

THE STANDARDIZATION OF FINANCIAL REPORTING IN THE PROCESS OF CORPORATE GOVERNANCE

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ABSTRACT

IFRS have introduced a profound change in the accounting practices for the public firms' financial statements. However, the incidence of the IFRS is not limited to the only accountant field. IFRS also have an impact on the corporate governance process. First of all, through 15 conversations carried out with executive officers, directors, financial officer, accounting officers, it appears that the change in the accounting standards has been well documented to the directors, and specifically to the members of the audit committee, but that there has not been any fundamental change in the reporting system to the board of directors. Two remarks can be done: the accounting information left its sphere to engage itself with the operators and the local executives; and the IFRS, together with the process of unification of the information systems, tend to provide a single, formalized and controlled information to all the stakeholders of the firm, which, in the long term, could lead to a better control of the top executives.

KEY WORDS : IFRS, corporate governance, reporting, board of directors, audit committee.

On September 29, 2003, the European Commission adopted the International Financial Reporting Standards (IFRS) and imposed their application as from January 1 2005 for the public firms establishing consolidated financial statements. The main objective was the harmonization, at the international level, of the standards of presentation of the consolidated financial statements.

In this article, we are not interested in the macro-economic stakes or macro-policies of these accounting standards (Capron 2005) but in their impact on the firms and in particular on their corporate governance. We do not seek either to look further into the incidence of these standards on the presentation of the main account balances, such as the modification of the stockholders' equity or the variations on the sales turnover. In this article, we try to highlight the stakes of the setting of the international financial reporting standards on the process of corporate governance. Our question of research is thus: **did the adoption of IFRS have an impact on the process of corporate governance of public firms?**

Two theoretical answers are possible to this question. According to the first, IFRS are conventions (Amblard, 2004) and, if everybody knows about these conventions, the evolution of the lawful framework does not change the process of corporate governance. Accounting information appears then as the raw material that it is advisable to reprocess to have an exploitable vision by the shareholders and thus to reduce the asymmetry of information between them and the top executives, or between the top executives and the other stakeholders (Missonier-Piera, 2005). The role of the financial analysts is then essential since, by the work of reprocessing the accounting and financial information, they make information more accessible for the investors. If the change of standards modifies the reprocessings to be operated, the principal impact remains limited to the level of the financial analysts, or to the investors having the capacity to analyze this information.

According to the second answer (that we privilege within the framework of this article), IFRS are not only one corpus of technical standards providing the reference frame necessary to the recording of the transactions. They are also the reflection of a philosophy. The IFRS convey a certain number of values (Chantiri, 2000) which are suitable to affect the process of corporate governance. The debate around the fair value (Colasse and Casta, 2001) highlighted that behind standards technical choices (that to simplify we can present under the alternative: fair value versus historical costs), there were fundamental questions about the role of financial and accounting information and the philosophy of the society which is conveyed through it.

Our article will arise in the following way. In a first part, we will endeavour to show the theoretical stakes of countable information in the process of corporate governance. In a second part, we will seek to evaluate the current impact of the passage to IFRS on the process of governance. We will present our working hypotheses and our methodology of empirical study. This one rests on interviews carried out, starting from an opened questionnaire, with top executives or financial executive directors of public firms. Lastly, we will analyze the results obtained and will confront them with our theoretical vision.

1 The accounting information in the corporate governance process

In 1999, the headtitle of a French economic newspaper was: "the six days which made fall Alcatel" and the article was: "the investors estimate that the French

firm hid the truth, voluntarily or not". In 2001, Enron was put in bankruptcy following the revelation of countable embezzlements intended to make the financial statements look better. In 2004, the market value of Alstom was almost brought to zero following the declarations of the new chairman contradicting the declarations of his predecessor on the resolution of the problems related to electric turbines.

The need for transparency appears more than ever as a necessity for the market stock exchange (Perotti and Von Thadden, 2003; Cartwright, 2004). The top executives must have systems of collection and of control of information and they must communicate it. For as much, do the leaders have all to communicate, and what are the theoretical bases with this requirement for transparency?

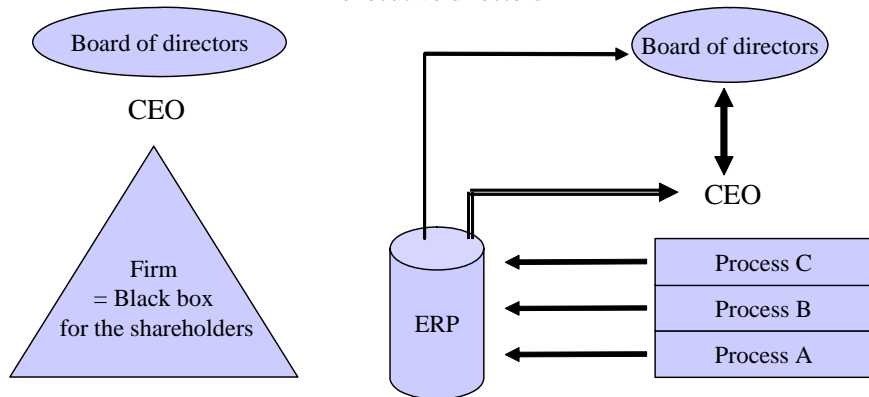
In fact, the question is double: why and how can one control information; and why and how to communicate this information? There are two different dimensions related to information. First is related to the capacity to control information. Second is related to the use, which one makes of this information. It seems to us that these two dimensions are seldom articulated whereas, however, it is this articulation, which makes really debate.

