

The Institutional Work of IFRS Adoption in Telco Company: Transformation from US GAAP to IFRS

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Abstract

The literature on the IFRS adoption process to date has mainly focused on the macro level. This paper draws on an in-depth longitudinal analysis of the Indonesian company PT Telekomunikasi Indonesia Tbk to understand the role of institutional work in the transformation of organization from US GAAP to IFRS. The paper examines the work of actors to disrupt, create, and maintain the institution during the transition to IFRS. The study has revealed that the IFRS adoption at the company is beyond a shallow compliance of financial reporting standards but has significant impact on the company's transformation as a whole. The IFRS adoption has transformed the business process and the organization culture. The study has also revealed that there are different types of institutional works during the four stages of institutional transformation of the company: Stability, Conflict, Change and Implementation. The tone of the top management board in the organization is crucial to the key actors to stay committed to the long transformation process. This paper contributes to the literature of the IFRS adoption process by providing a framework of the IFRS adoption at the micro level. The case study may assist other companies in their real transformation through embracing the IFRS.

Keywords: *Institutional work, IFRS, transformation of organization, Telco, US GAAP*

Abstrak

Literatur tentang proses adopsi IFRS sampai saat ini terutama berfokus pada tingkat makro. Makalah ini mengacu pada analisis longitudinal mendalam dari perusahaan Indonesia PT Telekomunikasi Indonesia Tbk untuk memahami peran kerja institusional dalam transformasi organisasi dari US GAAP ke IFRS. Makalah ini mengkaji pekerjaan para aktor untuk mengganggu, menciptakan, dan memelihara institusi selama transisi ke IFRS. Studi tersebut telah mengungkapkan bahwa adopsi IFRS di perusahaan berada di luar kepatuhan standar pelaporan keuangan yang dangkal tetapi memiliki dampak signifikan pada transformasi perusahaan secara keseluruhan. Adopsi IFRS telah mengubah proses bisnis dan budaya organisasi. Studi ini juga mengungkapkan bahwa ada berbagai jenis pekerjaan institusional selama empat tahap transformasi institusional perusahaan: Stabilitas, Konflik, Perubahan dan Implementasi. Nada dewan manajemen puncak dalam organisasi sangat penting bagi para aktor kunci untuk tetap berkomitmen pada proses transformasi yang panjang. Makalah ini berkontribusi pada literatur proses adopsi IFRS dengan menyediakan kerangka kerja adopsi IFRS di tingkat mikro. Studi kasus dapat membantu perusahaan lain dalam transformasi nyata mereka dengan merangkul IFRS.

Kata Kunci: *Pekerjaan institusional, IFRS, transformasi organisasi, Telco, US GAAP*

1. INTRODUCTION

The harmonization of accounting standards has become an important issue and has become the focus of attention of the academics, researchers, and practitioners in accounting in response to the more globalised economy over the last twenty years. The need of harmonization of financial statements has become a necessity (Abongwa, 2005). The ideals of a common accounting language are then issued in the form of an International Financial Reporting Standard (IFRS).

The IFRS has proven to provide encouragement for many countries in the world to participate in adopting it, country such as Indonesia. As the only country in Southeast Asia that is a member of G20, Indonesia is bound to implement the IFRS as an agreement signed by the G20 member countries which committed them to the IFRS convergence program of the national standard of each country (Wahyuni, 2011).

The IFRS adoption in Indonesia is conducted by the IAI (*the Institute of Indonesia Chartered Accountants*) through the Financial Accounting Standards Board (FASB). The FASB gradually performs the convergence process to the Statement of Financial Accounting Standards (SFAS) starting from 2012 to accommodate Indonesian accounting standards that adopt the IFRS.

As an accounting standard, the IFRS is recognized for its reliability, relevance, his good appeal, his capability of accommodating the materiality needed for decision making, and demands high transparency and accountability, as well as more extensive information disclosure. Not only at the state level, the IFRS affects many companies in the world in the process of adopting it as the accounting standard in elaborating their financial statement (Adji and Basuki, 2012; Lee et al, 2008).

