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The forces of revenue recognition standard changes in a telecommunication company: A qualitative approach

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Abstract

Revenue recognition is one of the crucial key performance indicators for each organisation. The forces of the revenue recognition standard change may cause different experiences for organisations in many ways. Currently, the revenue recognition implementation method is different from what it was in the past. As a result, an organisation that goes through changes may have different experiences and approach problems differently. Organisational change may be triggered by external factors, such as government policies that specifically target a certain sector. Moreover, alterations in the criteria and protocols of regulatory entities might potentially initiate organisational change, in line with the coercive isomorphism of institutional theory. The objective of this study was to enhance comprehension of the forces influencing changes in revenue recognition standards within a telecommunications company by conducting an explanatory case study on a Malaysian telecommunications company. The semi-structured interviews were conducted to get better and more in-depth information on how the company handled the situation. This study found that external factors and regulatory regulations may significantly influence only a small part of an organisation, leading to changes in its operational structure and activities. These changes aim to improve performance, strengthen organisational stability, and promote improved financial reporting. The focus on the telecommunications industry may add to the body of knowledge concerning complex product-based industries. This study provides a foundation for further research into how such industries navigate regulatory changes and adapt their practices accordingly.

Keywords: *Revenue recognition; Accounting standard; Organisational change; Institutional theory; Telecommunication company.*

Introduction

The announcement by the Malaysian Accounting Standards Board (MASB) in 2008 that the accounting standards of listed companies in Malaysia are to be fully aligned with International Financial Reporting Standards (IFRS) by January 1, 2012, raises critical questions for standard setters and auditors. Revenue is a significant financial figure in financial statements and plays a crucial role in assessing a company's performance. It is commonly used to determine various performance indicators, including compensation for key personnel, investment decisions, and tax expenditures. Most firms rely on their revenue to determine their prosperity. As the most significant element in the Income Statement, revenue serves as a key performance indicator for investors and receives attention in the financial press (Ismail, 2014). Consequently, achieving accurate revenue recognition is of utmost importance.

A new accounting standard is introduced or an existing standard is revised, and the standard-setting body, such as MASB, sets a timeline for implementation. This timeline may vary depending on the nature of the change and the size of the organisations. Thus, an organisation that experiences the changes may face different experiences, and the way they solve any issues that arise may also be different. The forces of the revenue recognition standard change may cause different experiences for organisations in many ways. Currently, the implementation of the new process to recognise revenue is different compared to the previous one. When Malaysia has fully converged to the IFRSs, a controversial issue regarding revenue recognition in accounting, especially on long-term contracts or services (Muhammad & Ghani, 2019; Silvia, 2014), arises when the revenue recognition gets complicated when previous criteria do not engage with the different types of industry.

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The recently established revenue recognition standard has triggered significant interest due to its profound influence on financial reporting and disclosure. It poses significant challenges for entities, as stated by Hepp (2018), who believes that we are entering an era of unprecedented change in financial reporting. significant changes in accounting standards can also give rise to significant issues and obstacles for organisations. Whenever there is a revision or update in accounting standards, organisations must adjust their systems and procedures to align with the new standards. Thornton (2018) has done an analysis study on multiple types of industries, including telecom, retail, utilities, and construction, and identified the common issues arising by entities because of the transition to new revenue recognition standards. The analysis found that the industry that is most expecting significant changes is the telecommunication industry (Thornton, 2018). According to Thornton (2018), an analysis of one telecommunication company in Norway has highlighted that a company has to allocate its contract revenue based on standalone selling prices. Thus, they have implemented new rules of accounting policy and made a change in their routines to recognise their revenue (Thornton, 2018).

Similarly, PwC Malaysia and Project Chair of MASB MFRS15 Working Group, Irvin Menezes, remarked that telecommunications is the most impacted business owing to the sheer quantity of their clients and that system modification is needed to facilitate the adoption of MFRS15 (Accountants Today, 2018). Furthermore, he said that MFRS15 not only impacts financial reporting but also has strategic ramifications across the company landscape (Accountants Today, 2018). Therefore, the purpose of this study is to determine the forces of revenue recognition change influencing organisational change in a small department at the organisational level of a telecommunications company.

Most of the previous studies on financial accounting standards change study on the impact on financial reporting and disclosure (Veysey, 2020) auditor's role as intermediaries regulatory in the IFRS setting process (Kohler, Pochet, & Le Manh, 2021) forecasts for revenue, operating income, earnings quality, and earnings management (Piosik, 2021; Tutino, Regoliosi, Mattei, Paoloni, & Pompili, 2019). However, the financial accounting changes that focus on the impact of organisational change are too little. For example, a study done by Kamal Hassan (2008) is about financial accounting regulations and organisational change from a Habermasian perspective. As acknowledged in the literature on the organisational cahne, most studies focused on organisational change by adapting institutional theory from a management accounting perspective. Nevertheless, there is a study done by Kamaruzzaman Muhammad, Mastuki, Darus, and Ghani (2019) on accounting information system change at a Malaysian agricultural company that has adapted institutional theory to describe how the forces of accounting information system change influenced the organisational change.