1.1 Information as an instrument of performance evaluation of the team work

« *The specialist who receives the residual rewards will be the monitor of the members of the team (i.e., will manage the use of cooperative inputs). (...) Managing or examining the ways to which inputs are used in team production is a method of metering the marginal productivity of individual inputs to the team's output.* » (Alchian et Demsetz, 1972, p.782). For these authors, the capacity to analyze the way in which the resources are used within the framework of a team production, constitutes the key of the measurement of the individual contributions to the aggregate output.

The theory of the agency, following Jensen and Meckling (1976), have taken again this approach, while not being interested in the problem of collection and data processing but, mainly, in the problem of the mechanisms of incentive applied on the one who is supposed to manage or control the whole of the company. Consequently, the majority of the studies (while starting with Fama, 1980) have been interested more in the resolution of the conflicts of interests between people (top executives on a side, shareholders of the other), than with the analysis of the control information systems of the firms and of their top executives (Figure 1). Thus, the simplified approach of the agency theory (left part of Figure 1) seldom took into account the possibility of access to strategic information by the non-executive directors (right part of Figure 1). The requirements of reinforcement of the internal control procedures imposed by Sarbanes Oxley Act (2002) can facilitate this direct access of the non-executive directors to the information on strategic processes.

Figure 1: Two different approaches of the information access for the non-executive directors



It thus seems to us that the problem of collection, treatment and standardization of information is, and remains, a major stake of operation and governance of the firms.

1.2 *The incentive policy of top executives as a back-up to an insufficient reporting of information*

A specificity of the top executives' functions is the difficulty of apprehending and of defining the tasks, which they must achieve. The tasks of a leader are by nature multiples and often unforeseeable since he must permanently answer various requests and bring answers to problems which he controls only imperfectly (Mintzberg, 1973). Consequently, how the shareholders can evaluate the relevance of the decisions taken by the top executive officers? How can they distinguish in the performance observed, which results from an evolution of the environment, from what results from the voluntary action of the top executives?¹ In the controlled firms, this difficulty of analyzing the functions of executive officers is partly solved by the installation of very developed functions of control (through the processes of reporting). The real problem thus arises for the companies known as managerial. Japan and Germany developed an original system of control of the leaders where large banks invest in these functions of

¹ The French Vinci case shows the difficulty of evaluating in a relevant way the real action of a top executive officer. Vinci's chairman Antoine Zacharias gave up, in January 2006, his operational functions while preserving his function of chairman of the board. But, having devoted some activity for the takeover of the ASF (Motorways of the South of France), he claimed to have right to a premium of several million euros in complement of its remuneration, already very consequent, and options on actions which he had already perceived. The debate, carried on the public place, concerned relevance of such premium since, as a shareholder (at least potential through the options, which he held), he profited indirectly from the presumed positive effects of this takeover. Finally, at the end of a board of directors animated at the end of May 2006, this controversy ended in the resignation of A. Zacharias and the complementary absence of premium.

control and, by the financing of the current activity and by a better knowledge of the risk of the company, remunerate themselves of the controlling costs (Aoki, 1995). The questioning of this model, following the banking movement of desintermediation and the economic crises that Japan and Germany crossed, reinforced the prevalence (at least academic) of the Anglo-Saxon model. Nevertheless, whether there is a main shareholder, or a financial institution, which fulfills this function of control, there is always the question of the information of the minority shareholders in the public firms (those that precisely are concerned with the IFRS).

This Anglo-Saxon model is characterized by the stress laid on the incentive aspects related to the managing of managerial firms. While simplifying, one can estimate that the model promoted by Jensen and Mecking (1976), and its continuation with the literature on the agency theory applied to corporate governance, aimed at restoring the basic model where the entrepreneur was at the same time the manager and the owner. The amount of the capital necessary to restore such a model being out of reach for the top executives of large managerial firms, one saw developing two alternate mechanisms:

- The distribution of options, which was supposed to align the interest of the managers on that of the shareholders. Even while not being completely owners, the top executives would have a quasi similar incentive to the one the full ownership would get to them. Nevertheless, bankruptcies or accounting embezzlements observed since 2001 tend to question this choice of systems only based on the incentives.

- The LBO ("Leveraged Buy Out") which, by the means of a holding company strongly involved in debt, aim at leaving completely or partially the company of the public market by conferring the ownership to the top executives possibly associated with venture capital funds (Jensen, 1986; Gensse and Topsacalian, 2004).