In Indonesia, the implementation of the IFRS by companies as the accounting standard in issuing their financial reporting initially received a lot of resistance due to the process of the change they have to go through, besides the fact that it is costly, plus the change of the thinking paradigm of accountant in a company, and also the impact on the financial statements of companies. For example, the implementation of the SFAS 50/55 on the IFRS-based financial instruments has been issued in 2008 to be implemented effectively as of January 1, 2009. However, with the enormous pressure from the financial industry that had declared its unpreparedness, the implementation of the SFAS was suspended to be effective again later as of January 1, 2010 (Wahyuni, 2009).

During the same period, the Indonesian company PT Telekomunikasi Indonesia Tbk. (PT Telkom) made a breakthrough by deciding to fully adopt the IFRS and had targeted its implementation one year earlier than what the IAI has determined, which was in 2011. This makes the company PT Telkom to be considered as a role model in the implementation of the IFRS in Indonesia, especially regarding the SOE (state-owned enterprise, the Indonesian so called BUMN) companies. Moreover, its IFRS implementation is conducted at the transaction level, not by conducting group adjustment in the financial statement or by an IFRS conciliation method with the Indonesian standards in the financial statements (Adji and Basuki, 2012).

This IFRS adoption was conducted by PT Telkom as a consequence of being an open public company listed on the stock exchange. PT Telkom's shares are traded not only in the Indonesia Stock Exchange, but also in the New York Stock Exchange and this requires PT Telkom to follow the rules applicable in the capital market, including regulatory changes regulated by the supervisor

of the capital market. One of the regulatory changes was the rule issued by the US-SEC, as the US stock market regulatory body, in 2007. This regulation allows foreign private issuers, including PT Telkom, to submit IFRS-based financial statements without having to reconcile them with the US-GAAP, formerly the only US-SEC guidelines (Arryman et al, 2012).

The adoption process of the IFRS by PT Telkom brought numerous changes in the company since 2007, to reach the peak point in 2011, and still last until today (Arryman et al, 2012). The process of change needs commitment and long preparation due to the fact that the adoption process is carried out from the transactional level, so it has impact on the accounting and reporting system and process, the business and the human resources (Adji and Basuki, 2012). Upon this major change, PT Telkom expected to undergo institutional changes.

In addition, studies reviewing the adoption process of the IFRS in a country level are not comparable with studies at an organization level. Given this research gap, the opportunity to conduct research related to the IFRS adoption in an organization is still wide open. Therefore, researchers had nurtured the interest of studying the institutional change that occurs due to the adoption of the IFRS in a company.

2. LITERATURE REVIEW

Institutional approaches to organization studies focus attention on the relationships among organizations and the fields in which they operate, highlighting in particular the role of rational formal structures in enabling and constraining organizational behavior. Although the traditional emphasis of institutional approaches to organization studies has been on the explanation of organizational similarity based on institutional conditions (DiMaggio and Powell, 1983) or how an entity response to the institutional external forces (Oliver, 1991) but in its development since the 1990s, there has been a renewed emphasis in institutional studies of understanding the role of actors or the institutional entrepreneurs in changing institutions (Battilana, 2006; Battilana et al., 2009; Garud et al., 2007). The development of institutional theory focus moved to how actors change the institutions both at the institution level (Symon, 2008) or field level (Zietsma and Lawrence, 2010). Institutional work of the actors in influencing, changing, and maintaining an institution is shaped by Lawrence and Suddaby (2006) and has been proliferated in the field of institutional research).

This case study utilised the institutional work as the framework to understand how actors adopt IFRS in the Telco company. Institutional work is a useful framework as this particular telco company decided to adopt IFRS very early compared to other listed companies in Indonesia. Although the IFRS based reporting is produced for the reporting to the US SEC and not to Indonesian regulators, nevertheless the challenges to adopt full IFRS is arguably considering the accounting profession in Indonesia is still learning about IFRS when the company decided.

Institutional work is an action which is performed by an individual or organization that aims to create, maintain, and disrupt an institution through certain actions. From that definition, it can be concluded that there are three main categories of institutional work, that is, creating, maintaining, and disrupting institutions. These three categories simultaneously explain the life

cycle of institutional work which is in line with the life cycle of an institution (Lawrence dan Suddaby, 2006).

Creating work is an action that causes a creation of a new institution which is performed by actors. The practice of creating institutions itself, reflects the main activity categories, as shown in Table 1 (Lawrence and Suddaby, 2006).