Therefore, the objective of this study is to identify the external and internal factors that influence organizational change within a specific division of a telecommunications company in Malaysia. The study reveals that external forces, along with regulatory guidelines, exert a notable influence on this organizational division. Moreover, these external factors prompt internal changes, including a reconfiguration of the operational framework and actions, with the goal of optimising performance, guaranteeing organisational steadiness, and promoting financial disclosure. The findings of this study may serve as a benchmark and manual for other sectors facing comparable challenges with communications companies. Furthermore, this research has the potential to enhance the existing accounting literature by adding a novel aspect of organisational change, specifically focusing on the viewpoint of financial accounting standard change via institutional theory.

The next section of this paper is structured as follows: Section 2 provides the literature review, and Section 3 outlines the research design. Section 4 provides findings and discussion. The last section will be the conclusion of this paper.

Literature Review

Essential Implementation of MFRS15 Revenue from Contracts with Customers

The new revenue recognition was introduced by MASB on the 2nd of September 2014, and is known as MFRS 15 *Revenue from Contract with Customers*. MFRS 15 has replaced the previous standards, which are MFRS 111 *Construction Contracts*, MFRS118 *Revenue*, IC 13 *Customer Loyalty Programmes*, IC 15 *Agreements for the Construction of Real Estate*, IC 18 *Transfers of Assets from Customers*, and SIC-13 *Revenue – Barter Transactions Involving Advertising Services*. Before the implementation of MFRS15, previous standards such as MFRS111 and MFRS118 had limited guidance, particularly on complex transactions, and did not engage due to different accounting treatments for similar transactions. For instance, some of the more complicated industries include telecommunication, construction, automotive, real estate, media and entertainment, and healthcare.

These industries typically recognise revenue based on contracts that are contract-driven, determined on a customer-by-customer basis, and even determined on a contract-per-contract basis. Specifically, the revenue recognition requirements of various deliverable arrangements may apply to contract accounting revenue. The set of standards does not consistently account for contract revenue. For instance, the prior standards did not include important topics such as variable price, multiple element arrangements, guarantees, rights of return, and licencing (MASB, 2014; Thornton, 2014). Thus, MFRS15 aims to rectify the deficiencies in MFRS111 and MFRS118 by offering improved instructions on the timing and manner in which an organisation should acknowledge revenue from client contracts, as well as by requiring enhanced information and transparency in the financial statements. Starting from 1 January 2018, all organisations are required to apply the MFRS15 for their yearly periods.

According to the IASB and US national standard-setter, the Financial Accounting Standard Board (FASB), the introduction of the new revenue recognition is to provide more useful information to the users, simplify the preparation of financial statements, provide a more robust framework, and harmonise revenue recognition practices (MASB, 2014). All these consequences are to remove the inconsistencies and weaknesses (MASB, 2014) of the old revenue rules and to improve the comparability of revenue recognition practices across entities and industries (Boujelben & Kobbi-Fakhfakh, 2020; Lemus, 2014; MASB, 2014).

Under MFRS15, an entity shall apply the core principle of MFRS15, which is represented in a single model. The Accounting Standards Board (ASB) (2015) has mentioned that steps 1, 2, and 5primarily relate to revenue recognition. Steps 3 and 4, relate to revenue measurement (Boujelben & Kobbi-Fakhfakh, 2020; Deqiu & Qing, 2023; Hu & Lee, 2022; Loan, Brahmi, Nuong, & Binh, 2023). This study has illustrated briefly the five-step model of revenue recognition under MFRS15 in Figure 1 as below:

