The authors have differentiated three types of institutional isomorphism. Firstly, there is coercive isomorphism originating in political forces that can typically be linked to interventions by the state or pressure by the persons or institutions providing the necessary resources. They appear as a result of formal or informal pressure that depend on different cultural expectations. In such cases, organisational changes can also occur if the environment or social context change.

Secondly, DiMaggio–Powell (1983) describe a mimetic isomorphism originating from insecurity. It can appear when a given solution is not well known (or the environment is volatile), or it is not fully understood while its goals are highly ambitious. In such a situation, certain organisations want to resemble other organisations. The advantage of their behaviour becomes obvious if the follower is faced with the same problems as the organisation it follows, since the answer to be given will be easy and cheap.

Thirdly, a normative isomorphism is mentioned, which is said to be the consequence of professionalism, i.e., there are innovations introduced for professional reasons following proper negotiations.

4 HOW DO INNOVATIONS IN PUBLIC SECTOR ACCOUNTING FIT IN WITH ISOMORPHISMS

With respect to studies of accounting systems, the accounting practice of public sector is one of the areas researched most intensively. Reforms of public accounting have been closely linked to the renewal of public management. New Zealand and Australia can be seen as early adopters of the accruals approach, as it was already being applied in the public sector in the 1990s. They were followed by other Anglo-Saxon countries (UK, Canada, USA) and then by several OECD countries (Carlin, 2005). Accrual accounting has been spreading internationally. 80 percent of the OECD countries and 68 percent of non-OECD countries indicated they wanted to implement it in public management (PwC, 2015). Accrual accounting has become generally accepted in public sectors over the past decades; as time progressed, it appeared in a number of public sectors that seemingly follow different management concepts.

The same trend appeared in Hungary as well. In compliance with Directive 2011/85/EU, Government Decree No 4/2013. (I. 11.) (Áhsz.) appeared, which regulated the adoption of accrual accounting in the Hungarian public sector (Hegedűs–Molnár, 2017). As a result, a twice double-entry accounting system has come into being comprising a cash-based accounting and a modified accrual accounting.

4.1. Public sector accounting and public management

The relationship of public management reforms with public sector accounting is not fully clear. Some researchers and authors (Hood, 1995; Buhr, 2012; Lokuwaduge–Godage, 2020) consider it to be an achievement of new public management. However, one can see that accrual accounting has appeared more widely than most recommendations (Pina et al., 2009). The authors of this paper want to outline the connections of the spread of public management models with the public sector accounting applied, and to discuss how much one can study the two aspects in the same framework.

Among the models of public management, one can highlight the aforementioned new public management (NPM).Its axiomatic starting point is that public expenditure can be diminished, and the quality of public services can be improved by market coordination and increasing competition (Lapsley, 1999; Rosta, 2012a; 2012b; 2015, Hegedűs-Molnár 2020). While the traditional approach delegated exclusive rights and responsibilities to government agencies to provide public services, the new public management intends to fulfil the task – at least partly – through market coordination (Katona–Rosta, 2018). As a result, a number of solutions typical of the corporate sector have appeared in the public sector.