Table 1. Creating Work

Forms of Institutional Work	Definition
Advocacy	The mobilization of political and regulatory support through direct and deliberate techniques of social suasion
Defining	The construction of rule systems that confer status or identity, define boundaries of membership or create status hierarchies within a field
Vesting	The creation of rule structures that confer property rights
Constructing Identities	Defining the relationship between an actor and the field in which that actor operates
Changing Normative Associations	Re-making the connections between sets of practices and the moral and cultural foundations for those practices
Constructing Normative Networks	Constructing of interorganizational connections through which practices become normatively sanctioned and which form the relevant peer group with respect to compliance, monitoring and evaluation
Mimicry	Associating new practices with existing sets of taken-for-granted practices, technologies and rules in order to ease adoption
Theorizing	The development and specification of abstract categories and the elaboration of chains of cause and effect
Educating	The educating of actors in skills and knowledge necessary to support the new institution

Source: Lawrence and Suddaby 2006.

Maintaining work is an action performed by actors to sustain an institution. The practice of maintaining institutions, reflects the main activity categories, as shown in Table 2 (Lawrence and Suddaby, 2006).

Table 2. Maintaining Work

Forms of Institutional Work	Definition
Enabling work	The creation of rules that facilitate, supplement and support institutions, such as the creation of authorizing agents or diverting resources
Policing	Ensuring compliance through enforcement, auditing and monitoring
Deterring	Establishing coercive barriers to institutional change
Valorising and demonizing	Providing for public consumption positive and negative examples that illustrates the normative foundations of an institution
Mythologizing	Preserving the normative underpinnings of an institution by creating and sustaining myths regarding its history
Embedding and routinizing	Actively infusing the normative foundations of an institution into the participants' day to day routines and organizational practices

Source: Lawrence and Suddaby 2006.

Disrupting work is an action aimed at disrupting the institution, including the act of attacking or destroying mechanisms aimed at directing members to comply with the institution. The practice of disrupting institutions, reflects the main activity categories, as shown in Table 3 (Lawrence and Suddaby, 2006).

Table 3. Disrupting Work

Forms of Institutional Work	Definition
Disconnecting sanctions	Working through state apparatus to disconnect rewards and sanctions from some set of practices, technologies or rules
Disassociating moral foundations	Disassociating the practice, rule or technology from its moral foundation as appropriate within a specific cultural context
Undermining assumptions and beliefs	Decreasing the perceived risks of innovation and differentiation by undermining core assumptions and beliefs

Source: Lawrence and Suddaby 2006.

3. RESEARCH METHOD

We used a qualitative research method with a case study approach. The case study was conducted at the company PT Telekomunikasi Indonesia Tbk (PT Telkom) in a period range of 2008 to 2017. During that period, PT Telkom experienced organizational transformation due to the IFRS adoption. 2007 was the first phase, namely the institutional stability. During this phase, the company was using US-GAAP as the accounting standard. 2008 to 2009 was the second phase, namely institutional conflict. In this phase, an initial assessment of the impact of the IFRS adoption was conducted as a response to the regulations issued by US-SEC. A lot of resistance were also occurred during this phase, pros and cons came from various parties in the internal company on the IFRS adoption plan to be conducted, until finally a decision was taken stipulating that PT Telkom will adopt the IFRS in 2011 with the approach of transaction-based adoption. In 2010, after it was decided that PT Telkom will adopt the IFRS with transaction-based approach, a planning process was conducted related to the change in management to be performed. In 2011, when PT Telkom has adopted the IFRS, implementation period began and operational problems occurred due to the implementation of the IFRS in the company.

We used primary and secondary data. Primary data were obtained from the interview process and observation. Secondary data was obtained from library research. We conducted a semi-structured interview of seven managers involved in the IFRS adoption process in PT Telkom. Interviewees were divided based on the involvement phase in the IFRS adoption process in PT Telkom. The Interviews provided and insider's perspective and also motivation, however, on the other hand they were also the subject of bias information. Therefore, we compared the organizational documents at the time of the switching process.