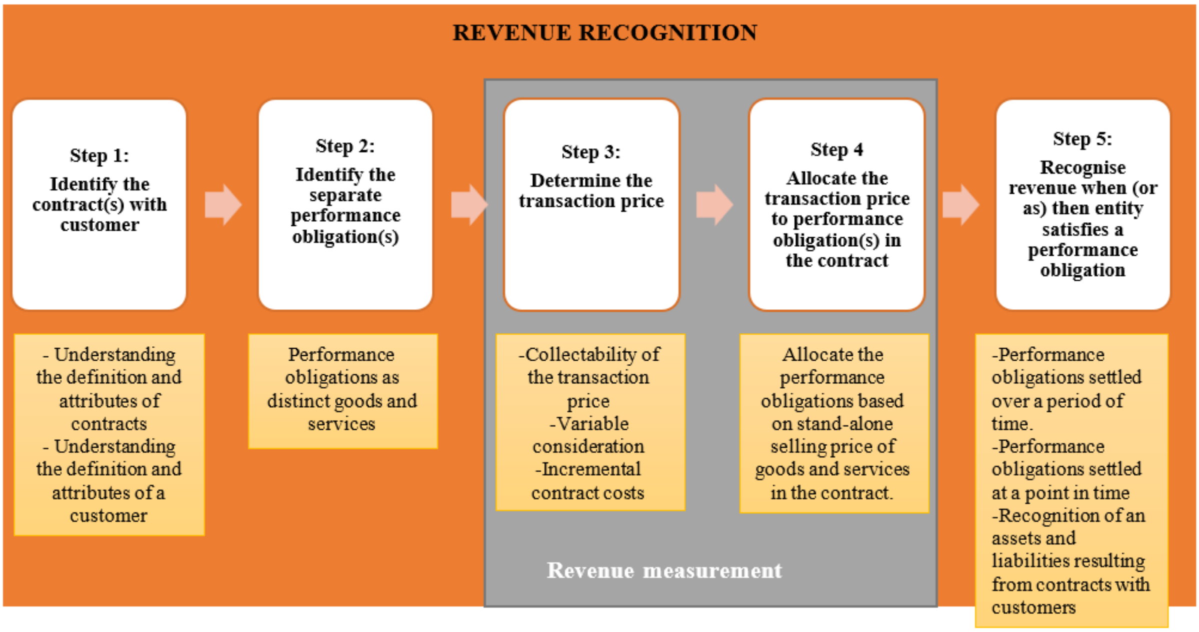

Figure 1. Five-step model of revenue recognition under MFRS15

Generally, accounting plays a minor role in organisational areas in dealing with the provision of information that aids managerial decision-making (da Silva Monteiro & Aibar-Guzmán, 2010). Currently, the "new ways" of accounting roles in organisations have been demanded using new norms, techniques, and reporting abilities that allow tying environmental issues to the financial and economic ones in the analysis of companies' performance and positions (da Silva Monteiro & Aibar-Guzmán, 2010; Hopwood, 2009). This stresses by Broadbent and Laughlin (2005) that accounting change plays a wider role in the organisational change process (da Silva Monteiro & Aibar-Guzmán, 2010). Therefore, accounting changes in the organisation forces organisational change.

Forces of Accounting Standard Change on Organisational Change

The force of accounting standard change refers to the impact and influence that changes in accounting legislation and standards have on each business entity, financial reporting, and related practices. These changes can be driven by various factors, such as evolving business practices, international convergence efforts, advances in technology, or lessons learned from financial crises. Understanding the complexity of the social, political, and economic framework in which accounting standards develop and alter is necessary for explaining the function of these regulations (Kamal Hassan, 2008), particularly when the change in accounting standards may influence organisational change.

Organisational change has raised much discussion in the previous literature (Townley, 2002; Tsamenyi, Cullen, & González, 2006). Therefore, no wonder studies on organisational change are now widely accepted in the literature (Laughlin, 1991; Kamaruzzaman Muhammad et al., 2019; Richard, Devinney, Yip, & Johnson, 2009). In accounting change phenomena, the role of accounting systems where the system operates in organisations and society that cause organisational change has to get raised attention by various previous studies (Hopper & Armstrong, 1991; Kamal Hassan, 2008; Watts & Zimmerman, 1978). In the process of organisational change, some changes in terms of structure, practices, and roles (Norhayati & Siti-Nabiha, 2009) are expected to occurr. The process of this kind of accounting change can be sparked by some factors that force organisational change.

The power of organisational change pertains to the determinants that impel organisations to undertake and endure substantial modifications. The causes that drive organisational change may originate from external forces, such as government regulations and political shifts, as well as internal factors, such as organisational complexity and the desire to enhance performance and productivity. Hence, the interplay between internal and external forces is important in determining an organization's need for and drive for change. The accounting standard may vary in response to internal factors such as the structure and complexity of the organisations, or external influences such as new legislation and political developments. The external environment and internal behaviours of an organisation's members are seen as sources of pressure for change (Greenwood, Díaz, Li, & Lorente, 2010; Kamaruzzaman Muhammad et al., 2019; Sinarasri, Chariri, & Zulaikha, 2023). The interaction between external and internal pressures is the main element in accounting standard change in the organisation.

