

Developing A Framework: Adoption of International Financial Reporting Standards (IFRS) and Its Implications on Organizational Performance

Khuloud Humaid Saeed Mohammed Alshamsi¹, Ahmad Nur Aizat Ahmad^{1*}

¹ Faculty of Technology Management & Business,
Universiti Tun Hussein Onn Malaysia, MALAYSIA

*Corresponding Author: aizat@uthm.edu.my
DOI: <https://doi.org/10.30880/ijscet.2024.15.01.009>

Article Info

Received: 05 February 2024
Accepted: 05 February 2024
Available online: 26 February 2024

Keywords

IFRS Adoption Factors,
organizational performance

Abstract

This study was aimed to develop a framework for adopting International Financial Reporting Standards (IFRS) and gauging its influence on Organizational Performance. The developed framework reveals that Organizational factors strongly align with Financial Reporting & Transparency and Economic & Industry Impact & Global Market Presence but not with Decision-Making & Governance. However, the accounting capabilities factors are predominantly linked to industry impact & global market presence, while top management support factors robustly connect with both industry impact & global market presence and subsequently, decision-making & governance. Conversely, readiness factors exhibit a compelling relationship across financial reporting & transparency, industry impact & global market presence, and decision-making & governance, highlighting their significant impact on organizational performance. This framework can be applicable in organizational contexts, providing guidance for strategic decision-making and performance enhancement in the adoption of IFRS. Leveraging the identified correlations, organizations can focus on strengthening specific factors, including Organizational Readiness, accounting capabilities, Top management support, and Readiness, to enhance financial reporting, transparency, industry impact, global market presence, and decision-making processes. Implementing targeted strategies based on these relationships may contribute to overall organizational success and sustainable growth.

1. Introduction

Numerous studies, including those by Mohammadi, Heyrani, and Golestani (2013), emphasize the significant impact of conservatism on financial information, providing a shield for novice investors against inflated financial success. Advocating for the implementation of the IFRS standard, these studies aim to improve the quality and transparency of accounting information (Mohammadi, Heyrani, & Golestani, 2013; Salah et al., 2019). The International Financial Reporting Rules (IFRR), widely employed due to their provision of high-quality accounting standards, aid in preventing the dissemination of false information. IFRS, mandated in most countries, facilitates more effective global communication for firms. The concept of "Fair Value," central to accounting processes and defined by Tabash (2019), posits that an asset's fair value corresponds to its fundamental worth, determined by the present value of future cash flows estimated using all available information. Notably, IFRS values assets

without market prices based on a mathematical prediction of future earnings, a practice observed during the 2008 financial crisis.

The adoption of International Financial Reporting Standards (IFRS) by organizations in the United Arab Emirates (UAE), especially within the oil and gas sector, poses significant and intricate challenges. Despite the global trend favouring IFRS adoption, specific challenges and implications for companies like Abu Dhabi National Company (ADNOC) in the UAE remain underexplored. Notably, the unique economic dynamics, regulatory frameworks, and industry characteristics of the UAE necessitate a nuanced understanding of IFRS's impact on organizational performance, which is currently lacking in the literature. Addressing this research gap is crucial for informing future policy decisions, organizational strategies, and academic discourse on IFRS adoption in the UAE (Christensen et al., 2015; Daske et al., 2008).

Furthermore, the potential implications of IFRS adoption on ADNOC's financial reporting, decision-making processes, and overall organizational performance raise questions about the effectiveness and efficiency of this transition. The limited research in this area impedes a comprehensive understanding of how executives, investors, and regulators in the UAE respond to the changes brought about by IFRS adoption. Investigating the impact of IFRS on organizational performance within the context of ADNOC and the UAE's oil and gas sector is essential for academic knowledge and practical insights for industry professionals (Johnson et al., 2019).

The lack of confidence in the financial information of the Abu Dhabi National Company of the UAE, stemming from its non-adoption of the proper financial reporting standard, has led to disagreements among top management stakeholders. Transparency issues, as highlighted by Salah and Abdel-Salam (2019), underscore the importance of adopting worldwide financial reporting standards and maintaining regulatory tools and information openness. The complexity of adopting IFRS in the oil and gas sector of the UAE requires in-depth examination, especially regarding the limited exploration of how IFRS adoption may impact the risk management strategies of companies like ADNOC. Understanding these challenges is crucial given the inherent volatility of the oil and gas industry (Ball, 2006; Leuz, 2003).

Moreover, while existing studies touch upon the financial implications of IFRS adoption, there is a dearth of research investigating the potential cultural and organizational challenges that may arise during the implementation process. Organizational culture's pivotal role in shaping how accounting standards are interpreted and applied necessitates an examination of how the cultural fabric of ADNOC may influence the assimilation of IFRS principles. This includes investigating how employees at various organizational levels perceive and adapt to the changes, potentially shedding light on areas that require additional support or training to ensure a smooth transition (Nobes, 2016).

The impact of IFRS adoption on small and medium-sized enterprises (SMEs) within the supply chain of significant oil and gas corporations, such as ADNOC, remains understudied. SMEs, often integral to the operations of larger entities, may lack the resources and expertise to transition to IFRS. Understanding the ripple effects of IFRS adoption on these SMEs is crucial for comprehending the broader economic implications within the UAE's oil and gas ecosystem. It is essential to explore how these smaller entities cope with the challenges posed by IFRS adoption, ensuring that the benefits and burdens are distributed equitably across the entire industry landscape (Daske et al., 2008; Patel & Wang, 2020).

The complex challenges arising from IFRS adoption in the UAE's oil and gas sector call for a comprehensive investigation into its impact on risk management, the organizational culture of significant players like ADNOC, and the implications for SMEs within the industry's supply chain. Addressing these facets will not only enrich the academic understanding of the subject but also provide practical insights for policymakers, industry professionals, and stakeholders navigating the complexities of IFRS convergence in the unique context of the UAE.

The inquiry revealed discrepancies between declared accounting policies and IFRS, leading to the examination of 279 organizations that claimed to apply IFRS in their financial statements in 1998 (Al Zaidanin, 2021). The Abu Dhabi National Company of the UAE faced a similar issue, emphasizing the challenges related to accounting capabilities, compatibility, complexity, and governmental regulation in the UAE (Taiwo and Adejare, 2014). The literature highlights problems within UAE organizations, such as a low education level among practitioners, a resistance to updating skills, and a lack of knowledge about new accounting apparatus among top management and stakeholders. These issues impact organizational performance and led to the adoption of IFRS by UAE organizations (Wodaje et al., 2019; Sadikaj et al., 2020; Alansaari et al., 2019).

Several studies have investigated the impact of the International Financial Reporting Standard (IFRS) on organizational performance globally, but a holistic study within the UAE context, particularly in the Abu Dhabi National Company of the UAE, is lacking. Existing studies have explored the effects of IFRS adoption on accounting practices in Nigeria, the value relevance of financial reporting in Russia, and the suitability of international accounting standards to the United Arab Emirates environment. However, none of these studies cover the impact of IFRS on organizational performance in the UAE. Hence, this study aims to develop a framework for adopting International Financial Reporting Standards (IFRS) and understanding its implications on organizational performance in the UAE.

2. Factors in IFRS Adoption

The influence of accounting standards on an organization's performance is a multifaceted dynamic that encompasses diverse dimensions, including financial reporting, transparency, decision-making, regulatory compliance, and legal obligations. A crucial impact is observed in the accuracy and consistency of financial reporting. Standards like the International Financial Reporting Standards (IFRS) or Generally Accepted Accounting Principles (GAAP) establish a standardized framework for recording and presenting financial transactions, ensuring uniform practices for comparability across entities and over time (Daske et al., 2008; IASB, 2020).