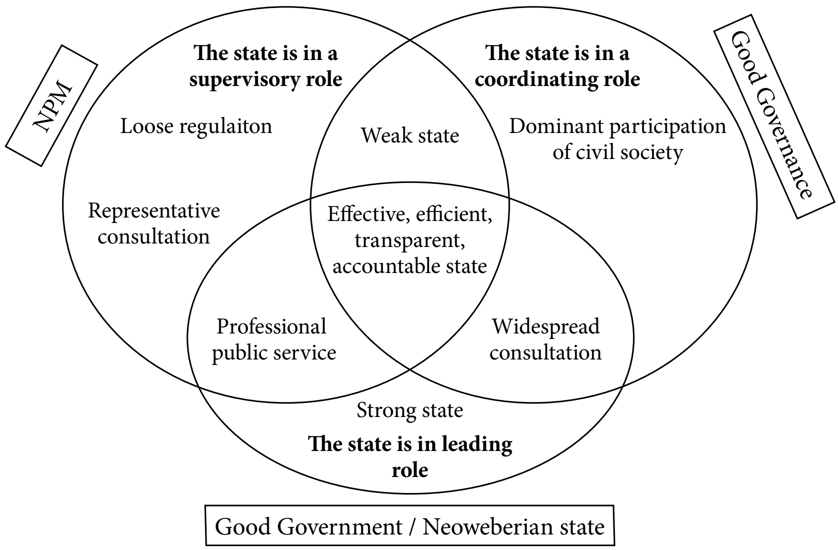
Another important direction is a value and participation-based approach (related to the idea of good governance). Its central point is that making decisions in public affairs is not a prerogative of an administration, but those affected (the stakeholders) must also be involved. In contrast to the new public management, the model focuses on civil society rather than the business sector. It is characterised by trying to find compromise solutions and broad social consultation (Kovács, 2014). It can be related to recommendations proposed by the World Bank in the 1980s (Pályi, 2015), Fodor–Stumpf (2007), which linked good governance with neoliberalism. The decisions under the concept strive to ensure the rule of law and to strengthen legal certainty. Important components include transparency, accountability, the option to criticise decision makers and institutional development of civil protest. Fighting corruption also takes priority. The quality of governance can be improved if those affected are involved, transparency and accountability are ensured. Within the framework of good governance, a government primarily uses the instruments of regulation; it is more of a mediator among different social strata, its role as allocator and redistributor is more limited than in a traditional model (Kovács, 2014).

The regulatory approach emphasises that a government must solve the problems arising by means of regulations. Thus, it must modify old regulations or establish new ones. Regulatory activity in the focus does not only include legislation but also law enforcement and control. The regulatory model emphasises the importance of the government and can be used to drive the behaviour of citizens and organisations in the direction preferred by the government. It can be achieved by making laws mandatory and using sanctions if they are violated. Different incentives can also be applied. The regulatory approach can be regarded to be the theoretical foundation of the neo-Weberian state (Torma, 2010).

There are some overlaps between the new public management, good governance and neo-Weberian theories (Tóth, 2021a). All three believe the transparency, control and accountability of governments are important, and the methods applied are similar at the level of organisations. An obvious example for it is the appearance of accrual accounting in the public sector, which is supported by all three. It also explains why the appearance of accrual accounting in the public sector cannot be exclusively linked to the idea of the new public management, since the English-speaking countries were the first to implement both NPM and accrual accounting. The difference between the trends under discussion is therefore essentially the role of the state. While the concept of a neo-Weberian state places governments into a controlling role, NPM supports the dominance of the markets, good governance focuses on the civil society. Apart from that, there are a number of identities between the neo-Weberian concept and the others (*Figure 1*). Both the good governance and the new public management rely on consultations with the majority to assess and enforce societal needs, and they also focus on improving the standard of public services.

As emphasised by Pongrácz (2016), the size of a government is, in fact, irrelevant from the aspect of the structure of society, since a government will always fulfil its social role through its functions according to the needs of a given period of time. Thus, what one should investigate is what kind of expectations citizens have towards the services of public management.

Figure 1
Relationship of theories of organisation of state



Source: Tóth (2021a:218)

As shown in the above principles and mechanisms, all three organisations of state intend to achieve that a government should be effective, effective, transparent and accountable. It is a goal that requires the application of a proper set of accounting regulations and accounting schemes which can support economic decision making. In his paper on the characteristic features of and the part played by accounting, Weber (1970) underlines that budgetary entities and profit-oriented entities cannot be fully separated from each other. In line with the above, one can say the Weberian organisation of state is not so much different – considering its methodological recommendations – from the concepts replacing it, while the new concepts also lead to similar solutions in many cases.