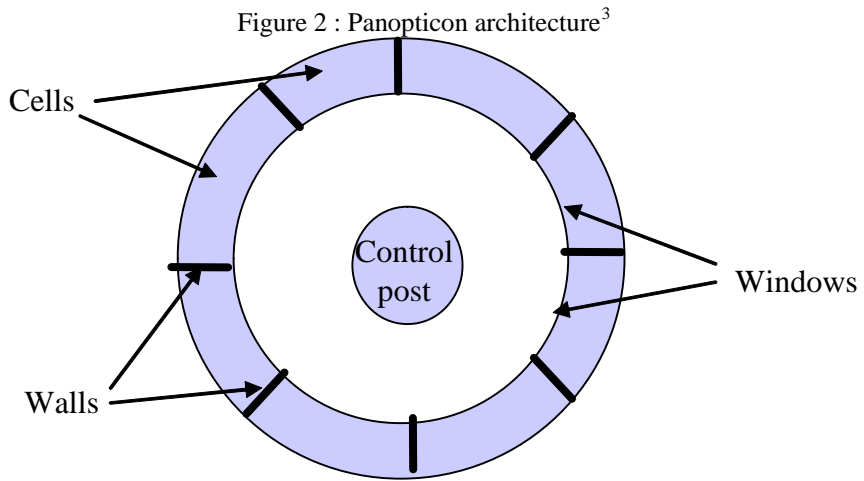
Behind our research is thus the question of knowing if accounting information can constitute an alternative, or at least a complement, to the installation of incentive mechanisms, to support the taking into account by the managers of the interests of their constituents, whether those are only the shareholders or that one extends this notion to the stakeholders.

1.3 Information as control and corporate governance process, the case of the panopticon

Historically, this swing of a process of control based primarily on the incentives (in fact negative incentives in the form of sanctions) towards a process where the control of the individuals was done by the system, was already observed at the end of the XVIIIe century (Foucault, 1975). Before this time, as regards reprehensible behaviors, the role of the punishment was to discourage all the possible candidates by the exemplarity of the punishment². However, the place of the individual in the society (Rousseau, "the social contract", 1762) underlined the need to have another kind of control of the individuals that would not be founded any more on the fear of an inhuman punishment.

² Foucault thus begins his work with the description of the torment of one condemned for regicide.

In its work submitted to the French national assembly in 1791, Bentham proposed an architectural approach (Figure 2) where one did not act any more (or less strongly) by the effect of the mechanisms of incentive or sanction (in fact they were rather punishments) but by a transparency of the behaviors. Its project, which presents many signs of relationship with constructions of the manufacture of the Royal Saltworks of Arc and Senan (in France), aimed at building a ring construction whose center should be occupied by a circular construction from where the controller could, at any moment, observe all the cells (or the workshops) located in the external ring.



The essential idea of Bentham is that, if the individuals are permanently controlled, the recourse to coercion will become less necessary since each one, acting under the glance of the controller, will have an incentive to act according to instructions, which are transmitted to him. To Bentham, nothing reprehensible could be made since such acts would be immediately observed and, being followed of a sanction, would dissuade whoever to start again.

Only the controller is not observed but, insofar as the behavior of the people of which he has the responsibility becomes foreseeable and, also, insofar as it is possible to make a kind of "benchmarking", i.e. to compare the respective performances of establishments having a similar activity, it is easy to deduce from it the quality of the control and of the controller.

This approach is different from the later developments of Alchian and Demsetz (1972). For these one, the problem of the teamwork is its inobservability and, if it is necessary indeed to install a controller to ensure the reality of the work of each one, the essential stake relates on the system of incentive of the controller

³ From the checkpoint one can see all that occurs inside the cells since they are walls letting pass the glance. On the other hand, the borders cannot observe themselves mutually. Only the checkpoint has a global and constant vision of the situation.

and not to the system of control. For Bentham it is the reverse, which is true. Observability is not related on the controller but to the system of control, in fact the building, which, by its design, allows the permanent control of each one.

To avoid deviating behaviors, Bentham estimated that the access to information by external people, the "controllers of the controllers", was essential. Thus, in the case of a prison, Bentham envisaged the existence of a body of inspectors charged to ensure of the compliance with the legal conditions of imprisonment. This control was made possible by the design of the information system. Insofar as the control of information is related to the architecture of the buildings, it was enough to be placed in the place of the usual controller to observe the prisoners and to make sure that those enjoyed decent conditions.

The process of collection of information thus allows, by itself, to ensure the control of the controller. So far, the system of incentive has no more vital importance but a marginal function: to make so that the controllers try to overperform⁴. The incentive can also relate to the renewal of their contract⁵.