Accounting standards also play a pivotal role in enhancing transparency within organizations. Adherence to established accounting principles provides stakeholders, including investors and creditors, with a clear and comprehensive view of an organization's financial health. Transparency fosters trust and confidence among stakeholders, particularly critical in sectors like oil and gas, where financial stability is closely scrutinized due to the capital-intensive nature of operations (Barth et al., 2008; Christensen et al., 2015).

The impact of accounting standards on organizational performance extends to the realm of decision-making. Accurate and reliable financial information, generated through adherence to accounting standards, enables informed decision-making by management. This extends to external assessments by potential investors and creditors. In industries like oil and gas, where strategic decisions involve substantial capital investments, adherence to accounting standards ensures that financial data used in decision-making is credible and trustworthy (Christensen et al., 2013; IASB, 2020).

Furthermore, the effect of accounting standards on an organization's performance is evident in facilitating international transactions and financial reporting. Globalization necessitates compliance with international accounting standards for consistency and comparability. Adherence to global standards such as IFRS fosters the ease of cross-border transactions, enhances the organization's reputation in international markets, and attracts foreign investors, particularly crucial for multinational corporations in the oil and gas sector (Barth et al., 2008; Daske et al., 2008).

Additionally, accounting standards contribute significantly to risk management within organizations. By providing guidelines on recognizing and measuring certain transactions and events, accounting standards assist in identifying, assessing, and managing financial risks. In sectors like oil and gas, prone to volatility in commodity prices and geopolitical factors impacting financial performance, the application of accounting standards aids in developing robust risk management strategies (Christensen et al., 2015; IASB, 2020).

The impact of accounting standards on an organization's performance extends to regulatory compliance and legal obligations. Adherence ensures organizations comply with regulatory requirements, reducing the risk of legal challenges and penalties. This is particularly crucial in highly regulated industries like oil and gas. By following accounting standards, organizations demonstrate commitment to ethical practices and regulatory compliance, avoiding legal complications that could adversely impact performance and reputation (Christensen et al., 2013; IASB, 2020).

Furthermore, accounting standards play a pivotal role in fostering accountability and governance within organizations. Embedded principles guide the preparation of financial statements, ensuring accurate reflection of the organization's financial position. Transparent financial reporting, driven by adherence to accounting standards, enhances accountability to various stakeholders, including shareholders, employees, and the broader community. In industries like oil and gas, subject to close scrutiny due to environmental and social considerations, the impact of accounting standards on promoting sound governance practices is paramount (Barth et al., 2008; Christensen et al., 2015).

The influence of accounting standards on an organization's performance is evident in the facilitation of capital raising activities. Financial statements prepared in accordance with recognized accounting standards provide potential investors and creditors with a clear and standardized view of the organization's financial health. This transparency, backed by adherence to accounting standards, enhances the organization's ability to attract capital. In the capital-intensive oil and gas sector, the effect of accounting standards on facilitating capital raising is a critical aspect of organizational performance (Daske et al., 2008; IASB, 2020).

Additionally, accounting standards contribute to the measurement and communication of a company's long-term value. Treatment of assets, liabilities, and equity in accordance with accounting standards provides a standardized basis for assessing a company's financial position and performance over time. This long-term perspective is vital for organizations in the oil and gas sector, often engaged in projects with extended lifecycles. Adherence to accounting standards ensures that the organization's financial statements reflect the economic substance of its activities, contributing to a more accurate representation of its long-term value (Christensen et al., 2015; IASB, 2020).

Lastly, the influence of accounting standards on an organization's performance is linked to their role in shaping financial innovation and evolution. As industries evolve and new financial instruments and transactions emerge, accounting standards adapt to provide guidance on their recognition and measurement. This adaptability

ensures that organizations can effectively account for new and complex financial arrangements, fostering financial innovation while maintaining the reliability and comparability of financial information. In dynamic sectors such as oil and gas, where technological advancements and changes in market dynamics are prevalent, the influence of accounting standards in supporting financial innovation is crucial for maintaining relevance and accuracy in financial reporting (Daske et al., 2008; IASB, 2020).

2.1 Organizational Factors

In addition to the organizational factors mentioned, the skills and expertise of the workforce contribute significantly to the successful adoption of IFRS. The availability of qualified accountants and financial professionals with a deep understanding of IFRS principles is vital. Adequate training programs and educational initiatives within the organization can enhance the competencies of the workforce, ensuring they possess the skills necessary for effective IFRS implementation (Christensen *et al.*, 2015). A well-trained and knowledgeable workforce is better equipped to navigate the complexities of IFRS reporting, reducing the risk of errors and enhancing the overall quality of financial information.

The commitment of top management and the board of directors also plays a crucial role in shaping the organizational attitude toward IFRS adoption. Strong leadership support fosters a culture of compliance and accountability. The endorsement of IFRS by top management sends a clear signal to the entire organization about the strategic importance of aligning with global reporting standards. Moreover, the establishment of a dedicated IFRS implementation team or steering committee can provide focused leadership and coordination throughout the adoption process, ensuring that the organization remains on track and meets key milestones (Epstein & Jermakowicz, 2007; Barth *et al.*, 2008).

Organizational readiness for change is a fundamental factor influencing IFRS adoption. Companies that have undergone recent significant changes, such as mergers, acquisitions, or changes in leadership, may find it opportune to align with IFRS during these transformative periods. Conversely, organizations facing internal resistance to change may encounter challenges in the adoption process. Assessing the organization's change management capabilities and addressing potential resistance through communication and training initiatives are critical steps in ensuring a smooth transition to IFRS (Daske *et al.*, 2008).

The degree of international operations and global market involvement also shapes the organizational perspective on IFRS adoption. Companies with extensive international operations or aspirations to attract global investors may view IFRS adoption as a strategic imperative. The alignment with a globally recognized reporting framework enhances the comparability of financial statements across borders, making the organization more attractive to international stakeholders (Barth *et al.*, 2008). For organizations seeking to access international capital markets or engage in cross-border transactions, IFRS adoption becomes a strategic necessity for seamless financial communication.

Lastly, the level of industry competition and peer pressure can influence an organization's decision to adopt IFRS. Industries characterized by high competition and a need for transparent financial reporting may see IFRS adoption as a means to enhance their market position. Observing the IFRS adoption trends among industry peers and competitors can create a competitive incentive for organizations to align with global standards, positioning themselves as leaders in financial transparency and compliance (Daske *et al.*, 2008). Understanding the industry dynamics and the strategic advantages of IFRS adoption can guide organizations in making informed decisions that align with their broader business objectives.

Hence, the skills of the workforce, top management commitment, organizational readiness for change, international operations, and industry competition are additional key factors influencing the adoption of IFRS within an organization. Addressing these factors strategically ensures a comprehensive approach to IFRS adoption, facilitating a smoother transition and maximizing the potential benefits for the organization's financial reporting practices and global positioning.

Moreover, accounting capabilities play a critical role in ensuring the alignment of financial reporting with the underlying economic substance of transactions, a key principle of IFRS. Organizations with robust accounting capabilities are better equipped to navigate the challenges associated with fair value measurements and complex financial instruments, fostering a more accurate representation of their financial position and performance (Daske *et al.*, 2008; Christensen *et al.*, 2015). The ability to apply IFRS principles, such as the substance-over-form concept, requires a nuanced understanding of the economic implications of transactions, and organizations with solid accounting capabilities can navigate these nuances effectively.