There were no efforts made to use international standards in the last century. Government budgets started off from different situations to come to decisions, which triggered different budgetary and accounting reforms (Oulasvirta, 2014). As a result, various solutions can be found among the accounting information systems applied on our continent, what is more, there may be different accounting rules at the level of central and local governments (*Table 3*).

Table 3
Accounting systems of centralised and local governments*

		Central level		
		Modified cash accounting principle	Accrual accounting	Modified accrual approach
Local level	Modified cash accounting principle	**Luxemburg** **Italy** **Slovenia**	Ausztria	
	Accrual accounting	Greece *Ireland* Germany **Portugal** **Cyprus** *Netherlands*	**Bulgaria** *Czechia* *The United Kingdom* **Estonia** **France** *Poland* **Lithuania** **Romania** Spain *Sweden* **Malta**	
	Modified accrual approach	Finland		**Croatia** Latvia **Hungary**[3] **Slovakia** *Belgium*

Note: ***bold: centralised**, *italics: decentralised,* standard: in between
Source: own design based on Lentner et al. (2020) and Balázs (2015)

The *Table 3* illustrates there are only three member states of the European Union where an accrual approach is not present; in all the others either the accrual or the modified accrual approach has been implemented at least on one level. The accounting systems are quite heterogenous, but the spread of the accrual accounting is clearly visible.

Heterogeneity can also be seen from how different accounting practices appear with different public management models. In *Table 3*, the authors used the categories by Balázs (2015) to differentiate **centralised** (**bold**), *decentralised* (*italics*) or in-between (standard) governments from that aspect. Setting up categories based

3 Balázs (2015) categorised Hungary in-between decentralised and centralised organisational types.

on how authorities fulfilled their tasks provides a mixed picture; the appearance of accrual accounting is not limited to decentralised organisations of state. This reiterates the authors' conviction that the appearance of accrual accounting in the public sector is not an achievement of the new public management, but it is spreading on its own.[4]

The above proves that there is no rigorous connection between models of government management and the appearance of accrual accounting. Applying accrual accounting is in response to the expectations a modern state must face independent of the core features of its management. The authors believe that theories of state management should be studied within the framework of historical institutionalism, since the relevant changes can be linked to the modification of the relationship between the public and the corporate sector (Torma, 2010). The changes in state management reflect the relationship of the corporate and public sectors (Peters–Pierre, 1998). This idea is supported by the fact that the development of public sector is path-dependent; cultural and historical factors or economic circumstances influence which group of methods will be applied (Randma-Liiv, 2008; Meyer-Sahling, 2009; Meyer-Sahling–Yesilkagit, 2011).

4.2. Public sector accounting and institutional isomorphism

According to Baskerville–Grossi (2019), changes in the organisations of the public sector originate in the processes of diffusion and mimetics rather than voluntary agreements or in response to contradictory external pressure. The organisations of the public sector define their behaviour within an interpretation framework according to common values and common interests.

This is partly contradicted by Hartley's (2005) assertion that innovation in the public sector is not about specific products or solutions, but about changes in the relationship between the service provider and the service user.

While we have identified the isomorphisms and circumstances that have led to the renewal of organisations (in our case, public administrations), we cannot ignore the fact that the reorganisation of public administrations is linked to broad concepts. Moreover, these isomorphisms can also be observed in the case of individual trends: the Anglo-Saxon countries that were the first to move beyond the Weberian state organisation started to renew their processes for professional reasons (normative isomorphism), while imitation and coercion (recommenda-

4 For example, accrual accounting emerged in Hungary during a period characterized by a shift towards (re)centralization.

tions and pressures from international organisations) may have played a significant role in the countries that acted later.