Institutional Theory

An overview of the analytical model of organisational change that Laughlin (1991), created was to conceptualise the dynamic change process that an organisation goes through (da Silva Monteiro & Aibar-Guzmán, 2010). According to Laughlin (1991) organisations have sub-systems, design archetypes, and interpretive schemes that are typically well-balanced and cohesive. A "disturbance" is what starts the process of organisational transformation, and organisations can choose between four potential paths to take in response (da Silva Monteiro & Aibar-Guzmán, 2010; Laughlin, 1991). The following are the four potential paths: i) *Rebuttal.* Refuse to accept any alterations made. Minor alterations; ii) *reorientation. A company must contend with mounting pressures and minor adjustments*. Do not alter its core; iii) *Colonization*. External or internal pressures. Changes that take root in new beliefs and values, and iv) *Evolution*. Fundamental changes in its values, beliefs, and underlying presumptions about organisational behaviour.

The question of social legitimacy. Institutional theorists argue that organisations respond to pressure from their institutional environments by adopting some practices, for example, financial accounting, that are socially accepted as appropriate, although those practices might be inefficient (DiMaggio & Powell, 1983; Meyer & Rowan, 1977). The isomorphic mechanism in institutional theory is used to explain the process that is motivated by a desire to gain social legitimacy (DiMaggio & Powell, 1983; Kamal Hassan, 2008).

Organisational change is often driven by the need to improve performance to adapt to market conditions. As a result, a variety of forces can drive organisational change. Isomorphic mechanisms are instruments or forces that describe how and why organisations tend to go from diversity to similarity. According to DiMaggio and Powell (1983), a study has proposed the motivation to adopt institutional practices into three classifications: coercive, normative, and mimetic isomorphism (Dillard, Rigsby, & Goodman, 2004). The force of organisational change refers to situations where organisations are required to change due to external forces, such as government policy. Furthermore, the change in the standards and procedures of regulatory bodies can also create organisational change, consistent with the coercive isomorphism of institutional theory. Coercive isomorphism is a concept from institutional theory that describes a form of organisational change that is driven by external pressures and coercion rather than voluntary choice. Organisational change may also be instigated by internal forces, in which a company experiences pressure from stakeholders, such as investors or consumers, to embrace certain practices or habits. These pressures arise from the conviction that emulating the methods of successful businesses is more advantageous and effective. This scenario pertains to mimetic isomorphism. Normative isomorphism refers to a kind of organisational change that is influenced by professional standards, social conventions, and commonly held ideas within a certain sector. The experts and consultants responsible for establishing standards of conduct have the potential to have an influence on organisational change.

Previous studies have explored an institutional theory-based framework that draws from both old institutional economics (OIE) and new institutional economics (NIE). This framework aims to interpret the relationship between external and internal factors during organizational change (Kamaruzzaman Muhammad et al., 2019; Nor-Aziah & Scapens, 2007; Wanderley, Miranda, de Meira, & Cullen, 2011). Dillard et al. (2004) proposed a framework defining the institutionalization process, continuing in a cascading fashion across three levels of socio-historical relationships. The hierarchy of levels, beginning with the economic and political level (PE), represents the collective societal level, including political, economic, and social systems, where individuals are educated about the regulations and principles of society. Political and economic institutions use symbolic criteria to establish and enforce laws and procedures. Widely accepted cultural standards and practices influence this process. Powerful coalitions often influence norms and practices (Clegg, 1989; Dillard et al., 2004). The agents that enact at this level, such as governmental officials, legislators, and regulators.

The second level is the organisational field (OF), where social, economic, and political values are translated into field-specific expectations. The organisational field criteria (COF), which are a function of the societal level criteria (CPE), provide a broad range of criteria for assessing legal action at the organisational field level. Operating procedures that are deemed acceptable at the organisational field level (POF) are determined by organisational field criteria (COF), and they serve as the foundation for authorization and regulation of organisational-level actions. Agent at this level include industry leaders, external consultants, and unions of workers. The last level is the organisational level (OL), where individuals such as workers and managers carry out tasks at this level. This framework incorporates institutional theory by conceptualising institutionalisation as a political process that mirrors the relative influence of organised groups on the beliefs and values of organisations, resulting in homogeneity within the organisational field through isomorphism (Dillard et al., 2004; DiMaggio & Powell, 1983; Kamaruzzaman Muhammad et al., 2019).