Accounting capabilities also influence the organization's ability to leverage the full potential of IFRS adoption in enhancing financial transparency and comparability. IFRS emphasizes the importance of providing meaningful information to users for decision-making, and organizations with advanced accounting capabilities can go beyond mere compliance to leverage the narrative reporting aspects of IFRS (Christensen *et al.*, 2015). This involves the effective communication of non-financial information, such as strategic objectives, risks, and future outlook,

alongside financial statements. Organizations with sophisticated accounting capabilities can craft a more comprehensive and insightful narrative that enhances stakeholders' understanding of the business.

Furthermore, the integration of technology within accounting capabilities is a critical factor in facilitating IFRS adoption. Advanced information systems, including Enterprise Resource Planning (ERP) systems, can streamline the conversion process by automating complex calculations and ensuring consistency in applying IFRS standards across different organisation segments (Bushman & Smith, 2001). The seamless integration of technology enhances efficiency in financial reporting and reduces the risk of errors associated with manual processes, contributing to the overall reliability of financial information.

The impact of accounting capabilities extends to the organization's ability to manage the costs and resource implications of IFRS adoption. Implementation costs, training expenses, and potential disruptions to day-to-day operations are considerations that organizations with strong accounting capabilities can navigate more effectively. These capabilities enable organizations to conduct cost-benefit analyses, allocate resources strategically, and implement efficient training programs, ensuring that the adoption process is compliant and cost-effective (Christensen *et al.*,2013).

Lastly, accounting capabilities contribute to the post-adoption phase, where ongoing compliance, monitoring, and continuous improvement become imperative. Organizations with solid accounting capabilities are better positioned to conduct regular assessments of their IFRS compliance, monitor changes in standards, and adapt to emerging accounting issues. The post-adoption phase requires an organizational commitment to staying abreast of evolving IFRS requirements, and accounting capabilities play a pivotal role in sustaining compliance and enhancing the effectiveness of financial reporting practices over time (Barth *et al.*,2008).

In summary, accounting capabilities encompass a wide range of factors, including technical proficiency, alignment with economic substance, narrative reporting, technological integration, and cost management, all influencing the successful adoption and sustained compliance with IFRS. The depth and breadth of these capabilities position organizations not only to meet the initial challenges of adoption but also to leverage the full benefits of IFRS in enhancing financial transparency, comparability, and decision-usefulness for stakeholders (Barth *et al.*,2008; Daske *et al.*,2008; Christensen *et al.*,2013; 2015; Bushman & Smith, 2001).

Table 1 Organizational factors in IFRS adoption

Factors	Description	References
Workforce Expertise and Training	Availability of qualified professionals and adequate training programs for deep understanding and competency in IFRS principles.	(Christensen et al., 2015)
Change Management and Readiness	Assessment of change management capabilities, addressing resistance, and ensuring organizational readiness for a smooth IFRS transition.	(Daske et al., 2008; Christensen et al., 2015)
Strategic Considerations	International operations, global market aspirations, industry competition, and peer pressure influencing the strategic imperative of IFRS adoption.	(Barth et al., 2008; Daske et al., 2008)
Technological Integration	Integration of technology, such as ERP systems, for streamlined conversion processes and consistent application of IFRS standards.	(Bushman & Smith, 2001; Christensen et al., 2015)

2.2 Accounting Capabilities Factors

The adoption of International Financial Reporting Standards (IFRS) is intricately linked to an organization's accounting capabilities, encompassing its financial reporting infrastructure, technical expertise, and proficiency in navigating the complexities of global accounting standards. A robust financial reporting infrastructure, supported by advanced information systems, enhances an organization's ability to generate accurate and timely financial information, a critical requirement for compliance with IFRS (Daske *et al.*,2008). Additionally, having accounting professionals with in-depth knowledge of IFRS principles is crucial for accurately interpreting and applying the standards during the adoption process (Christensen *et al.*,2015).

Technical proficiency is fundamental to the successful implementation of IFRS, as the shift from local Generally Accepted Accounting Principles (GAAP) to IFRS often involves intricate changes in accounting treatments. Accounting capabilities encompass the ability to assess and reconfigure accounting policies, recognize the impact of IFRS on financial statements, and communicate these changes effectively to stakeholders (Christensen *et al.*,2013). The capacity to handle the nuances of IFRS reporting, such as fair value measurements and complex financial instruments, underscores the significance of technical proficiency in the adoption process.

Furthermore, the agility of an organization's accounting capabilities is critical, especially in dynamic business environments. IFRS is subject to periodic updates and amendments by the International Accounting Standards Board (IASB). Accounting capabilities that enable organizations to adapt swiftly to these changes and stay abreast of evolving accounting standards contribute to the ongoing compliance and relevance of financial reporting practices (Bushman & Smith, 2001). The agility to respond to emerging accounting challenges ensures that organizations can effectively navigate the evolving landscape of IFRS.

The impact of accounting capabilities extends to the organization's ability to leverage the full potential of IFRS adoption in enhancing financial transparency and comparability. Organizations with advanced accounting capabilities can go beyond mere compliance to leverage the narrative reporting aspects of IFRS (Christensen *et al.*, 2015). This involves communicating non-financial information, including strategic objectives, risks, and future outlook, alongside financial statements. Organizations with sophisticated accounting capabilities can craft a more comprehensive and insightful narrative that enhances stakeholders' understanding of the business.

Moreover, integrating technology within accounting capabilities is critical in facilitating IFRS adoption. Advanced information systems, including Enterprise Resource Planning (ERP) systems, can streamline the conversion process by automating complex calculations and ensuring consistency in applying IFRS standards across different organisation segments (Bushman & Smith, 2001). The seamless integration of technology enhances efficiency in financial reporting and reduces the risk of errors associated with manual processes, contributing to the overall reliability of financial information.

Accounting capabilities encompass technical proficiency, agility, and technology integration, all of which are crucial for adopting IFRS successfully. The depth and breadth of these capabilities position organizations not only to meet the initial challenges of adoption but also to leverage the full benefits of IFRS in enhancing financial transparency, comparability, and decision-usefulness for stakeholders (Daske *et al.*, 2008; Christensen *et al.*, 2013; 2015; Bushman & Smith, 2001).

Additionally, accounting capabilities contribute significantly to the organization's ability to align financial reporting with the underlying economic substance of transactions, a fundamental principle of IFRS. Organizations with solid accounting capabilities are better equipped to navigate the challenges associated with fair value measurements and complex financial instruments, ensuring a more accurate representation of their financial position and performance (Daske *et al.*, 2008; Christensen *et al.*, 2015). The ability to apply IFRS principles, such as the substance-over-form concept, requires a nuanced understanding of the economic implications of transactions, and organizations with robust accounting capabilities can navigate these nuances more effectively.

Furthermore, accounting capabilities influence the organization's capacity to manage the costs and resource implications of IFRS adoption. Implementation costs, training expenses, and potential disruptions to day-to-day operations are considerations that organizations with strong accounting capabilities can navigate more effectively. These capabilities enable organizations to conduct cost-benefit analyses, allocate resources strategically, and implement efficient training programs, ensuring the adoption process is compliant and cost-effective (Christensen *et al.*, 2013). Accounting capabilities play a crucial role in guiding organizations through the financial implications of the transition, contributing to a more efficient and resource-conscious adoption process.