Our data analysis was conducted through the following steps: 1) Organize and prepare the data for analysis: At this stage, the researchers had built a timeline of the IFRS adoption process in PT Telkom, had collected the data obtained from the results of interviews, had performed observations of various secondary data from the company's documents, from books, as well as the internet. Had copied the results of interviews, had scanned the material, typed the field notes, had categorized all visual materials, as well as sorted and had organized the data into different types depending on the source of information obtained; 2) Read or look at all the data: At this stage, the researchers had reflected the overall meaning of information, had collected notes on the interviews transcripts or field notes to start concluding regarding the main idea of the data obtained; 3) Start coding all the data: At this stage the researchers had grouped the information obtained (interviews transcripts, field notes, or images) and had written titles representing categories; 4) Generate description and themes: At this stage the researchers had described detailed information on workers, places or events, then used the coding to determine the theme to be analysed; 5) Interrelating themes/description: At this stage, the researchers had connected the themes and descriptions using narratives, tables and images to convey the findings of the analysis; 6) Interpreting the meaning of themes/description: At this last stage, the researchers had interpreted the analysis results in the form of narrative and had compared them with theories.

4. RESULTS AND DISCUSSION

Phase 1: Institutional Stability

At the beginning of this research, the financial reporting process in PT Telkom was in a stable phase. PT Telkom was consistently applying US-GAAP as the financial accounting standard. Institutional stability was still noticed in 2008 and before. However, by the end of 2007 the “International Series Document No. 1306, File No. S7-13-07 “Acceptance from Foreign Private Issuers of Financial Statements Prepared in Accordance with International Financial Reporting Standards without reconciliation into US-GAAP” was issued by US-SEC which provides freedom for foreign companies listed on the US stock exchange to issue the IFRS-based financial statement without the need to reconcile into the US-GAAP. This event became the initial motivation for PT Telkom to adopt the IFRS.

Phase 2: Institutional Conflict

In 2009, the initial assessment phase of the impact of the IFRS adoption in PT Telkom began. Initially, there was resistance arising from the internal company. The resistance occurred due to several reasons, namely: first, the tendency to delay the changes because they feel they still have plenty of time to make changes. Second, some argued that this does not provide benefits and therefore reluctant to change. Third, adopting the IFRS means learning new accounting standards, some employees fear that their control over the new standards will not be as good as their master over old standards. Fourth, reluctance or resistance to change can also be caused by concern that the changes will change they role within the organization. Fifth, doubts on the ability of the initiator of change or even dislike can reduce the acceptance of a person to change initiatives. Sixth, often what the employees imagine on change is different from what leaders think of change. Seventh, not everyone is ready or dare to enter a new territory or learn something new.

The leadership support played an important role in reducing employee resistance, eliminating employee concerns and hesitancy in facing major change, so that hesitant employees are now actively involved in the program. To eliminate this resistance, many things were conducted. Management commitment as well as various socialization programs in the end bring along all employees of PT Telkom which initially were reductants to finally support the IFRS adoption process. It was finally established that PT Telkom will fully adopt the IFRS with a transaction-based approach and the adoption would start in 2011, one year earlier than the IFRS-based SFAS implementation in Indonesia.

Phase 3: Institutional Change

April 2010 marked the beginning of the IFRS adoption program through the Kick-Off IFRS Implementation of PT Telkom Group in 2011 in an Kick Off event “Transforming the Finance Environment through the IFRS Adoption” that took place in Bandung in the presence of the President Director of PT Telkom, Mr. Rinaldi Firmansyah, the Director of Finance, Mr. Sudiro Asno, the Director of Information Technology & Supply Mr. Indra Utoyo, the Director of

Compliance & Risk Management Mr. Prasetyo, the senior leaders, and the Director of Finance of the company's subsidiaries, had shown how serious was the commitment of the top management of the company and his subsidiaries to the IFRS adoption program.