Research Methodology

Explanatory Case Study

This study chooses to use qualitative research to achieve its purpose. According to a NIS perspective, people's interpretations of their accounting practices might be influenced by institutional values and norms. The interactions between actions and institutions can be used to explain the social construction of accounting at the organisational level (Ali, 2023; Amzil, Bari, & Asllam, 2024; Burns & Scapens, 2000; Nor-Aziah & Scapens, 2007; Saad, Ismail, Zam, & Hasnan, 2024). Hence, this study conducted an explanatory case study (Macintosh & Scapens, 1990) to investigate the intricate connections and theoretical ideas that are required to explain the results of the case study. This case study explores the finance department of a telecommunications company situated in Kuala Lumpur, namely BETA. The name of BETA because of confidential reasons. BETA is a government-linked company owned by Khazanah National Berhad. However, the single-case approach was used in this study to describe and comprehend the phenomenon of organisational change. It is possible to learn more about the intricate process of accounting change at the intra-organisational level of BETA by looking at the interface between the PE and OF levels.

Data Collection Methods

The data collection consists of multiple sources, such as interviews and document reviews. This study adopts a triangulation approach for data collection. In research, triangulation refers to the use of various datasets, methodologies, theories, and/or investigators (Bhandari, 2023) to answer a topic. It is a research technique that can help researchers improve the reliability and validity of their conclusions while minimizing the impact of any study biases. The use of multiple sources can support evidence (Macintosh

& Scapens, 1990) and, at the same time, provide a broader explanation of research issues through triangulation data.

Participants and Interview

This study conducted a semi-structured interview with five individuals in five separate interview sessions from the finance department of BETA. The sampling of interviewees is based on purposive sampling. The interviewees are professionals, experts, and highly knowledgeable in MFRS15. The interviewees are officers from the middle and top positions, which are the managers and general managers from the finance department. One of the officers is a team leader responsible for the process of MFRS15 implementation in BETA.

The interview questions were designed based on the pilot study, which included conducting preliminary interviews with officers. A preliminary study was undertaken to provide insights and enhance the formulation of the questions that would be used in the next interview session using a semi-structured questionnaire. Open-ended questions were created to facilitate the respondents in generating more ideas and expressing their thoughts and opinions without constraints.

The interview sessions were conducted from November 2019 to January 2022. The ethics approval was obtained from the research ethics committee of the university before conducting the interview session. The email was sent to the Learning and Development Department of BETA. After getting approval from the Vice President of the Learning and Development Department, they provided alist of interviewees that related to the case of the study. They then sent emails to all participants to schedule appointments for the interview sessions. The interview sessions have been separated into two phases.

The first phase predates the Covid-19 pandemic, whereas the subsequent phase occurs during the Covid-19 pandemic. Officers A, B, and C comprise the first stage, and they conducted the interviews in person. The interviews typically range in length from 35 minutes to 1 hour and 30 minutes, depending on the topics addressed by the interviewees. The meeting took place in a coffee café located on the ground level of the BETA building. The protocol for gaining access to the financial department was too stringent. The second phase is during the Covid_19 pandemic, when the interview sessions were conducted through an online platform, namely Google Meet. Officers D and E are high-ranking individuals who are primarily responsible for implementing MFRS15. Due to the limited time available, the interviews were restricted to a period of one hour. The interview has been discontinued due to the information reaching a state of saturation and not providing sufficient data to address the study's objective. The whole of the interview sessions were recorded on tape and then transcribed. Over the course of two months, we meticulously documented the transcribing process.

Document Review

This study has performed a comprehensive examination of BETA's annual reports, spanning from 2017 to 2021. This assessment seeks to analyse the company's performance and examine the changes in financial reporting, specifically revenue recognition in the disclosure notes.

In addition, a review of the documents provides a more comprehensive understanding of the auditors' assessment and feedback about BETA's revenue recognition.

Research Findings and Discussions

The research objective is to increase the understanding of the forces of the revenue recognition standard change at the intra-organisational level at BETA. The intra-organisational level of BETA refers to the finance department. The findings of this study were gathered from document reviews and information from interview sessions with the interviewees, which is the steering committee of the finance department. Thus, the findings of this study have briefly explained the external and internal forces of accounting change and the interactions of both forces that influence the organisational change that motivated social legitimacy. Based on these objectives, we addressed several questions to find appropriate answers. *What are the external and internal forces influencing the intra-organisational level of BETA due to MFRS15 adoption? How do the interactions between the external and internal forces influence the organisational change at the intra-organisational level of BETA due to MFSR15 adoption?*

External Forces

Government and Regulatory Requirements

The Companies Act 2016 (CA 2016) has required all companies to prepare their annual financial statements by following the applicable Malaysian Financial Reporting Standards (MFRSs). Thus, the Main Market Listing Requirement of Bursa Malaysia has assigned BETA the responsibility to prepare the financial statements, ensuring they present a true and fair view. MFRS15 *Revenue Recognition from Contracts with Customers* is an important procedure standard that all companies must apply to the reporting of the entities' financial statements. MFRS15 was introduced and controlled by MASB as the standard-setting body of the Financial Reporting Foundation (FRF), which is responsible for the determination and issuance of the accounting standard for the preparation of financial statements. Hence, MASB is an important body that presses all companies to comply with the standard. BETA is one of the government-linked companies that is the major shareholder and is owned by Khazanah Nasional Berhad. Khanzanah Nasional Berhad is a wholly owned entity by the Ministry of Finance, which is an important ministry of the federal government of Malaysia. To perform the shareholder's obligation, the finance team has to ensure the annual report will report properly. The most important part of the annual report is the financial statement. This section performs to show the company's performance; therefore, recognition of revenue standards plays a role in ensuring the report is properly and systematically.