In many cases, the implementation of accrual accounting is motivated by the need to comply with external expectations or regulations rather than the intention to improve efficiency or effectiveness. The primary goal of a potential shift is to distract attention and dispel distrust. Empirical experience supports this phenomenon in many cases (Hyndman–Connolly, 2011). The diffusion of the accounting reform can be divided into two waves. The first wave comprised early adaptors. They were organisations (public fsectors in our case) that implemented accrual accounting for technical reasons and were actually confident of their usefulness, while in the second wave the need to comply was the main motive (Hyndman–Connolly, 2011). That is also supported by a study by Adhikari–Gårseth-Nesbakk (2016). According to the experts they interviewed, the implementation of accrual accounting in the OECD and EU countries can be considered to be the consequence of their need to comply with the requirements generated by the relevant international organisations. Thus, one can state the similar changes in the accounting systems of public sectors were not a coincidence.

4.3 IPSAS and resistance

Establishing harmonisation is another important issue of accounting reforms. On the one hand, as seen, there may be differences within one system of public sectors that need to be managed and require ongoing examination. Therefore, in a part of public sectors there are innovations even after major reforms to achieve harmonisation (Jakab–Balog, 2017). On the other hand, as pointed out by several studies (Brusca et al., 2013; Lombrano–Zanin 2013; Brusca–Martínez, 2016), international harmonisation of public sectors is highly significant. Although the theoretical bases of accounting solutions mostly rely on similar logic, quite individual solutions have come into being. International standards such as the International Public Sector Accounting Standards (IPSAS) and the European Public Sector Accounting Standards (EPSAS) are meant to bridge those differences. If the differences were eliminated, comparability and transparency would improve and national statistics would become more reliable (Brusca et al., 2013). Because IFRS was one of the bases of IPSAS (Lombrano–Zanin, 2013; Simon et al., 2018), comparability of the public and corporate sector could be increased if the standard spread.[5]

5 It is no accident, since the regulation of public sectors (including IPSAS) imitated the practice of the corporate sector in many cases (Brusca et al., 2013; Lombrano–Zanin, 2013).

The accounting systems of most European countries are not IPSAS-based, and they do not plan the adaptation of IPSAS, although developing the international standards would open up new vista for accounting information systems measuring efficiency, effectiveness and performance better. However, the independence and objectivity of the International Public Sector Accounting Standards Board (IPSASB) had major positive impact. However, one cannot deny that international standards currently fail to cover all the special fields of different public spheres, and their rules are overcomplicated (Harsányi et al., 2016).

Big auditor companies, on the one hand, are supportive of the adoption of accrual accounting and IPSAS, which could be due to professional reasons, i.e., normative isomorphism. On the other hand, the role of isomorphism is not crystal clear, as accounting information is often not utilised in practice, so the professional aspects have failed to gain momentum to a considerable extent in the end. The appearance of IPSAS in the emerging countries can be the consequence of coercive isomorphism, since international debtor and donor organisations such as the International Monetary Fund, the World Bank, or the UN regard IPSAS to be a tool used to improve transparency and accountability (Adhikari–Gårseth-Nesbakk, 2016). With respect to the implementation if IPSAS, Sellami–Gafsi (2019) stated that financing by donor organisations was the origin of coercive isomorphism, while they believed external openness was a major factor for mimetic isomorphism, but professionalism or the level of education played a decisive part in normative isomorphism.

The adoption of IPSAS and accrual accounting was a popular idea among politicians and senior executives, since they thought it would improve legitimacy (mimetic isomorphism) and communicate the modernity and effectiveness of their organisations for the public, so they would be able to exert pressure on standardisers (Brusca et al., 2013; Oulasvirta, 2014). Although the implementation of the accrual approach is a voluntary decision, external pressure did play a part in most cases (Adhikari–Gårseth-Nesbakk, 2016).