The top management supports in the IFRS adoption process is instrumental in helping to manage the resources, influencing other parties, and directing the course of change. The initial process of change began with the establishment of the IFRS adoption task force and roadmap of PT Telkom IFRS adoption. The IFRS Task Force organization is responsible for the effectivity as well as coordination of the implementation tasks of mediation, assistance, standardization of implementation, accompanying measures and monitoring for all adoption activity of global finance statement IFRS based, so that the implementation of the IFRS in PT Telkom would be fully launched in 2011 and the achievement of clean opinion from auditors on the IFRS based financial reporting of PT Telkom in 2012. To perform such responsibilities, the IFRS task force has the following main duties: a) preparing the concept of IFRS adoption into SFAS and the implementation guidelines of the IFRS, b) preparing the implementation plan and roadmap of SFAS implementation to be prepared for full adoption starting in 2011, c) the implementation of assistance activity for the preparation and adoption process of the IFRS to the functional unit directly related to the IFRS implementation, d) the implementation of advisory role for the Director of Finance through the VP of Financial Logistic Policy for the development of the IFRS implementation, e) monitoring the implementation stages and the problem solving unit for the implementation of the IFRS, as well as escorting the transfer of its management to the related functional unit, and f) the provision of IFRS implementation help unit.

This roadmap of the IFRS adoption by PT Telkom was arranged in such a way that a complete change in the management guidelines would be conducted in PT Telkom. To achieve this goal of change, the company created a transformation roadmap that was divided into four phases, namely assessment, design, implementation, and sustain. The initial assessment on the accounting differences serves as a foundation to assess other areas, including their impact on the system, process, and human resource. Such thorough assessment would help to reduce the workload to the level that is really needed. The management view that there are three variables that must be controlled in this adoption project, namely schedule, quality, and cost.

Table 4. Adoption Roadmap of the IFRS In PT Telkom

Years	Phases	Activities
2010	Assessment	<ul style="list-style-type: none"> ● Assessment of business processes and IT in PT Telkom ● Assessment of <i>accounting gap</i> and <i>practical gap</i> ● Define and select the IFRS options for the first implementation of the IFRS ● Assessment of IT and business processes that affected by the IFRS implementation. ● Mock-up creation of the IFRS financial statements (March 31, 2010)

Years	Phases	Activities
	Design	<ul style="list-style-type: none"> ● Framework and detail creation of Chart of Account (“COA”) ● BRDs creation for affected IT application ● Mock-up creation of the IFRS financial statements (June 30, 2010) ● Creation of research unit regarding IFRS for key accounting topics ● Creation of an IFRS group reporting package ● Preparation of recognition and measurement process for transitional transactions
	Implementation	<ul style="list-style-type: none"> ● Accounting and Reporting: <ul style="list-style-type: none"> – guidelines creation for <i>group reporting package</i> – preparation of the IFRS based financial statements, the IFRS accounting policy, and blank IFRS financial template ● Data and Technology: <ul style="list-style-type: none"> – defines technical specification – build and modify new IT application – test the affected system – migrating relevant data – Go live system ● Process and Control: <ul style="list-style-type: none"> – updating and customizing SOA & SOP business processes – redesigning the relevant controls – reviewing the division of tasks in ERP ● Management of Change: <ul style="list-style-type: none"> – socializing and training on accounting and reporting of data and technology, as well as processes and controls ● Overall Project Monitoring <ul style="list-style-type: none"> – monitoring progress of the IFRS implementation and identify and mitigate risks
2012	Sustain	<ul style="list-style-type: none"> ● Create and operate the IFRS implementation support systems ● Identify, prioritize and resolve issues that arise in business processes, controls, and IT applications ● Manage IT application retest and activation of business process changes ● Checking the process and quality of data ● Make a list of activities and roadmaps to make improvements ● Compile the transition process from sustain phase to the daily business phase

Source: Annual Report of PT Telkom (2011)

Phase 4: Implementation

Starting from 2011 onwards was the implementation phase of the IFRS in PT Telkom.

During that period the IFRS had been consistently implemented. It is in this phase that the stabilization of new processes, new procedures, and the new systems took place. The main activity in this phase was to monitor compliance or in other words reviewed the accounting transactions to ensure that transactions are properly booked and monitor the compliance with the new reporting standards.

A continuous improvement program was the next focus. Among the activities during this phase were the implementation of the transfer of knowledge to the accountants within the company as well as end users of the company's reports, to review the status, productivity, and issues to identify areas of improvement as well as implement changes to improve the reporting process. This phase is an important phase for maintaining corporate compliance in the issuance of financial reports.

