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# Institutional theory and accounting rule choice: an analysis of four US state governments' decisions to adopt generally accepted accounting principles

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## Abstract

In this study, we use institutional theory to explore how institutional pressures exerted on four state governments (New York, Michigan, Ohio, Delaware) influenced the decision of these governments to adopt or resist the use of generally accepted accounting principles (GAAP) for external financial reporting. We identify resource dependence as a potent form of coercive institutional pressure that was associated with early GAAP adoption. We identify three factors that may lead to initial resistance to institutional pressures for change. First, if accounting bureaucrats are not active in professional associations that promote GAAP adoption, they may miss the educational

process that we believe is important to early adoption of GAAP. Second, organizational printing may impede GAAP adoption. Third, powerful interests may impede GAAP if the proposed GAAP legislation is expected to alter the existing power relationships. We found that key accounting bureaucrats in New York and Michigan used "compromise" as an initial strategic response to institutional pressures to adopt GAAP, Ohio's key accounting bureaucrat adopted a "defy" strategy, although the political leadership endorsed an "acquiesce" strategy. While Delaware initially employed a "manipulate" strategy with some success. Delaware did not adopt GAAP for external reporting until a political entrepreneur for GAAP emerged in the early 1990s. Our study suggests that all strategic responses to resist institutional pressures for GAAP adoption will ultimately fail because of the potency of the institutional pressures that result from the well organized professional accounting and governmental institutional fields.



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