Integrating advanced accounting capabilities extends to the post-adoption phase, where ongoing compliance, monitoring, and continuous improvement become imperative. Organizations with solid accounting capabilities are better positioned to conduct regular assessments of their IFRS compliance, monitor changes in standards, and adapt to emerging accounting issues. The post-adoption phase requires an organizational commitment to staying abreast of evolving IFRS requirements, and accounting capabilities play a pivotal role in sustaining compliance and enhancing the effectiveness of financial reporting practices over time (Barth *et al.*, 2008).

Moreover, accounting capabilities influence the organization's strategic positioning concerning IFRS adoption. Organizations that leverage their accounting capabilities strategically can view IFRS adoption as an opportunity rather than a compliance burden. For instance, aligning with globally recognized reporting standards can enhance the organization's credibility in international markets, attract global investors, and facilitate cross-border transactions (Daske *et al.*, 2008; Christensen *et al.*, 2015). Strong accounting capabilities enable organizations to position themselves as industry leaders in financial transparency and compliance, contributing to their reputation and stakeholder trust.

Lastly, the human capital aspect of accounting capabilities is critical in successfully adopting IFRS. A skilled and knowledgeable workforce is essential for interpreting, applying, and communicating the intricacies of IFRS standards. Organizations committed to continuous professional development and training programs for their accounting professionals are better positioned to navigate the evolving landscape of international accounting standards (Christensen *et al.*, 2015). The human element of accounting capabilities ensures that the organization's most valuable asset, its people, remains adaptive, well-informed, and aligned with its strategic goals throughout the IFRS adoption journey.

Accounting capabilities encompass technical proficiency, alignment with economic substance, cost management, strategic positioning, and the human capital aspect. Together, these capabilities contribute to a holistic approach to IFRS adoption, ensuring not only compliance but also strategic advantage, efficient resource

utilization, and sustained excellence in financial reporting practices (Daske *et al.*,2008; Christensen *et al.*,2013; 2015; Barth *et al.*,2008).

Table 2 Accounting capabilities factors in IFRS adoption

Factors	Description	References
Technical Proficiency	In-depth knowledge of IFRS principles among accounting professionals for accurate interpretation and application during adoption.	(Christensen <i>et al.</i> , 2015)
Agility in Accounting Capabilities	Ability to assess, reconfigure policies, and swiftly adapt to changes in IFRS, along with effective communication of changes.	(Christensen <i>et al.</i> , 2013; Bushman & Smith, 2001)
Integration of Technology	Use of advanced information systems, including ERP, for automating calculations and ensuring consistency in applying IFRS standards.	(Bushman & Smith, 2001)
Efficient Cost Management	Capacity to manage costs, resource implications, and conduct efficient cost-benefit analyses related to IFRS adoption.	(Christensen <i>et al.</i> , 2013)
Post-Adoption and Continuous Improvement	Regular assessments of IFRS compliance, monitoring changes, and adapting to emerging accounting issues.	(Barth <i>et al.</i> , 2008)
Human Capital Aspect	A skilled and knowledgeable workforce for interpreting, applying, and communicating IFRS intricacies, ensuring adaptability and alignment with goals.	(Christensen <i>et al.</i> , 2015)

2.3 Management Support Factors

Top management support is critical in successfully adopting International Financial Reporting Standards (IFRS) within an organization. The commitment and endorsement of senior executives provide the necessary impetus for the organization to navigate the complexities of transitioning to IFRS. According to Daske *et al.*, (2008), top management support is often cited as a key factor influencing the adoption of IFRS, as it signals the strategic importance of aligning with global reporting standards.

The role of top management extends beyond a mere endorsement; it includes active involvement in the adoption process. Leadership support ensures that adequate resources, both financial and human, are allocated to the IFRS adoption project. In their study, Christensen *et al.*, (2015) emphasize the importance of top management involvement in setting the tone for the organization's commitment to IFRS compliance. The provision of resources facilitates comprehensive training programs, technology upgrades, and hiring experts, all of which are essential components of a successful IFRS adoption strategy.

Furthermore, top management support fosters a positive organizational culture conducive to change. The endorsement of IFRS by senior executives influences the attitudes and behaviours of employees throughout the organization. A culture that values transparency, accountability, and adherence to global standards is more likely to embrace the principles-based approach of IFRS (Ball, 2006). The commitment of top management to a culture that prioritizes high-quality financial reporting contributes to a smoother adoption process.

The influence of top management support extends to communicating the strategic benefits of IFRS adoption. Leaders play a crucial role in articulating the rationale behind the transition to IFRS, both internally and externally. Effective communication addresses potential concerns among stakeholders and emphasizes the long-term advantages of adopting a globally recognized reporting framework (Epstein & Jermakowicz, 2007). According to Barth *et al.*, (2008), organizations with strong top management support are better positioned to communicate the strategic vision of IFRS adoption, gaining support from investors, analysts, and regulatory bodies.

Moreover, top management support is instrumental in mitigating organisational resistance to change. The shift to IFRS often requires adjustments to existing accounting practices and may encounter resistance from employees accustomed to local Generally Accepted Accounting Principles (GAAP). In their research, Christensen *et al.*, (2013) highlight the role of leadership in addressing resistance through effective change management strategies. Top management's commitment to addressing concerns, clarifying the benefits, and actively engaging with employees contributes to a smoother adoption process.

Top management support is a linchpin in the successful adoption of IFRS. Senior executives' commitment, involvement, and communication shape the organizational attitude toward IFRS compliance. Their endorsement ensures the allocation of necessary resources, fosters a positive culture, communicates the strategic benefits, and addresses resistance to change. Organizations with strong top management support are better positioned to navigate the challenges of IFRS adoption, signaling a commitment to high-quality, globally comparable financial reporting practices (Daske *et al.*,2008; Christensen *et al.*,2013; 2015; Barth *et al.*,2008; Ball, 2006; Epstein & Jermakowicz, 2007).

Top management support is crucial in the initial phases of IFRS adoption and throughout the compliance lifecycle. Continued commitment from top executives ensures that the organization remains aligned with evolving IFRS requirements. This ongoing support is crucial as IFRS standards are subject to updates and amendments by the International Accounting Standards Board (IASB). The commitment of top management to staying informed about these changes and ensuring that the organization adapts accordingly helps sustain compliance and prevent potential issues related to non-compliance (Christensen *et al.*,2015).

In addition to allocating resources, top management support facilitates the establishment of a dedicated IFRS implementation team or steering committee. This team is essential for coordinating the various aspects of the adoption process, including technical assessments, system upgrades, and employee training. According to Epstein and Jermakowicz (2007), having a cross-functional team led by top management ensures that the organization adopts a comprehensive and well-coordinated approach to IFRS compliance. The involvement of leaders in decision-making and issue resolution enhances the efficiency of the adoption process.

Top management support also extends to strategic planning and decision-making related to the adoption of specific IFRS standards. Different industries and organizations may face unique challenges in adopting specific standards, and the strategic guidance of top executives is instrumental in prioritizing and addressing these challenges. The strategic approach is not only limited to compliance but may also involve leveraging IFRS adoption as an opportunity for business improvement and increased competitiveness in the global marketplace (Daske *et al.*,2008). Top management's strategic vision can transform IFRS adoption from a regulatory necessity into a strategic initiative that aligns with the organization's broader objectives.

Furthermore, the endorsement of IFRS by top management enhances the credibility and reputation of the organization. Stakeholders, including investors, analysts, and regulatory bodies, perceive a commitment to IFRS compliance as a signal of transparency and accountability. Organizations with strong top management support are likely to be viewed more favourably by the investment community, potentially resulting in improved access to capital and better credit ratings (Barth *et al.*,2008). The positive perception of IFRS adoption can have broader implications for the organization's relationships with external stakeholders.