In addition, as a result of the adoption of the IFRS transaction-based, many burdens arose and resulted in difficulties in the implementation of transactions at the operational level. In general, the difficulties that arose at this operational level came from the revenue process. The ongoing difficulties that have never been solved, ultimately subject of findings by external auditors for several consecutive years from 2011 to 2016. These audit findings were related to the implementation of the IAS 18 regarding the selection of the revenue recording point of view, from the Agent or Principle side and revenue records for multiple element arrangement (MEA) type of transactions. Our research results have shown that there is a change in management and a lack of key actors involved in the process of adoption of the IFRS during the implementation phase, resulting in the commitment to the IFRS implementation fading away.

Institutional Work in the Transformation of the Organization

The institutional changes that took place in PT Telkom as a result of the adoption of the IFRS transaction-based have a huge influence as they have impact on all aspects of the organization, starting from the human resource, business process, accounting standards, culture, and also the technology system. The impact was so important that the process of adoption of the IFRS transaction-based in PT Telkom can be said to have led to the transformation of the organisation.

Disrupting Work in the organizational transformation of PT Telkom took place during the institutional conflict phase. Disrupting work in PT Telkom is the third form of institutional work, namely undermining assumptions and beliefs. In other words, PT Telkom's management directly undermines the core assumptions and beliefs of all employees in the organization to participate in a major shift from being originally oriented to the rule-based US-GAAP accounting standards to the IFRS principle-based, and support the management program in the IFRS adoption. The management board of PT Telkom also conveys the benefits that will be felt by the company in the future if it adopts the IFRS, doing so all employees were eager to learn and face changes.

Disrupting work was performed by giving tone of the top, as evidence of management support in the IFRS adoption program. The management board support was formally upheld in the form of Kick-Off IFRS Implementation of PT Telkom Group 2011 in a event held in Bandung

in April 2010. During that event themed “Transforming the Finance Environment through the IFRS Adoption”, the presence of the President Director of PT Telkom, Mr. Rinaldi Firmansyah, the Chief Financial Officer Mr. Sudiro Asno, the Director of Information Technology & Supply Mr. Indra Utoyo, the Director of Compliance & Risk Management Mr. Prasetio, the senior leaders, and the Director of Finance of the subsidiaries has shown how serious was the commitment of the top management of the company and his subsidiaries to the IFRS adoption program.

Tone of the top is an important component for changing the culture of the company. In the COSO 2013 Internal Control Framework, tone of the top was a key component in establishing an environment control. In other words, the corporate culture was reflected in its leadership culture. Like a child who imitates his parents, so does with employees who imitate his leadership.

Management's board commitment in supporting the IFRS adoption helps in eliminating the obstacles and resistance that arise, and turned them into a supporting hand for the various units of the company. Creating Work in the organizational transformation of PT Telkom took place during the institutional change phase. Creating work in PT Telkom is the third form of institutional work, namely mimicry, theorizing, and educating as it is done by connecting new practices with the existing practices, technologies and rules to facilitate adoption, forming new concepts and practices for members of the organization to engage and become part of the new program, as well as educate agents of change, in this case the IFRS Task Force in terms of skills and knowledge needed to support the adoption of the IFRS in PT Telkom.

Creating work was evidenced by the establishment of the IFRS Task Force Team in PT Telkom which is a dedicated work team to monitor the IFRS adoption programs in PT Telkom that will be implemented according to its implementation targets, that was in 2011. This team represented then the agents of change in PT Telkom. Previously this team was equipped with various knowledge related to the IFRS through various training, workshop, and certification which then was used to disseminate to other related units in PT Telkom affected by the IFRS adoption.

Through this process, the task force team conducts preliminary assessments, assesses the differences between the US-GAAP and the IFRS accounting standards, evaluates their impact on the overall systems, the business processes and the overall organization and designs changes with benchmark support to overseas telecommunication industry companies to link new practices with the existing one.

The final output of the task force team includes the establishment of several IFRS technical position papers, the IFRS reporting package group, the IFRS manual accounting, IFRS post-adoption business process, a practical guide on operations in implementing the IFRS.

Maintaining work in the organizational transformation of PT Telkom took place during the implementation phase. The maintaining work that occurred in PT Telkom on the adoption process of the IFRS are the first three forms of institutional work, namely enabling, policing, and deterring. This is due to the fact that, in the sustain phase, as mentioned earlier, the primary focus was on maintaining compliance with financial reporting. The measure conducted to maintain

compliance was by running continuous supervision, making accounting policy as well as operational execution guidance, and also business process which has been validated by the management board, so that is binding and must be obeyed by all employees. The Unit Financial Logistic Policy is the unit responsible for issuing financial policies and operational guidelines that bridge accounting and operations. Every policy issued is mandatory to be obeyed by all business units in PT Telkom.