1.4 The tools to collect, process and standardize information

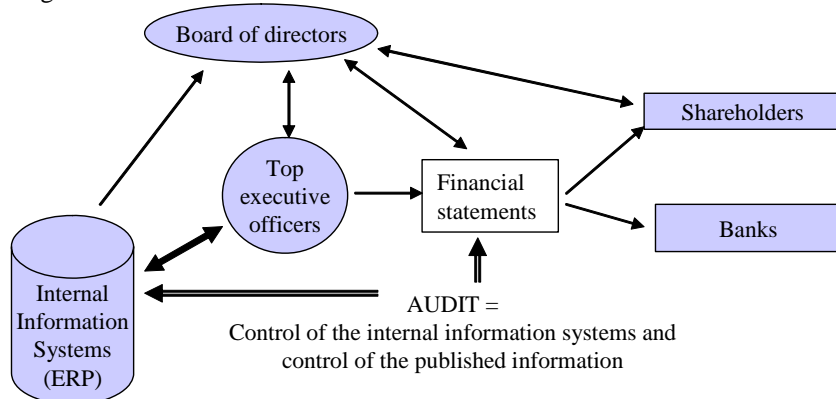
As a difference to the panopticon, the system of contemporary control does not rest any more on the buildings but on the data-processing infrastructure, the collection, the processing and the standardization of the data. The nexus of control is not any more in the physical presence in the center of the ring, but it is in the privileged access to information. This access thus is limited and filtered according to the level of authorization of the person who wishes to consult. Each one has access to the consultation of its own transactions but the overall vision concerns only the hierarchical person in charge.

⁴ The system of the tournaments, which was studied by Lazear and Rosen (1981), Nalebuff and Stiglitz (1983), or Green and Stockey (1983), can thus make it possible to provide the stimulant necessary so that each controller gives the best of himself. The stake of the tournament can be the access to a more important function of controller, and even the access to the function of controller of the controllers.

⁵ Volkswagen brings together each year all its dealers in France. These one are the subject of an evaluation during the past year on the achievement of their financial or commercial objectives, the quality of their reception, their after-sales service, and so on. At this meeting, the names of the 10 worse dealers appear in red on a giant screen. They have one year to rectify their situation (with the assistance of the manufacturer), or else they are likely to lose the concession.

This management of the data-processing infrastructure rests on the ERP⁶. Previously, the systems were disparate and the control of these multiple systems often constituted a power stake since not everyone was clever enough to understand and master all these informatic networks. From now on, this information is classified, ordered, treated on a hierarchical basis and the access to information is not conditioned any more by the relational network or the capacity of work but by the occupied hierarchical position. In other words, XXIe century sees the emergence of an informational structure rather near of the architectural structure of the panopticon, the data bases having taken the place of the buildings (Figure 3).

Figure 3 : The access to internal information for the non executive directors



If the board of directors, the body of top executives' control, can have access to strategic information, such as it arises from the information systems, then it has the possibility to control, a posteriori, the relevance of the strategic choices carried out by the top executive officers.

Communication and information technologies allow the progressive set up of information systems likely to provide this information which before was defective. In parallel, the scandals caused by the bankruptcies in the 2001-2004s, which have affected all the main developed countries, underline the need to re-examine the mechanisms of control of the top executives. **It appears thus probable that the corporate governance of the main public firms evolves gradually to a system, where the information of the administrators will not**

⁶ "Enterprise Resource Planning" (software of integrated management). It is a software which makes it possible to integrate, in communicating databases, information relative as well to the management of production as to the more administrative functions. This software has many technical advantages. Indeed, it makes it possible to reduce the multiple seizure of the same information while increasing the availability of seized information (Figure 3). By the use of the databases created and supplied with various sources, it is from now on possible to have a follow-up almost in real time of the various processes and activities of the company. For case studies on the impact of the ERP as regards control of management, one will be able to refer to Meyssonier and Pourtier (2006).

depend solely any more on the CEO, but will result directly from the information system of the company. The international accounting standard of financial reporting IAS 14 on sectoral information says thus that:

"The structure of internal organization and management of a company, and its financial information system internal to the Board of directors and to the Chairman and executive director must normally constitute the base of identification of the source and of the prevalent nature of risks and various rates of profitability with which the company is confronted and consequently the base of determination of the first and second levels according to which it must present its sectoral information" (IAS 14 §27).

2 The impact of the IFRS on the corporate governance process

To confront our vision of the IFRS in the process of corporate governance, we carried out eighteen interviews. But we will use only the fifteen interviews (appendix 2) carried out with top executive officers, financial or accounting managers, of public firms subjected to the IFRS⁷. We recorded then retranscribed all these talks and then tried to release a synthesis from the various collected points of view. This qualitative step was based on the approach recommended by Miles and Huberman (2003).

2.1 The methodological approach

The aims in view conditioned the construction of our guide of maintenance. The interviews did not correspond to a scale of measurement but aimed at collecting qualitative information.

2.1.1 The aims in view

Our study pursued a double goal:

- A) To have some testimonys, which would be diverse and representative of public firms, on the impact of IFRS on the corporate governance process.
- B) To discard or to confirm the theoretical model presented in the preceding part according to which IFRS are likely to have a significant impact on the corporate governance process, through the standardization of economic information that they impose and the orientation of accounting information towards an actualization of expected cash-flows.