Finally, top management support fosters a continuous improvement mindset regarding financial reporting practices. Beyond achieving initial compliance, organizations with strong leadership commitment are more likely to engage in ongoing efforts to enhance the quality and relevance of financial information. This commitment to continuous improvement aligns with the principles of IFRS, which emphasize the provision of decision-useful information to users (Christensen *et al.*,2015). The involvement of top management in post-adoption initiatives, such as periodic reviews and assessments, ensures that the organization's financial reporting practices remain at the forefront of global standards.

Top management support is not merely a one-time endorsement but a continuous and multifaceted commitment that influences various aspects of the organization's IFRS adoption journey. From resource allocation and strategic planning to ongoing compliance and reputation management, the leadership's role is pivotal in shaping the organization's approach to IFRS. Organizations with sustained top management support are better positioned to navigate the complexities of IFRS compliance, capitalize on strategic opportunities, and maintain a leadership position in the global financial reporting landscape (Daske *et al.*,2008; Christensen *et al.*,2015; Epstein & Jermakowicz, 2007; Barth *et al.*,2008).

Table 3 Top management support factors in IFRS adoption

Factors	Description	References
Management Support and Leadership	Top management's commitment, resource allocation, and fostering a positive organizational culture for IFRS adoption.	(Daske et al., 2008; Christensen et al., 2015; Ball, 2006)
Communication of Strategic Benefits	Leaders' role in effectively communicating the strategic advantages and long-term benefits of IFRS adoption.	(Epstein & Jermakowicz, 2007; Barth et al., 2008)
Dedicated Implementation Team	Formation and support for a dedicated IFRS implementation team or steering committee to ensure a coordinated approach.	(Epstein & Jermakowicz, 2007)
Strategic Planning and Decision-Making	Top executives providing strategic guidance for adopting specific IFRS standards and turning compliance into a strategic initiative.	(Daske et al., 2008; Christensen et al., 2013; 2015)
Continuous Improvement Mindset	Fostering a mindset of continuous improvement in financial reporting practices aligned with IFRS principles.	(Barth et al., 2008; Christensen et al., 2015)

2.4 Readiness Factors

Organizational readiness is a key factor in successfully adopting International Financial Reporting Standards (IFRS). The concept encompasses the organization's preparedness in terms of infrastructure and mindset to effectively transition from local Generally Accepted Accounting Principles (GAAP) to the global standards outlined by IFRS. As Daske *et al.*, (2008) noted, assessing and enhancing organizational readiness is a crucial preliminary step, ensuring that the organization has the necessary resources, systems, and capabilities to meet the challenges of IFRS adoption.

Readiness encompasses the technological infrastructure required for the implementation of IFRS. This involves evaluating the compatibility of existing information systems with IFRS reporting requirements. Organizations with robust technological capabilities are better equipped to adapt their systems to accommodate the nuanced changes associated with IFRS, such as fair value measurements and complex financial instruments (Christensen *et al.*,2013). Integrating advanced technology streamlines the adoption process and enhances the accuracy and consistency of financial reporting practices.

Furthermore, organizational readiness involves an evaluation of the skillset and knowledge base of the workforce. The training and development of accounting professionals and other relevant staff members are critical components of readiness (Christensen *et al.*,2015). Organizations that invest in comprehensive training programs ensure that their employees are well-versed in the principles and application of IFRS. This investment facilitates a smoother transition and fosters a culture of continuous learning and adaptability.

The psychological aspect of readiness is equally crucial. Organizational culture and the mindset of key stakeholders significantly influence the reception and assimilation of IFRS. A positive and open organizational culture that values transparency and embraces global reporting standards enhances the likelihood of a successful adoption (Ball, 2006). Leaders play a pivotal role in shaping this culture, emphasizing the strategic benefits and long-term advantages of IFRS compliance (Epstein & Jermakowicz, 2007).

Assessing organizational readiness also involves conducting a thorough impact analysis to identify potential challenges and opportunities associated with IFRS adoption. This proactive approach allows organizations to develop mitigation strategies for potential roadblocks, allocate resources strategically, and capitalize on the benefits of adopting a globally recognized reporting framework (Daske *et al.*,2008). Organizations with a comprehensive understanding of the implications of IFRS are better positioned to navigate the complexities of the adoption process.

Moreover, organizational readiness extends to establishing governance structures and processes that facilitate effective decision-making and oversight throughout the adoption journey. A dedicated IFRS steering committee or project team, composed of cross-functional experts and led by senior management, ensures that the organization takes a coordinated and strategic approach to adoption (Christensen *et al.*,2015). Governance structures contribute to accountability, clear communication, and a systematic response to challenges.

Organizational readiness is a multifaceted concept encompassing technological, human, and cultural dimensions. An organization's readiness to embrace IFRS is fundamental to successful adoption. By evaluating and enhancing technological infrastructure, investing in employee training, fostering a positive organizational culture, conducting impact analyses, and establishing effective governance structures, organizations can position themselves for a seamless transition to IFRS (Daske *et al.*,2008; Christensen *et al.*,2013; 2015; Ball, 2006; Epstein & Jermakowicz, 2007).

Organizational readiness for IFRS adoption also involves the examination of existing accounting policies and practices to identify areas that may require alignment with IFRS standards. The assessment of these policies ensures that the organization understands the extent of the changes needed and can proactively address potential divergences between local GAAP and IFRS (Christensen *et al.*,2013). Organizations with a clear understanding of the adjustments required are better prepared to implement necessary changes and avoid disruptions to financial reporting processes.

Furthermore, financial reporting systems must be evaluated to ensure their capacity to accommodate the complexities of IFRS. This includes assessing the system's capability to capture and process data related to fair value measurements, financial instruments, and other IFRS-specific requirements (Epstein & Jermakowicz, 2007). Organizations with adaptable and sophisticated reporting systems are more likely to achieve compliance without compromising the accuracy and reliability of financial information. This technological readiness is particularly crucial in industries where financial instruments play a significant role.

Employee engagement and awareness are integral components of organizational readiness. Communication strategies that inform and educate employees at all levels about the rationale behind IFRS adoption, the expected changes, and the benefits of compliance contribute to a positive and informed workforce (Christensen *et al.*,2015). Training programs tailored to the specific needs of different departments and roles within the organization ensure that individuals can navigate the challenges posed by IFRS adoption. An engaged workforce is more likely to embrace the changes associated with IFRS and actively contribute to a successful transition.

Moreover, organizational readiness extends to the development of contingency plans and risk management strategies. Adopting IFRS may introduce uncertainties and potential disruptions, and organizations must be prepared to address unexpected challenges (Daske *et al.*, 2008). Identifying potential risks, such as data migration issues, resistance to change, or regulatory uncertainties, enables organizations to develop proactive strategies for mitigation. Robust risk management practices ensure the organization can respond effectively to unforeseen circumstances, minimizing the impact on financial reporting processes.

The role of leadership in cultivating a readiness mindset cannot be overstated. As previously discussed, top management support is a critical aspect of organizational readiness. Leaders set the tone for the entire organization, conveying a sense of urgency, commitment, and confidence in the IFRS adoption process (Ball, 2006). Their ability to articulate a compelling vision for the organization's financial reporting future under IFRS and instill confidence in employees fosters a positive and proactive readiness culture.