In addition, maintaining work is performed by auditing the implementation of business processes conducted annually by the Internal Audit unit and reported to the management board in the form of Management Assessment Report. In addition, related to the implementation of the IFRS-based accounting standards and the IFRS-based SFAS are also reviewed by external auditors annually in Accounting Issues discussion sessions. Units that receive red cards from external and internal audit results will be subject to different sanctions, depending on the type of findings. The President Director and the Audit Committee monitor the company's ongoing operational process through input from the auditors.

Table 5. Sample of Qualitative Evidence

Sample of Qualitative Evidence	
Phase 2. Institutional Conflict	
2.1	"...So far, we always communicate with the audit committee, we always pay attention to every rule set by PCAOB (Public Company Accounting Oversight Board) and SEC (Securities and Exchange Commission). It began in 2009, when we started preparing for the IFRS adoption. At just the beginning of 2010 PT Telkom took the initiative to prepare the adoption of the IFRS. This is an opportunity for PT Telkom because, firstly, PT Telkom is the only company in Indonesia that issued shares on NYSE (New York Stock Exchange), secondly, PT Telkom always makes reconciliation with the US GAAP, whereas in the future accounting standard will only lead to one accounting standard and globally directed to the IFRS..."(interview of, Mr. Wisnu Adji, Head of PT Telkom's IFRS Implementation Team)
2.2	"...At that time, the US SEC provided the opportunity that if PT Telkom adopt fully the IFRS, the company would only have to provide one document, not to make any reconciliation again..."(interview of, Mr. Wisnu Adji, Head of PT Telkom's IFRS Implementation Team).
2.3	"...A that time PT Telkom's Chief Financial Officer had an accounting education background, therefore he was very supportive. Maybe if his background was not accounting, he wouldn't be as supportive as he was. In addition, the chief of audit committee has educational background up to PhD in economics so strongly supports the adoption of the IFRS...because management from commissioner level and others have been really supportive, it was really the right time to perform the convergence..." (interview of, Mr. Wisnu Adji, Head of PT Telkom's IFRS Implementation Team).

- 2.4 "...One thing must be understood, PT Telkom is the only state-owned entity (SOE) that issued shares on the NYSE. PT Telkom will be a benchmark for other SOEs in terms of financial reporting. So, we assure to all the parties that the implementation of the IFRS will be very supportive for the business. We socialized all business units that the IFRS adoption will not interfere with business, instead it will build the business. At that time there were benchmarks in some telco industries globally regarding the nature of influence before and after the adoption of the IFRS. The biggest element affected was on the income side, and they can be accounted which will increase the confidence of investors and stakeholders. At that time, we highlighted the results that will be obtained if we adopt or if we do not adopt the IFRS..." (Interview of, Mr. Wisnu Adji, Head of PT Telkom's IFRS Implementation Team).
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- 2.5 These impediments aroused from some reasons: first, the tendency to postpone changes because it felt like there was still plenty of time to make changes. Second, some argued that this does not provide benefits and is therefore reluctant to change. Third, adopting the IFRS means learning new accounting standards, employees may fear that mastering new standards will not be as good as their control over the old standards. Fourth, reluctance or resistance to change can also be caused by concerns that the changes will redesign their role within the organization. Fifth, doubts about the ability of the initiator of changes, or even disliking those initiators, can reduce a person's acceptance of change initiatives. Sixth, often what employees imagine change is different from what leaders think about change. Seventh, not everyone is ready or dare to enter a new territory or know something new. Top leadership support plays an important role in reducing employee resistance, eliminating employee concerns and hesitancy in the face of a major change, so that hesitant employees are now actively involved in the program (Leading Through Transformation, Adji and Basuki, 2012)