The prime objective (A) answered waitings of the French Academy of Financial and Accounting Science, which supported this research project. Indeed, the opinion of some auditors is that the IFRS do not only constitute a modification of the accounting reference frame, but also constitute, in a more fundamental way, an advisability to interest the administrators (and obviously the committee of audit) in the stakes of standardization and accounting choices, which are associated with it.

The second objective (B) comes out more from an academic research anxious to consider the leading IFRS like an evolution, which, in parallel with the installation of the ERP, can give in prospect the model of corporate finance such as described by Jensen (1998 and 2000).

2.1.2 The construction of the guide of interview

⁷ A questioned group did not pass yet to the IFRS because it is still a nationalized firm, but it is in the process of applying to the IFRS.

To identify the potential impact of the IFRS on the process of corporate governance, we built our questionnaire according to a progressive approach, which would begin with the most technical questions to lead to the more general questions relating to the corporate governance (appendix 1). This questionnaire had mainly as a function to constitute a guide of interview likely to support the expression of our interlocutors, while tackling all the subjects which seemed to us to have a potential interest. We decided to sweep in a rather broad way the unit of the field of the governance, in order to identify all the possible impacts of the IFRS.

The six principal points approached are as follows:

- The specificity of IFRS for the firm.
- The perception by the company of some conceptual choices conveyed by IFRS: fair value, abandonment of the exceptional result.
- The impact of IFRS on the information process toward the administrators and the possible shift between the information of the administrators and the information of the investors' market.
- The impact of IFRS on the processes of internal management.
- The information of the stakeholders and the need for information additional to IFRS.
- A value judgment of the impact of IFRS on corporate governance.

2.1.3 The interviews carried out

The interviews were realized based on contacts that we could obtain from public firms and not based on a random selection. The questioned people thus do not constitute a statistically representative sample. They were occupying diverse functions within their company. These functions evolved from the director of the accounting standards, to the top executive officer or the secretary-general of the board of directors, while passing through the financial director, the audit director or the person in charge for the investors relations. We met as well men as women. The essential criterion of selection of our interlocutors was their interest for the subject and their capacity to devote us approximately an hour thirty (average duration of an interview). The answers to our questions thus are necessarily skewed since our interlocutors felt an interest sometimes indirect for the subject, and sometimes moved away (we present in appendix 2 the functions of our interlocutors and some indications about the ownership structure⁸).

In some cases, the contacts were communicated to us by the French Academy of Financial and Accounting Science. Indeed, the interviews made it possible to provide objective elements of reflexion to two round tables, which were held within the French ministry for Finances in Paris Bercy on June 20, 2006 on topic "IFRS and Governance".

2.2 *The results of the interviews*

Our results can be gathered under four principal headings. The first relates to the evaluation of the fair value and the feeling of our interlocutors on this concept.

⁸ The talks being recorded, we guaranteed to our interlocutors the confidentiality of the information collected and we will thus not mention the companies or the people concerned, except authorization express of their part.

The second gathers the other technical aspects related to IFRS but having a major impact. The third relates to the bond between IFRS and the information systems. And the fourth synthesizes the implication of the administrators in IFRS.

2.2.1 The stake of the fair value

One of the essential conceptual choices of IFRS is to privilege the fair value ("value for which a credit could be exchanged or a liability paid, between parts well informed and agreeing within the framework of a transaction carried out under conditions of normal competition"⁹) as compared to the historical cost. For the majority of our interlocutors, this concept of fair value seems a hard and fuzzy conceptual concept:

E3¹⁰: I prefer not to pronounce me on a definition of the fair value because I consider that it is a too subjective concept.

E9: It acts of a patrimonial approach at one moment t, it is a market value.

E6: It is a realizable value, a mix between continuity of exploitation and liquidation.

E5: That should be the agreement on a value which two parts, whatever they are, found to exchange an object.

E13: It is the value to which one could sell a contract to a third person.

This conceptual character of the right value is sometimes appreciated as a positive element (that provides the framework in which one seeks solutions, and that points out the concept of faithful image in the French General Accounting Framework), sometimes as a negative element (it does not give concrete solutions to value the assets and technical solutions are missing).

It is interesting to bring closer the valuation of the fair value by our interlocutors to the impact, which the application of this fair value has had. For the large international companies, which had already adopted similar international accounting standards, the adjustment was not very important and the concept of fair value was not of a disproportionate importance. Besides, this reflects the analysis, which one can make of the various standards IAS-IFRS (Paper and Pigé, 2006). In two fields, the fair value had a strong incidence: for the valuation of the financial assets and for the biological assets.