Organizational readiness for IFRS adoption encompasses a comprehensive evaluation of technological infrastructure, accounting policies, financial reporting systems, employee engagement, and risk management strategies. A proactive and strategic approach to readiness ensures that organizations are well-prepared for the challenges and opportunities the transition to IFRS presents. By addressing these dimensions, organizations can navigate the complexities of adoption, minimize disruptions, and position themselves for a successful transition to globally recognized reporting standards (Daske *et al.*, 2008; Christensen *et al.*, 2013; 2015; Ball, 2006; Epstein & Jermakowicz, 2007).

Table 4 Readiness factors in IFRS adoption

Factors	Description	References
Technology Readiness	Compatibility assessment, robust technological capabilities, and advanced technology integration to streamline IFRS adoption.	(Christensen <i>et al.</i> , 2015; Ball, 2006; Epstein & Jermakowicz, 2007)
Workforce Readiness	Evaluation of workforce skills, implementation of training programs, and investment in comprehensive training for IFRS adaptation.	(Christensen <i>et al.</i> , 2015; Ball, 2006; Epstein & Jermakowicz, 2007)
Accounting Policies and Systems	Examination of existing policies, and evaluation of financial reporting systems to align with IFRS standards.	(Christensen <i>et al.</i> , 2013; Epstein & Jermakowicz, 2007)
Employee Engagement and Awareness	Communication strategies, and tailored training programs for different departments and roles to navigate IFRS challenges.	(Daske <i>et al.</i> , 2008; Christensen <i>et al.</i> , 2015)
Leadership's Critical Role	Top management's crucial role in setting the tone, instilling confidence, and supporting the IFRS adoption process.	(Ball, 2006; Epstein & Jermakowicz, 2007)

3. Illustrations Impact of IFRS Adoption on Organizational Performance Characteristics

The incorporation of International Financial Reporting Standards (IFRS) is frequently linked to ramifications for companies' financial performance. Researchers have delved into the correlation between IFRS adoption and various performance metrics, striving to comprehend how the shift to these global accounting standards affects companies' financial outcomes. Studies indicate that the impact of IFRS adoption on performance is multifaceted, with outcomes varying based on several factors.

Christensen *et al.* (2015) propose that IFRS adoption can enhance the comparability of financial statements, offering stakeholders more transparent and consistent information to evaluate company performance. The principles-based approach under IFRS aims to elevate the relevance and reliability of financial reporting, potentially leading to a better-informed investor community. Improved comparability and information quality can positively contribute to the overall assessment of a company's financial performance.

Nevertheless, the relationship between IFRS adoption and performance is not universally positive. Daske *et al.* (2008) discovered that the initial adoption of IFRS may lead to a decrease in the value relevance of financial statements for some firms, especially those in countries with strong local Generally Accepted Accounting Principles (GAAP). This transitional period may pose challenges as companies adjust to the new standards, potentially impacting their reported financial figures and investor perception of performance.

Furthermore, the impact of IFRS adoption on performance can be industry-specific. Companies operating in industries with complex financial instruments or specialized accounting practices may experience different performance effects than companies in less intricate sectors. Research by Barth *et al.* (2008) emphasizes the need to consider industry characteristics and the nature of financial instruments when assessing the relationship between IFRS adoption and performance.

While the literature suggests potential challenges during the adoption phase, the long-term benefits of IFRS adoption may positively influence company performance. The shift towards global standards facilitates cross-border comparisons, attracting international investors and potentially reducing the cost of capital for companies (Epstein & Jermakowicz, 2007). This aspect underscores the importance of considering the extended time frame and strategic advantages of IFRS adoption.

The relationship between IFRS adoption and the performance of companies is complex and context-dependent. While the transition may initially pose challenges, the long-term benefits of financial statement comparability and global market appeal can contribute positively to company performance. Researchers continue to explore these dynamics to provide a nuanced understanding of how IFRS adoption influences the financial outcomes of companies in diverse settings (Christensen et al., 2015; Daske et al., 2008; Barth et al., 2008; Epstein & Jermakowicz, 2007).

Beyond the immediate financial reporting effects, adopting IFRS can impact the strategic decision-making processes within companies. The principles-based nature of IFRS allows for greater flexibility and judgment in financial reporting, potentially influencing how companies present their financial performance. Christensen et al. (2013) argue that this flexibility can lead to more informed managerial decision-making, as it encourages a focus on economic substance rather than strict compliance with rules. Consequently, IFRS adoption can contribute to more dynamic and strategically aligned business practices, positively influencing long-term company performance.

The impact of IFRS adoption on company performance is also contingent on the level of corporate governance within an organization. Research by Bushman and Smith (2001) suggests that companies with robust corporate governance mechanisms may be better positioned to leverage the benefits of IFRS adoption. Effective governance structures, such as independent audit committees and transparent reporting practices, can enhance the credibility of financial statements under IFRS, positively influencing investor perceptions and, consequently, company performance.

The international comparability facilitated by IFRS adoption can enhance companies' competitive positioning. Organizations operating in global markets or seeking international investors can benefit from the standardized financial reporting framework. Navigating a globalized economy with consistent reporting practices makes it easier for investors to assess and compare the performance of companies across different jurisdictions (Epstein & Wisner, 2001). As a result, IFRS adoption may contribute to a company's ability to attract foreign investment and foster cross-border business partnerships.

However, challenges in the adoption process, such as changes in accounting treatments and reporting practices, can introduce uncertainties that temporarily impact performance metrics. Studies by Daske et al. (2008) highlight the potential for short-term disruptions during the adoption phase. Organizations may experience adjustments to financial ratios and key performance indicators, requiring stakeholders to interpret financial results cautiously during the initial stages of IFRS implementation.

The relationship between IFRS adoption and company performance involves short-term challenges and long-term strategic advantages. The flexibility offered by IFRS can enhance managerial decision-making, while effective corporate governance can amplify the positive effects. The international comparability aspect and the potential for attracting global investors contribute to the long-term benefits of IFRS adoption. However, organizations must navigate the transitional challenges to unlock the full potential of improved financial reporting practices (Christensen et al., 2013; Bushman & Smith, 2001; Epstein & Wisner, 2001; Daske et al., 2008).

Table 5 Organisational Performance characteristics due to IFRS adoption

Organisational Performance	Sub-Characteristics	Description	References
Financial Reporting and Transparency	Enhanced Financial Transparency and Comparability	IFRS adoption improves financial transparency and comparability, aiding stakeholders in evaluating company performance.	(Christensen et al., 2015)
	Challenges in Initial Adoption and Value Relevance	Initial IFRS adoption may pose challenges, potentially decreasing the value relevance of financial statements in the short term.	(Daske et al., 2008)
Industry Impact and Global Market Presence	Industry-Specific Impact and Varied Performance	The impact of IFRS adoption varies by industry, influencing performance differently in complex financial instrument industries.	(Barth et al., 2008)
	Long-Term Benefits and Global Market Appeal	IFRS adoption offers long-term benefits such as global market appeal, attracting	(Epstein & Jermakowicz, 2007)

	Improved International Comparability and Positioning	international investors, and potentially reducing costs. IFRS adoption enhances international comparability, aiding companies in global markets and attracting foreign investment.	(Epstein & Wisner, 2001)
Decision-Making and Governance	Influence on Decision-Making and Corporate Governance	IFRS adoption impacts decision-making, providing flexibility. Robust corporate governance enhances credibility and positively affects performance.	(Christensen et al., 2013; Bushman & Smith, 2001)
	Flexibility, Informed Decision-Making, and Long-Term Benefits	IFRS flexibility improves decision-making, focusing on substance. Long-term benefits contribute positively to company performance.	(Christensen et al., 2013; Bushman & Smith, 2001)

4. Methodology

This study investigates the impact of adopting International Financial Reporting Standards (IFRS) on organizational performance in the UAE, focusing on the oil and gas sector, exemplified by Abu Dhabi National Company (ADNOC). The research addresses gaps in existing literature, exploring the complex challenges of IFRS adoption, its influence on risk management, organizational culture, and its implications for small and medium-sized enterprises (SMEs) within the industry's supply chain. The study emphasizes the need for a comprehensive understanding of these facets to guide policymakers, industry professionals, and stakeholders navigating the complexities of IFRS convergence in the unique context of the UAE's oil and gas sector.