In Malaysia, telecommunication companies are under the control of the Malaysian Communication and Multimedia Commission (MCMC). MCMC is the regulatory body, in whose key role is to regulate the communications and multimedia industries. The role of the MCMC is to implement and promote the Government's national policy objectives for the communication and multimedia sectors. Besides that, MCMC also controls the Certification Authority's operation through licensing and audit mechanisms to ensure its trustworthiness. Therefore, all those government and regulatory bodies' requirements have to be satisfied by BETA. The steering committee team in charge of the finance department of BETA does not have an option if they do not want to implement MFRS15 in their organisation. As agreed by Officer C:

> "*Yes, we have to comply anyway. It is not an option, as a publicly listed company, which has obligations to shareholders and all like that, as well as our all stakeholders. We cannot afford to disobey.*"

Thus, the regulatory body continuously assesses the needs of stakeholders and the changing business environment, and they may initiate changes in accounting standards to enhance transparency, comparability, and relevance of financial reporting.

Competitive Market Pressure

A competitive market is a term in economics that refers to a marketplace that responds to customer demand for products and services. Meanwhile, competitive pressure can be defined as the level of competition in the industries in which a company's industry operates (Lertwongsatien & Wongpinunwatana, 2003; Soewarno, Tjahjadi, & Permatanadia, 2020). Thus, competitive market pressure refers to market factors that influence the level of competition as measured by the number of similar businesses in the same industry, product competition in the market, which results in a change in market share from the completion, level of price manipulation, contractual agreements between customer and competitor, change in government regulations and policies, intensity of price competition, competition product intensity (differentiation), and propensity for price gouging (Soewarno et al., 2020; Subroto, 2015).

As one of the market leaders in the telecommunications industry in Malaysia, the competitive market factor has been one of the challenges to BETA in recognizing revenues. Officer E has mentioned that the team faces challenges when billing their customers because they have different types of segments based on their contract with BETA.

> "*We serve business solutions, the business base segment, and the whole proxy segment, we provide services to the other telcos. We also provide solutions to enterprises. So the way we billed our customers, is different base on the solutions that we are providing to our customers. So the billing system and that is support to MFRS15, at the in the front hand, and the backhand, is very different from our different customers' segment.*"

Pressures from the competitive market can develop as a result of changes in accounting standards such as MFRS15. Organisations must modify their financial reporting procedures when accounting changes. These adjustments may have an impact on how businesses assess, identify, and publish their financial information, which may have repercussions for how effectively they compete. This is a major challenge for the steering committee team that is in charge of the finance department when they have to change their billing system and provide the best solutions and services accordingly to different types segments of customers segments.

Stakeholder Expectation

Stakeholder expectations are the needs, wants, and preferences of people or groups with an interest in or stake in an organisation. The stakeholders of BETA consist of the board of directors, auditors, employees, customers, investors, suppliers, local communities, and other related parties. These parties may affect an organisation's plans, activities, and general performance because they have various expectations of it. As mentioned by Officer E:

> "*We had to engage our board, our inventors, and even investors' relations. They wanted to know how MFRS15 would affect the revenue of BETA. They are expecting a major shift in revenue recognition from our business."*

In order to meet the expectations of the stakeholders, the finance department faced a big challenge since the earlier implementation of the system to cater to MFRS15 was not ready. Officer E added:

> *"It was a major project which requires support and understanding from… and also demand from the board, because they have high expectation because failure is not much."*

Besides the board, the customers of BETA are one of the important stakeholders. This is because the change in standard or revenue recognition must not have an effect on the customers. As explained by Officer E:

> *"Whatever the requirements of the changes at all back pack customers, from customers' experienced, should not be affected at any kind all by MFRS15"*
>
> *"These are different from if we push to changes like rules in GST or SST, it's okay because a customer is aware that's going to affect them. But this MFRS15 only affects how we overcome the revenue at the backhand. So, the key principle is that customers must not be affected."*

These are because customers always expect high-quality products or services that meet their needs, provide value for money, and offer a positive experience. The steering community team has to face these forces in managing the revenue recognition standard change.