Several factors have an adverse impact on the effectiveness of public sector reforms. Firstly, the group of data important for politicians is difficult to identify (Jorge et al., 2019), or performance measurement is not thought to be relevant enough (Ellul–Hodges, 2019). Secondly, although accounting information can legitimise decisions (van Helden–Reichard, 2019), their utilisation is often symbolic only (Ouda–Klischewski, 2019). Thirdly, the utilisation of accounting information is hindered by political decision-makers' lack of accounting knowledge or their information overload (Jorge et al., 2019; van Helden–Reichard, 2019).

Normative isomorphism is promoted by the many potential positive impacts of IPSAS. Financial reports generated according to the standard could improve comparability, would reduce informational costs and mitigate informational asymmetry (De Lange–Howieson, 2006). According to a study by Harsányi et al. (2016), the strength of the standard and its possibilities are essentially the same as those of the accrual accounting with the addition that an independent standardiser would appear who could support the development of accounting information systems with their objective opinion and advice.

There is a problem with standards, namely, they cannot currently cover the special issues originating in public management and public sector (Lombrano–Zanin, 2013). As for implementation, there are often not enough trained specialists while the deficiencies of IT systems do not make a shift easier. In addition, a shift typically takes three to five years. A potential obstacle of the spread of IPSAS is that ISASB has no mandate to require the application of standards In the case of governments where the accounting system has deeper roots, there may be a resistance to adopting international practices (Oulasvirta, 2014).

IPSAS follows mainly the accounting logic typical of Anglo-Saxon countries (Tóth, 2021b), and therefore has not gained popularity (or it did not seem feasible to adopt the principles) in other areas, which is why the European Commission started to push for the development of EPSAS.

All this shows that even if there is a unanimous position on IPSAS, normative isomorphism alone will not be sufficient for the spread of standards, so the effect of imitative and especially coercive isomorphism may be a key factor.

5 MATCHING CORPORATE ACCOUNTING INNOVATIONS TO ISOMORPHISMS

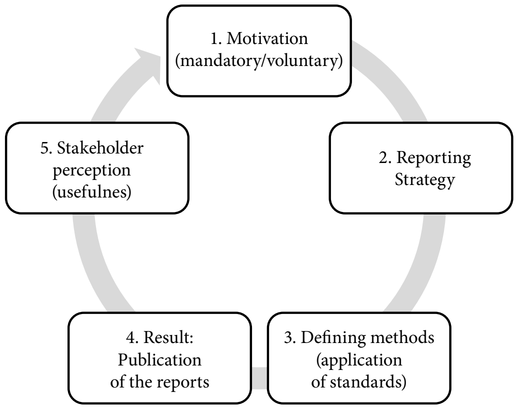
The most researched accounting innovation in recent decades has been the changes in disclosure practices of companies, whereby firms are increasingly disclosing more non-financial information in their financial statements (Beattie, 2014). Neither the content nor the format of the additional information are uniform, however, certain trends can be observed. In terms of content, there has been a shift in the focus of reporting, with intellectual capital-centred disclosures being replaced by a focus on the contribution to sustainability (Alvino et al., 2020; Kovács–Lippai-Makra, 2023). In terms of format, there has been a rise in non-financial disclosure standards and the proliferation of integrated reports that synthesise financial and non-financial reporting into a single document (KPMG International, 2020).

In their non-financial reports, companies provide information on environmental, social, governance, and ethical factors. These reports are referred to by a variety of names in practice and in academia (Lippai-Makra, 2022). Also, the reasons in the background of a report is often supported with different theories. In the past, stakeholder theory, based on the information needs of stakeholders, was most often used to explain corporate disclosures that go beyond the requirements of financial reporting (Lakatos, 2013; Lippai-Makra–Kovács, 2021; Lippai-Makra–Rádóczi, 2021; Hegedűs et al., 2023).