Phase 3. Institutional Change

- 3.1 "...the final decision about the IFRS adoption was decided during director's meeting...I felt very supported by the management board. Therefore, I didn't face any obstacles in the IFRS adoption process...the management board from the commissioner level down to the bottom level were very supportive. It was the very right moment for the convergence..."(interview of, Mr. Wisnu Adji, Head of PT Telkom's IFRS Implementation Team).
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- 3.2 "... When the IFRS adoption was decided, the IFRS implementation process was planned well enough at the beginning. For example, a gradual resource recruitment, PT Telkom strengthened its human resources by recruiting several experts. And the regeneration, especially in financial unit was quite good. The company also very supportive by sending some employees to get update and training related to this IFRS ..." (interview of, Mr. Wisnu Adji, Head of PT Telkom's IFRS Implementation Team).
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- The adoption of the IFRS by PT Telkom brought a big change in the company. This can be seen from the process of change that takes a long time, that is since 2007, reaching a peak in 2011, and still lasts until now. The process of change also requires a long commitment and preparation. This is because the adoption
- 3.3 process is carried out from the transactional level, affecting accounting and reporting components, systems and processes, business, and human resources (Breaking down Tangled Threads, Knitting the Future: Transforming PT Telkom's Financial Report Management Following up the Sarbanes-Oxley Act, Arryman et al, 2012)
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- "... The initial stage was to identify firstly from the existing standards related to telco industry, the second stage was to benchmark the financial statements of similar companies that have implemented the IFRS, for example British Telecom company, a company from the UK that fully adopted the IFRS ... Once we knew the differences, then we did a qualitative assessment by comparing the standards, to pen down the differences manually, in order to see the big picture Next, we did a quantitative assessment by questioning the numbers, where we saw the effect of applying this standard on transactions"(interview of, Mrs. Marisi Purba, Manager of PT Telkom IFRS Implementation Team)
- 3.4
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Phase 4. Implementation

- "... The main factors in adopting the IFRS that were less successful can be categorized into two parts. First, it is related to the process flow. At the beginning when the adoption of the IFRS was decided, the establishment of agent/principle was done by the inputter in a business unit. What we found out was that a lot of transaction evidence was not complete when the user was to determine the agent/ principle. Contracts between PT Telkom with some customers and suppliers were still not obtained. Users still do not get enough information. Second, the user's competence was still not sufficient regarding the classification. Assessment of agent/principle was quite complex. Basically, in the classification of agent/principle, there are 7 parameters that must be assessed. Users in front of the Account Manager, are employees who usually handle sales, offer solutions, and not given understanding of the 7 parameters in the assessment of agent/principle so the results were not accurate"(interview of, Mr. Jarot Widyatmoko, PT Telkom AVP ICOFR Audit)
- 4.1
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- "... There are some aspects that cause the convergence to not work properly. First, planning should be reviewed periodically. Whether the implementation is in accordance with the planning or not. If from the review, a problem is found, spontaneous action should be performed directly. If the problem is due to competence issues, training should be performed. If the problem is visible on the system, an adjustment of the system should be made. The monitoring and review process are inadequate for problems solving. This should give us a lesson. We should not make adjustments only once and stay confident that it will one hundred percent works successfully Another lesson learnt is that, regarding the related units (financial units mostly), with the adoption of the IFRS they gain IFRS knowledge. However, this knowledge should come down to the operational units. If this knowledge is not spread throughout all the units, it would not be good for the company, the fact that in one hand some understand but in the other hand other don't, was reflected in the results"(interview of, Mr. Jarot Widyatmoko, PT Telkom AVP ICOFR Audit).
- 4.2
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5. CONCLUSIONS

The findings of this research indicate that the IFRS adoption process analysed using institutional work theory is as follows: (1) disrupting work, performed by giving tone of the top, making management board commitment as a form of support to the IFRS adoption program, (2) creating work, performed by considering the impact of the adoption on rules, on technology, and the business processes, creating a change program, as well as training the agents of changes, (3) maintaining work, performed by providing ongoing monitoring, and issuing compulsory policies to be follow by all employees. The IFRS adoption has an impact on easing the process of financial reporting, but on the other hand it has a negative impact by providing operational difficulties. From these findings we can conclude that it's not easy to implement the IFRS transaction based in a company. Tone of the top management is an important aspect, a key factor allowing a company to continuously maintain consistency in an implementation process and provide solutions to problems that may arise as a result of changes that would occur within the company.

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