Internal Forces

Internal forces refer to factors that originate within an organisation and influence its operation, decision-making, and overall functioning. Thus, the direction, strategy, and performance of the organisation can be shaped by internal influences. The researcher has devided it into several categories. However, these internal forces interact with each other and shape the overall dynamics of the organisation by influencing its strategy, culture, performance, and structure.

New accounting standards may require organisations to review and update their internal controls and processes to ensure compliance. Organisations need to assess the effectiveness of existing controls, identify gaps, and implement necessary changes to address the new requirements. Therefore, the finance department of BETA has faced disruptions in the flow of the production process, and the steering committee team in charge has to control and take action. The major challenge in terms of managing the billing system for huge numbers of contracts with customers is that they must have provided the proper system to accomodate the changes. Besides that, the team has to think through how MFRS15 affects how they recognise revenue and how to educate their employees on how these changes are going to affect them. Officer E has explained that:

> "*When we have the change of the MFRS15, we have to think through how we recognise revenue under the different contracts with our customers. And with different timing and different principles also we have a structure with how we want to manage revenue allocation based on performance obligation, and timing how do we train our people underground to understand, how the changes are going to affect them."*

"…those understanding in how MFRS15 affect that the process also is important, so that has changed and of course when you have a changed in the process, you also have to think about what the change in financial control, transaction control, monitoring control, as you need put in place to cater the changes in the process."

Therefore, the team is required to educate and provide training to their employees and stakeholders on the new standards. This includes raising awareness of the changes, providing guidance on implementation, and ensuring understanding and compliance across the organisation. Besides that, they need to have a good understanding of impact of MFRS15 on their organisations because everything they need to report to the board and also explain to the other related stakeholders. Thus, the team is required to collect and analyse additional data or modify existing data collection processes. The team may need to integrate data from various sources and systems to comply with the new requirement, which can be challenging, especially for BETA, which has complex products and services contracts with their customers. Officer E has mentioned that:

"*Why it needs to change? Because as you know the change the management is a key thing. What need for us? Why do we have to do this? It is very important that when we talk about MFRS15. We need to understand why there were needs to change basically."*

The other internal force is how employees adapt to the accounting standard change. Employees' adaptation may take time to familiarize themselves with the new system and require ongoing support. By prioritising effective communication, a supportive environment, and comprehensive training, organisation can facilitate a smooth transition and help employees adapt to the new requirements and practices. Officer C has expressed how employees adapt to new change when there is something new and some challenges that have to be faced.

"We have to go through the curves and would know everybody is trying to adapt to the new changes before it stabilized."

Besides that, implementing MFRS 15 has been time-consuming and resource-intensive. The steering committee must set aside enough time and funds to evaluate the effects of the changes, revise policies and procedures, educate employees, and ensure a seamless transition without interfering with regular operations. The implementation of MFRS15 has also changed the transition period from a full retrospective to a modified retrospective method. Under this method, BETA applies MFRS15 to contracts that have not been completed as of 1 January 2018 as stated in BETA's annual report for 2018.

From the MFRS15 perspective, the purpose of the accounting standard change is to facilitate revenue recognition and improve the comparability of financial performance. Understanding in how MFRS15 will affect the revenue recognition processes is important. This is because the team has to manage the key performance indicator (KPI) wisely and manageably. The desire to improve financial performance, operational effectiveness, or customer satisfaction can lead to organisational change efforts. This has been addressed by Officer E:

"Nothing is going to change you will be in the base same KPI, you just have to manage when that revenue gets clot in by you understanding how MFRS15 is gonna affect the contract that you have signed with customers."

To keep the KPI performing excellently, the accounting standard change impacts the financial reporting of BETA. MFRS15 is an important standard to use to recognise the organisation's revenue. The finance team may need to restate prior financial statements, revise accounting treatments, and communicate the impact of the changes to stakeholders. Despite the implementation of MFSR15, the changes in the business model have triggered changes in the system. As mentioned by Office C, the finance team has to work together with the IT department as a co-lead. The finance and IT teams have set up a working community to solve the issues of accounting standard change, and one of them is MFRS15. The internal forces of revenue recognition standards may cause significant costs. Organisations may need to invest in training employees, updating accounting systems, and engaging external resources, such as professional consultants or auditors, for guidance and support. Figure 2 shows the interaction between external and internal forces of accounting change influencing organisational change. All the terms are from coding in Atlas Ti.