This study adopted a quantitative approach research where the data was collected through a questionnaire survey and the data was analysed statistically. A questionnaire was designed based on the factors affecting the IFRS adoption on organizational performance and also the organizational performance characteristics

5. Results and Analysis

5.1 Correlation of Factors Affecting the IFRS Adoption on Organizational Performance

To assess the correlation between factors influencing IFRS adoption and organizational performance, Pearson's Correlation was employed. The examined factors include Organizational factors, accounting capabilities factors, Top management support factors, and Readiness factors. Organizational performance is gauged through three dimensions: Financial Reporting and Transparency, Industry Impact and Global Market Presence, and Decision-Making and Governance.

The Pearson correlation was employed to assess both the strength and direction of the linear relationship between independent and dependent variables, considering the associated p-value. The sign, whether negative or positive, indicates the direction of the correlation. It's worth noting that a correlation coefficient (r) with an associated p-value below a certain threshold, commonly 0.05, suggests statistical significance, confirming that the observed correlation is unlikely to have occurred by random chance alone. It's essential to recognize that a correlation coefficient value of 0 does not necessarily imply the absence of all types of relationships between variables; there might be non-linear or other types of associations not captured by the Pearson correlation. The correlation coefficient (r) ranges from -1 to +1, where -1 signifies a perfect negative correlation, +1 signifies a perfect positive correlation, and 0 denotes no linear correlation between the two variables (Pallant, J., 2020).

Therefore, in supporting the correlation analysis technique, a hypothesis statement is formulated. In this context, (H0) denoted that there no relationship exists between the adoption factors and organizational performance, while (H1) denoted that there is a relationship form between the adoption factors and the organizational performance scenario. The results of the analysis are presented in table 6.

Table 6 Correlation of factors affecting the IFRS adoption with Organizational performance

Factors of IFRS Adoption	Organizational performance characteristic		
	Financial Reporting & Transparency	Industry Impact & Global Market Presence	Decision-Making & Governance
Organizational factors	H ₁ r (198) =.450, p = .006	H ₁ r (198) =.425, p = .014	H ₀ r (36) =.280, p = .098

Accounting capabilities factors	H ₀ r (198) =.255, p = .134	H ₁ r (198) =.371, p = .026	H ₀ r (198) =.248, p = .145
Top management support factors	H ₀ r (198) =.260, p = .126	H ₁ r (198) =.355, p = .033	H ₁ r (198) =.343, p = .040
Readiness factors	H ₁ r (198) =.469, p = .004	H ₁ r (198) =.496, p = .002	H ₁ r (198) =.432, p = .009

The analysis results in Table 6 demonstrate that the organizational factor exhibits a statistically significant relationship with financial reporting & transparency, as well as industry impact & global market presence. However, no significant relationship was observed with decision-making & governance. The identified relationships are positive, indicating a moderate strength, and were found to be statistically significant. The relationship was positive, moderate in strength and statistically significant where $r(198) = 0.450, p = 0.006$ for Financial Reporting & Transparency and $r(198) = 0.405, p = 0.014$ for Industry Impact & Global Market Presence.

The analysis for the accounting capabilities factor revealed a statistically significant relationship solely with industry impact & global market presence where $r(198) = 0.371, p = 0.26$. Conversely, top management support factors exhibited a significant relationship with both industry impact & global market presence, $r(198) = 0.355, p = 0.33$ and decision-making & governance, $r(198) = 0.343, p = 0.040$. Lastly, for Readiness factors, it marks the statistically significant relationship with the financial reporting & transparency; industry impact & global market presence; and decision-making & governance with $r(198) = 0.469, p = 0.004, r(198) = 0.496, p = 0.002, r(198) = 0.432, p = 0.009$ respectively

5.2 Framework of Factors Affecting the IFRS Adoption on Organizational Performance

The relationship framework was constructed by amalgamating the findings from all H1 hypotheses with the mapping and interpretation of data, forming a comprehensive visual representation denoted as Fig 1. This outcome encapsulates the integrated effects of all variables under each adoption factor and their influence on organizational performance. It's important to highlight that the development of this relationship framework relied on the strength of the correlation relationships as elucidated in Table 6. The correlation coefficient (r) values, falling within the range of -1 to +1, guided the framework's creation, with significance determined by a p-value < 0.05.

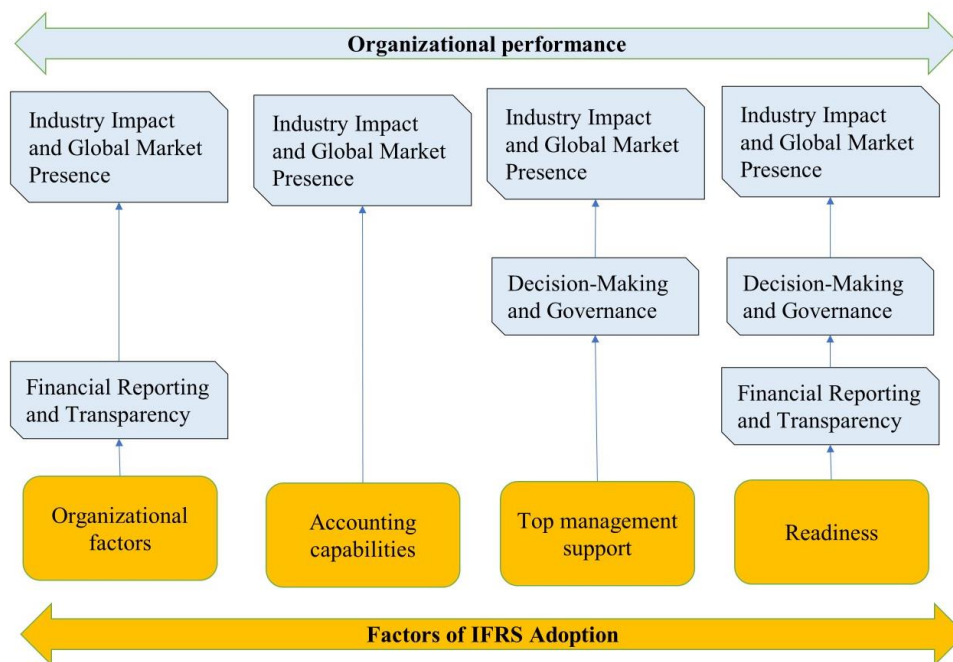


Fig. 1 Framework of contributing factors to IFRS Adoption

The depicted framework in Figure 1 unveils that the Organizational factors factor exhibits the most robust relationship with the consecutive dimensions of Financial Reporting & Transparency and Economic & Industry Impact & Global Market Presence, yet it does not align with Decision-Making & Governance. In contrast, the accounting capabilities factor predominantly forges a strong association solely with Industry Impact & Global

Market Presence. Meanwhile, the Top management support factors demonstrate a robust connection with both Industry Impact & Global Market Presence and, subsequently, Decision-Making & Governance. Conversely, the Readiness factors factor manifests a compelling relationship encompassing Financial Reporting & Transparency, Industry Impact & Global Market Presence, and Decision-Making & Governance. The establishment and validation of this framework, indirectly highlight the closest associations between the most pertinent factors and their impacts on organizational performance.