Although the publication of non-financial reports used to be voluntary, regulators recognised the importance of the area in time. Based on the idea of sustainability and responding to the need of comparability, the European Union published its Directive 2014/95/EU, which obliges certain large corporates and corporate groups to disclose non-financial information as part of their reports (European Parliament and Council, 2014). The topical changes mentioned above have also appeared in the regulations. The latest Directive on the topic by the European Union uses the term Corporate Sustainability Reporting instead of Non-financial Reporting (CSRD: Corporat Sustainability Reporting Directive) – (European Parliament and Council, 2022). The above directives have been implemented in the Hungarian legislation through the amendments of the Hungarian Accounting Act. As voluntary disclosure is gradually being replaced by mandatory disclosure, there is also a shift in academic research towards the use of the theoretical background. The idea of legitimacy as well as institutional economics appear in a number of studies related to disclosure practice. The authors are of the opinion that the disclosure practice of corporations is assimilating as they publish their reports to gain legitimacy. The phenomenon can be explained by different institutional isomorphisms. In the relevant literature, all three types of institutional isomorphism (normative, mimetic and coercive) have been identified with respect to non-financial corporate reporting.

In order to study the impact of institutional isomorphisms on the sustainability reports of corporations, it is first necessary to identify the steps of the process. (Figure 2). Corporates perceive motivational factors due to which they decide to enlarge the group of information disclosed. The factors are called incentives that can be divided into voluntary (e.g., need of stakeholders for information) or mandatory incentives (e.g., regulations) (Lippai-Makra, 2022). As companies set up their disclosure strategies, they decide about the group of information to be published and identify the form of their disclosure and whether or not their report will comply with one of the standards of sustainability reporting. Next, the report is published and those involved will make use of it and evaluate it either directly or indirectly. Indirect evaluation includes ESG scores issued by agencies assessing sustainability. The companies are ranked or categorised based on their contribution to sustainability.

Figure 2
Flowchart of sustainability reporting



Source: Kovács–Lippai-Makra (2022)

In the relevant international literature voluntary social and environmental reports were first identified as institutional practice, and the concept of isomorphism was used to explain the process as corporate disclosure practices assimilated (Deegan–Unerman, 2011). However, not only voluntary but also mandatory disclosure can be explained with isomorphism, since the institutional theory was widely used to evaluate the key factors of the process of accounting harmonisation, so it is also suitable to shed light to the part played by incentives to improve transparency through the legal obligation regarding sustainability reporting (Stefanescu, 2022).

Of Hungarian authors, Braun (2016) linked corporate sustainability reporting to the concept of Weberian legitimacy. He believes the publication of sustainability reports may be a tool to manage legitimacy. It has a dual goal. Firstly, it facilitates the assessment and management of environmental and social risks. Secondly, it can mitigate the issue of informational asymmetry related to the organisation.

All three types of isomorphism presented above can be examined in the context of sustainability reporting. Mimetic isomorphism can be the explanation of corporate assimilation if there are uncertain circumstances, and certain organisations imitate the behaviour of others, for instance, their actions, structures or practices in an effort to strengthen their legitimacy (Dumitru et al., 2017).

Normative isomorphism can be identified through pressure by professional organisations that embody a social consensus regarding fair behaviour (Dumitru et al., 2017). The UN concept of Sustainable Development Goals (SDG) is an embodiment of that theory. An increasing number of companies present their contribution to sustainability in their reports with reference to the SDG.

Coercive isomorphism is mostly identified with legal rules providing a legislative framework for disclosure. However, some authors believe pressure by legal rules is not the only factor, but the expectations of international organisation also play a part, considering that those organisations can be regarded to be institutionalised forms of certain social values (Dumitru et al., 2017). The authors of this paper are of the opinion that is the point where normative and coercive isomorphism is connected. That is why it is difficult to study those processes on their own or to identify different isomorphisms independently. On the other hand, the types of incentives and isomorphisms linked to different components of disclosure can be identified (*Table 4*).