In the field of the financial assets, many companies use financial instruments of cover for operations in the long term. In the banking field, financial establishments can be thus covered against the risk of rate or exchange. In the field of energy or oil, the covers are made compared to the price of raw materials delivered. In both cases, IFRS have obliged the companies to formalize their valuation process, which has had an impact on the control exerted on these operations of cover and which often led the administrators to be interested in these cover operations. **The impact in terms of governance thus exists, even if it remains very limited: IFRS did not modify the way of control from the non executive directors on the top executive officers, but they contributed to clarify some operations which, hitherto, belonged to the operationals and**

⁹ Official definition of the fair value by the IFRS

¹⁰ The companies were coded from E1 to E15 (appendix 2) to preserve their anonymity.

did not give place to reports formalized on the level of the board of directors.

In the field of the biological assets, the impact was very important. The application of the principle of fair value led the company concerned to revalorize its vines by using an economic model. Indeed, up to now the vines were valued at the price of the land to which was added the cost of the plantation of the vines. This cost of plantation thus was immobilized and amortized over thirty years. The reference to the fair value resulted in noting that the vines in general have a lifespan of fifty years and that until the twenty-fifth year, they take value¹¹ for then decreasing and returning at the price of the vine land.

This undervaluation of the value of the vines to the balance sheet of the company was known, but up to now, nobody had the means of quantifying this undervaluation. The work of the company, which has valued each hectare of vine according to its seniority and to the soil, by applying the average prices of the transactions listed by an independent organization, allows from now on having in the balance sheet a value with economic meaning, which has been validated by the auditors.

The impact in terms of governance is from now on very strong as, since 2004, the consolidated result reveals two lines. The first relates the normal exploitation of the vineyard, the second relates the variations of the value of the vineyard. The investors have from now on direct information on the two parameters of the value of the company, which are its economic profitability of exploitation and the evolution of the market value of the vineyard. They can thus evaluate in a more relevant way the contribution of the managers: in terms of organisational efficiency, on the capacity to generate result on the exploitation of the vineyard; and, in terms of strategic vision, on the capacity to maintain or to increase the market value of the assets.

While making readable this double dimension of the action of the managers, and by more clearly registering it in the trend of the market prices, which condition this economic performance, IFRS contribute to modify the corporate governance. The control of the stakeholders on the top executives can then be exerted through an evaluation of the relevance of the decisions, and not only through the incentive policies.

Proposal 1: standardized accounting information constitutes a mechanism complementary to the incentive systems, by facilitating the control of the administrators, or of the main investors, on the top executives.

2.2.1 The other accounting impacts of IFRS

Three other evolutions of accounting standards appear significant. The first relates to the assets and to the liabilities, which are to be integrated in the financial statements. In a general way, the contingent liabilities, which made it possible for companies to hold rights (but also duties through the authorized counterparts), must from now on be registered in the balance sheet. Thus, the financial debt of French firm Casino did appear as unbearable (at the end of 2005 and at the beginning of 2006) only when the top executives had to quantify in the liabilities the amount of granted engagements. For the majority of our

¹¹ The outputs are increasing during the first 25 years then decreasing.

interlocutors, **the greatest rigour of accounting standardization seems an element convergent with a better transparency of financial information.**

The second evolution is the abandonment of the exceptional result. There was before a tendency to resort to the exceptional result to cleanse the turnover. That is not possible any more today:

E2: That allows a more structured exploitation of the concept of result.

E9: Progress was made because one cannot put any more in exceptional expenses what one does not want.

E13: We communicate much to explain the new classification.

E11: Now, the other products and expenses are clearly identified, one makes a large zoom in financial communication whereas before one did not speak about it. That made it possible to limit the abuses.

The third major evolution relates to the tests of impairment, i.e. the tests of depreciation of the assets immobilized. The majority of the large international public firms have already applied similar procedures to make sure that the net accounting amount of their permanent assets was lower than its market value (if this one existed). IFRS introduced a greater formalization into this step. However, simultaneously, as a top executive officer pointed out to us, IFRS moved the zone of arbitrary: "*before the arbitrary one resulted from the disconnection between the historical cost and the economic value. From now on, the arbitrary is on the valorization of the future cash flows generated by the assets immobilized, and on their actualization*" (E12).

In both cases, IFRS led some administrators, primarily those forming part of the audit committees, to be interested in information which, hitherto, did present none or little interest: either they did not appear directly on the balance sheet (the contingent liabilities), or they had little economic significance (the plans of depreciation of the permanent assets).

Proposal 2: the requirements of accounting standardization have involved a greater implication of the administrators in the process of the financial statements elaboration. This implication could be active (in the form of participation in the countable strategic choices) or passive (in the form of an increase in the information communicated to the committee of audit and or to the board of directors).

2.2.2 The unification of the information systems

Our assumption on the essential role of the databases and of the data-processing software in the access to the information is indirectly validated. Indeed, with some exceptions, the majority of our interlocutors underlined the convergence of their information systems:

E15: We work with the same figures; we want that it would be coherence between the data: the data of the strategy are made in a accounting language.

E1: We find this will of the unit of information (inside the firm and outside). Everyone works with the same model.

E8: The passage to the IFRS results in a better implication of the operational directions and in a better transverse dialogue.