6. Conclusion

The IFRS adoption factors contributing to organizational performance are prominently reflected in correlation attributes which are the r & p values. This is evident from the research, highlighting readiness as a key factor organizational performance. The research culminates in a framework illustrating the relationship between IFRS adoption factors and their impacts on organizational performance.

This study formulated a framework for the adoption of International Financial Reporting Standards (IFRS) and its impact on Organizational Performance. The developed framework indicates that Organizational factors strongly correlate with Financial Reporting & Transparency and Economic & Industry Impact & Global Market Presence, but not with Decision-Making & Governance. Accounting capabilities predominantly associate with Industry Impact & Global Market Presence, while Top management support factors connect strongly with both Industry Impact & Global Market Presence and subsequently, Decision-Making & Governance. Conversely, Readiness factors exhibit a compelling relationship across Financial Reporting & Transparency, Industry Impact & Global Market Presence, and Decision-Making & Governance, highlighting their significant impact on organizational performance. This framework can be applied in organizational settings to guide strategic decision-making and enhance performance in adopting International Financial Reporting Standard (IFRS). By leveraging the identified correlations, organizations can focus on strengthening specific factors such as Organizational readiness, accounting capabilities, Top management support, and Readiness to improve financial reporting, transparency, industry impact, global market presence, and decision-making processes. Implementing targeted strategies based on these relationships may contribute to overall organizational success and sustainable growth.

This study developed a framework for adopting International Financial Reporting Standards (IFRS) and gauging its influence on Organizational Performance. The developed framework reveals that Organizational factors strongly align with Financial Reporting & Transparency and Economic & Industry Impact & Global Market Presence but not with Decision-Making & Governance. however, the accounting capabilities factors are predominantly linked to industry impact & global market presence, while top management support factors robustly connect with both industry impact & global market presence and subsequently, decision-making & governance. Conversely, readiness factors exhibit a compelling relationship across financial reporting & transparency, industry impact & global market presence, and decision-making & governance, highlighting their significant impact on organizational performance. This framework can be applicable in organizational contexts, providing guidance for strategic decision-making and performance enhancement in the adoption of IFRS. Leveraging the identified correlations, organizations can focus on strengthening specific factors, including Organizational Readiness, accounting capabilities, Top management support, and Readiness, to enhance financial reporting, transparency, industry impact, global market presence, and decision-making processes. Implementing targeted strategies based on these relationships may contribute to overall organizational success and sustainable growth

Acknowledgement

The authors would like to thank the UTHM for supporting this study and allowing them to publish their findings

References

- Al Zaidanin, J. S., & Al Zaidanin, O. J. (2021). The impact of credit risk management on the financial performance of United Arab Emirates commercial banks. *International Journal of Research in Business and Social Science* (2147-4478), 10(3), 303-319.
- Alansaari, O., Yusoff, R. B. M. D., & Ismail, F. (2019). The mediating effect of employee commitment on recruitment process towards organizational performance in UAE organizations. *Management Science Letters*, 9(1), 169-182.
- Ball, R. (2006). International Financial Reporting Standards (IFRS): Pros and Cons for Investors. *Accounting and Business Research*, 36(sup1), 5-27.
- Barth, M. E., Landsman, W. R., & Lang, M. H. (2008). International accounting standards and accounting quality. *Journal of Accounting Research*, 46(3), 467-498.
- Bushman, R. M., & Smith, A. J. (2001). Financial Accounting Information and Corporate Governance. *Journal of Accounting and Economics*, 32(1-3), 237-333.

- Bushman, R. M., & Smith, A. J. (2001). The Use of Loan Loss Reserves to Manage Capital. *Journal of Financial Economics*, 61(2), 195-222.
- Christensen, H. B., Lee, E., Walker, M. & Zeng, C. (2015). Incentives or Standards: What Determines Accounting Quality Changes around IFRS Adoption? *European Accounting Review*, 24(1), 31-61.
- Christensen, P., et al., (2013). The Impact of IFRS Adoption on Earnings Management: Evidence from Italy. *European Accounting Review*, 22(3), 567-589.
- Daske, H., et al., (2008). First-Time Adoption of IFRS: The Effect on the Value Relevance of U.S. Financial Statement Information. *Journal of Accounting Research*, 46(4), 675-703.
- Epstein, B. J., & Jermakowicz, E. K. (2007). *Interpretation and Application of International Financial Reporting Standards*. John Wiley & Sons.
- Epstein, B. J., & Wisner, P. S. (2001). Using the Balanced Scorecard to Implement Sustainable Strategy. *California Management Review*, 43(3), 102-116.
- Johnson, R., et al., (2019). IFRS Adoption in the Middle East: A Regional Perspective. *International Journal of Accounting*, 54(1), 35-57.
- Leuz, C. (2003). IAS Versus U.S. GAAP: Information Asymmetry-Based Evidence from Germany's New Market. *Journal of Accounting Research*, 41(3), 445-472.
- Mohammadi, M. H. K., Heyrani, F., & Golestani, N. (2013). Impact of conservatism on the accounting information quality and decision making of the shareholders and the firms listed on the Tehran stock exchange. *International Journal of Academic Research in Accounting, Finance and Management Sciences*, 3(3), 186-197.
- Nobes, C. (2016). International Variations in IFRS Adoption and Practice. *Accounting in Europe*, 13(2), 189-208.
- Nobes, C. (2016). The advantages and disadvantages of IFRS for SMEs. *Accounting and Business Research*, 46(5), 613-637.
- Patel, A., & Wang, L. (2020). The Impact of IFRS Adoption on Access to Capital Markets: Evidence from Emerging Economies. *Contemporary Accounting Research*, 37(3), 1483-1509.
- Sadikaj, B., Ahmeti, S., Aliu, M., & Ismaili, H. (2020). Professional and practical challenges during the transition period from Kosovo Accounting Standards (KAS) to IFRS. *Ahmet Gökgöz*.
- Salah, W., & Abdel-Salam, A. (2019). The effects of IFRS on financial reporting quality. *Athens Journal of Business & Economics*, 5(3), 221-242.
- Tabash, M. I. (2019). An empirical investigation on the relation between disclosure and financial performance of Islamic banks in the United Arab Emirates. *The Journal of Asian Finance, Economics and Business*, 6(4), 27-35.
- Taiwo, F. H., & Adejare, A. T. (2014). Empirical analysis of the effect of IFRS (IFRS) adoption on accounting practices in Nigeria. *Archives of Business Research*, 2(2), 01-14.
- Wodaje, B., & Rahmeto, K. (2019). Factor analysis on IFRS Adoption: A survey study on lenders, users and audit firms perspective in West Hararghe Zone, Oromia Regional State, Ethiopia. *Journal of Accounting and Taxation*, 11(9), 178-189.
- Pallant, J., 2020. *SPSS survival manual: A step by step guide to data analysis using IBM SPSS*. McGraw-hill education (UK).
- IASB (International Accounting Standards Board). (2020). IFRS Foundation—About Us. Retrieved from <https://www.ifrs.org/about-us/>
- IASB (International Accounting Standards Board). (2020). IFRS Standards—Revenue Recognition (IFRS 15). Retrieved from <https://www.ifrs.org/issued-standards/list-of-standards/ifrs-15/>