Table 4
Isomorphism types linked to elements of sustainability reporting

Phenomenon	Incentive	Isomorphism
Need for information	Voluntary	Normative isomorphism
Voluntary standards	Voluntary	Mimetic isomorphism
Scoring/rating	Voluntary	Normative isomorphism
Regulations	Mandatory	Coercive isomorphism

Source: own design

As seen from the above, the relevant international literature has drawn the conclusion that sustainability reporting has become institutionalised (Higgins et al., 2018), and the appearance of certain isomorphisms can be proved in that regard (*Table 5*).

Table 5
Empirically supported isomorphism regarding non-financial reporting

Authors	Countries studied	Isomorphism proven
Stefanescu (2022)	EU member states	normative, mimetic, coercive
Posadas et al., (2023)	Italy, Spain	normative, mimetic
Lippai-Makra (2022)	Hungary	Coercive
Dumitru et al., (2017)	Poland, Romania	Coercive
Martínez-Ferrero–García-Sánchez (2017)	International sample of 696 companies	normative, coercive
Othman et al., (2011)	Sensitive industry, international sample	coercive

Source: own design

Some authors criticise that studies only focus on individual countries (Stefanescu, 2022). However, due to the existence of disparate legislative environments and social-ethical norms, it is not possible to assess the practices of different countries in a uniform manner.. The findings of different studies cannot be directly compared since neither the definition of isomorphism, nor the categorisation of the relevant practices, nor the methodology applied, nor the samples are uniform.

The review of the relevant literature reveals that normative isomorphism initially emerged as an accounting innovation within the corporate sector. It means that certain companies start to apply the practice based on professional considerations or social-ethical expectations. Then, early adaptors are followed by other companies, i.e., mimetic isomorphism appears. Thus, practice follows the framework of diffusion offered in the study of (Ezzamel et al., 2014). Next, practice gets regulated, which is a coercive force. Some authors believe it can again be followed by mimetic isomorphism, i.e., the best practices of companies operating in accordance with the regulations is followed.

6 SUMMARY

The literature reviewed has shown that accounting innovations can be studied within the framework of sociological institutionalism, which underlines the multi-disciplinary nature of the topic. Branches of institutional isomorphism can be observed in how accounting practices spread. Normative isomorphism has proved to be the weakest and coercive the strongest of them. The research has also pointed out that – although public management and public sector are inseparable – their renewal must be examined within different frameworks. Reforms of public management can be studied easier within the framework of historical-economic institutionalism.

The renewal of public administration is independent of public management inasmuch as accrual accounting is not specific to one or another trend, it is more the consequence of a need to comply with the requirements of modern states. In spite of that, the part played by normative isomorphism is negligible, in other words, although it can be considered a good practice, which meets social expectations, it would not be applied unless coercive isomorphism appeared.

There are several factors to be mentioned as limitations to study isomorphism. Although the definition of isomorphism is uniform in the relevant literature, measuring its branches and their measurability is far from it. Different researchers studied the phenomena using diverse methods and set of indicators, so the findings cannot be directly compared. In addition, different countries have different social and ethical norms, also their regulatory precedents also differ. Thus, the authors of this paper disagree with the opinion of Stefanescu(2022), who believes the countries should be studied jointly and not separated from each other. Further differences may arise because the disclosure practice of individual organisations in the samples also differs. Therefore, the diversity of the samples is another obstacle regarding the comparability of research findings.

With respect to individual isomorphisms, the authors are of the opinion it is difficult to differentiate the impact of normative and coercive isomorphisms if you study phenomena where ethical norms or trade best practices have already been part of the legislative environment.

Further, it has been found that normative isomorphism appears first as accounting innovation both in the public and corporate sector followed by mimetic and finally by coercive isomorphism. Based on the summary of the relevant literature, the authors believe the two areas can be studied within the same framework.

The topic should be researched further by providing empirical evidence. On the one hand, groups engaged in different practices should be studied, on the other hand, their assimilation should be discussed. In addition, the reasons for assimilation should be revealed and explained, which could lead to better knowledge about the nature of accounting innovations serving as useful guidance for stakeholders.

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