E14: There are always Excel sheets. But one makes hunting to these sheets. One must make profitable our investment in ERP. Our ERP were drawn so that the piloting of the projects is in the ERP. Previously the tests of impairment were carried out on Excel sheets. The tendency is to try to include these tests of impairment in the total system of information.

Thus, for some multinational firms, accounting "full IFRS" is from now on the rule for all the subsidiaries of the group. Local accountable specificities intervene only as reprocessings¹². That made it possible to introduce a common language:

E13: If one takes the corporate governance as the organization of financial information, the impact is positive since one has from now on a common base, which is international and shared. That made it possible to have a better reference frame of reporting and to be freed much more of the local reference frames. One could have accounting translations not necessarily analyzed in substance, or in any case not re-examined in the light of the IFRS. At the end, there was certainly less homogeneity in the financial statements.

For other companies, convergence is in hand, in particular between the accounting information systems, having a monthly periodicity, and the operational information systems, having a weekly periodicity. In all the cases, this convergence seems a requirement, to have information, which is homogeneous between all the decisional levels:

E12: I have a double reporting. I have a P&L (profit and loss) reporting and a cash reporting. They are two processes. We are amalgamating them. Fusion is related to the effectiveness of the reporting process. I want of reliable, automated and coherent things.

To support this standardization of the processes of data collection, almost all the companies insisted on the reinforcement of the accounting and financial teams, whether in manpower or in competence, and the larger implication of the operational persons in charge (with in particular the installation of plans of formation) in these processes.

2.2.3 The implication of the administrators in the IFRS

All in all, the implication of the administrators is very variable. In some firms, the committee of audit followed closely all the process of passage to the IFRS. It seems that it was the occasion to look further into the knowledge of some activities and the comprehension of their economic and financial consequences. In other firms, the implication was limited, the administrators perceiving the countable change of reference frame as a technical element affecting the production of the accounts (what corresponds to the vision of the IFRS that we quickly developed in our first part):

E7: The internal process was not affected. There was a step so that they can adapt the evolution of the things.

E13: The administrators have gradually advanced on the way, but that did not change the nature of the information which was transmitted to them.

E14: The service of internal audit which had become a department of operational audit also becomes again a supervising authority of countable information.

¹² That joins the situation of the large American multinationals, which, for more than twenty years, have required from their subsidiaries an Anglo-Saxon accounting, to which was sometimes added a local accounting. In 1986 in France, the Exxon group functioned thus, with a coding allowing simultaneously to process the Anglo-Saxon accounting balances and the French accounting balances.

E15: It is initially the committee of audit which controlled project IFRS (businesses of standards of risks), because of a very strong financial culture of the president of the committee.

The question of the durable impact of IFRS remains hanging. Indeed, in the short run, if one puts aside the incidence of the process of change of reference frame, it does not seem that the process of reporting toward the board of directors was deeply affected. It was adapted to hold account of the evolution of the definition of some ratios or indicators, but the evolution remained on a technical level. One however observes an increase in the volume of information transmitted to the administrators.

Conclusion

The financial scandals, which have marked the turning of the century, can encourage to wonder about the consequences of polarization on the processes of incentive of the top executives, with the detriment of the attention to the processes of control of these top executives. The performance of a company for the stakeholders does not lie solely in the incentive system applied to the top executives, but also in the systems design of information. The bankruptcy of Enron, the quasi-bankruptcy of Alstom, the disappearance of the billion euros of Parmalat, testify all three to an absence of information of the board of directors, or rather to a policy of communication of information aiming at avoiding raising the real strategic problems of the company.

The consequences of this reinforcement of the role of information are multiple. If they aim at reinforcing the capacity of the board of directors by a better access to information, they will also modify considerably the play of the actors (Crozier and Friedberg, 1977). The ratio of forces evolving in favour of the administrators and of the people having access to the processes of information, one can thus expect that aberrant remunerations, observed these ten last years for a certain number of chairmen or CEO, appear, retrospectively, more like an epiphenomenon than as a basic tendency. The conditions of some options distributions are already called into question (some lawsuits are beginning in the United States on the antedated plans, and a law has been enacted in France). It is the same for the systematic granting of considerable advantages, and sometimes little justified, to the top executives (the Vinci governance problem usefully underlines the limits of a system directed exclusively towards the incentives).

On the other hand, the stake of the fiabilisation of the internal information systems will be still accentuated. In the same way, the already existing stakes on the use of this information will be made more visible. IFRS could be brought to take into account the needs for information of all the stakeholders on the processes of the company. Right now, all the questioned directors agree on the positive assessment of this requirement of more complete information. It is probable that the problems of audit will leave there reinforced, with gradually an extension of the procedures of audit to the key processes of the company and, consequently, to the management accounting, which is one source of financial information.

In addition, the stake of corporate governance does not relate solely on the mechanisms of incentive of the controllers but also on the design of the information systems. All the works of Foucault (in particular 1975 and 1976) tend to show the weight of the structures on the behaviors. This evolution also presents its share of shade, as this diffuse impression of an informational

environment that nobody any more controls and that the success of a film like Matrix describes well. Other deeper authors, such as George Orwell (1950) in 1984, Ray Bradbury (1954) in Fahrenheit 451, or the works of Ernst Jünger (1977, for example), show that the problem of control does not lay only in the question of the recipient of the system but in the system itself.

If the standardization of countable information and the standardization of the processes of collection and data processing contribute to a better corporate governance, it is also necessary to underline the limits and the dangers of such a process of control. It is thus advisable to look further into this field of research through new case studies.

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Appendix 1: Interview Guideline

- 1) Presentation of the interview objective, the person ensuring the interview and the mode of exploitation (recording with a guarantee of confidentiality).
- 2) IFRS: general approach
 - 2.1) If you do have to define in a few words what are IFRS for you and your company?
 - 2.2) Which are the dominant topics of IFRS, those which raise question, in particular compared to your company and to its activity?
- 3) IFRS as technical problems
 - 3.1) The fair value can be applied in some cases in IFRS reference frame, which incidence this new concept have on your company?
 - 3.2) How would you define the fair value?
 - 3.3) How the abandonment of the "exceptional" result term did modify the communication on some transactions considered as not very current?
 - 3.4) Could you give an example for which IFRS were really a problem?
- 4) IFRS as a tool of information for the board of directors
 - 4.1) How your process of internal information of the administrators was affected by IFRS?
 - 4.2) Which are the principal changes occurred in your process of reporting toward the board of directors since the IFRS application? For example by introducing new financial ratios, financial data integrating of new evaluations, a new structure of presentation of the accounts...
 - 4.3) For the information transmitted to the administrators, did you adopt the same structure by trade and geographical area, that for IFRS (sectoral information)?

4.4) Is the financial communication toward the shareholders or toward the investors similar with that which you provide to your board of directors? Which are the principal differences? Would your answer have been the same one before IFRS (to clarify)?

5) IFRS and the impact of their establishment on the processes of internal management

5.1) Did IFRS lead you to modify your internal organization (departments, services, branches of industry, centralized/decentralized modes of management, responsibilities, competences)?

5.2) Did the passage to IFRS relate to only the countable direction and the Management committee or did it implied the operational directions? For example for the treatment of the permanent assets (component, lifespan, depreciation).

5.3) Are the information systems intended for financial information and those directed towards the strategic decision-making identical? Do you have two systems in parallel?

5.4) Do you have a service which builds economic models intended to apprehend and develop future cash-flows generated by the assets and used for your choices of investments? Is each division director responsible for his own model of evaluation? How do you control them?

6) The policy of information of the stakeholders

6.1) Which are the main stakehoders of your company, the actors to which you are particularly attentive?

6.2) Is information that you transmit to these stakeholders identical? Does it sometimes happen to you to transmit different financial information to some stakeholders? (workers syndicate, banks, State and public bodies) And so yes which are?

6.3) Do you think that your stakeholders have needs different from those of the shareholders? Can you say some words of them?

6.4) Could one plan to standardize, on a European level, information not strictly financial? For example the report on the sustainable development policy of the company, or some data of the social assessment, or the annual report?

6.5) Did the application of the IFRS modify your step, your communication concerning the social responsibility for your company? So yes how?

7) In a general way: IFRS and corporate governance

7.1) Is the impact of IFRS rather negative, or rather positive, on the corporate governance of your company?

7.2) Do IFRS support the short-term or long-term decision-making?

7.3) What would be necessary to include in IFRS to support a good corporate governance?

Appendix 2 : Interlocutors

Firm	Function of the interviewed	Activity sector	Shareholding structure
E1	Financial executive co-director	Energy	Dispersed shareholding
E2	Investor relations executive director	Energy	Dispersed shareholding with a main government shareholder
E3	Accounting standards executive director	Agro-alimentary	Dispersed shareholding
E4	Consolidation executive director	Energy	Dispersed shareholding with a main government shareholder
E5	Accounting standards executive director	Telecommunications	Dispersed shareholding with a main government shareholder
E6	Accounting standards executive director	Energy	Dispersed shareholding with a main government shareholder
E7	General secretary of the board of directors	Hygiene, beauty	Dispersed shareholding with two main shareholders
E8	Consolidation executive director	Services	Governmental shareholding
E9	Accounting executive director	Multimedia	Familial main shareholding
E10	CEO	Agrico-alimentary	Familial main shareholding
E11	Consolidation executive director	Professional distribution	Risks funds shareholding
E12	CEO	Software services	Dispersed shareholding with a strong shareholding of the employees
E13	CFO	Energy and environment	Dispersed shareholding
E14	Internal audit executive director	Energy	Dispersed shareholding
E15	Financial control executive director	Environnement	Dispersed shareholding

We codified some companies like having a dispersed shareholding with a main shareholder, which seems paradoxical. It is a judgement of us because we estimate (due to intentions of the French government) that the main shareholder will disengage itself and that the firms concerned direct their communication towards this dispersed shareholding (in order to support this later disengagement under good conditions).