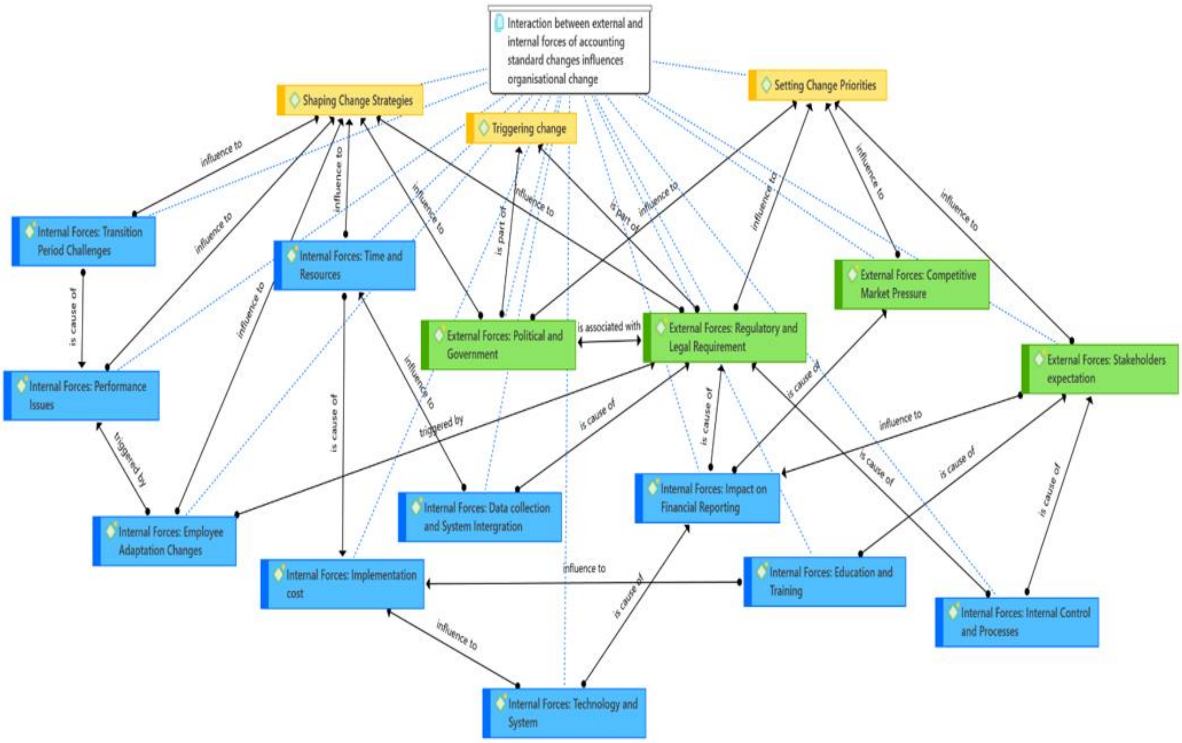

Figure 2. The interaction between external and internal forces.

Discussion

The desire for global consistency and comparability in financial reporting has led to efforts for international convergence of accounting standards. Malaysia does not exclude and has converged to IFRS since the year 2012 to show and prove the Malaysian commitment, and it also becomes a solid guideline for all entities that are administered by the Securities Commission of Malaysia (Hanefah & Singh, 2012). One significant revenue recognition standard change that has occurred in recent years is the adoption of MFSR15, which all the companies that have been listed in Bursa Malaysia are required to implement. As a publicly traded business in the telecommunications sector, BETA has the duty to optimise shareholder profits and act as a driving force for the growth of the national economy. Internal and external forces, which are constantly evolving and have the potential to greatly influence the course and outcome of the change process, have prompted the need to modify the revenue recognition standard. External forces exert pressure and provide chances for change, while internal forces dictate the organization's preparedness and ability to adapt to such changes.The interplay between these forces can shape organisational efforts' direction, pace, and success.

From the findings, the researcher has classified the interactions into three terms by referring to institutional isomorphism. The classification is based on the interaction between external and internal forces that pressure organisations to change. The first interaction, namely, triggering change. Triggering change is a situation where there are shifts in market conditions caused by introducing new regulations and policies. Compliance comes from the government and regulatory bodies. This is consistent with coercive isomorphism, where DiMaggio and Powell (1983) have proposed that coercive isomorphism influenced by state or government agencies exerts pressure on other organisations through the enactment of legislation Kamal Hassan (2008). The external forces from the MASB, MCMC, and special shareholder, Khazanah Nasional Berhad, have pressured BETA to change the accounting standard. This pressure has triggered internal forces to change the accounting standard, which has had an impact on financial reporting and forced the steering committee to do data collection and system integration to prepare to implement the new revenue recognition standard.

The second interaction is setting new priorities. This situation explains that external forces can influence the organisation's internal decision-making processes and priorities. The market competition pressure and demand from customers may require BETA to prioritize certain changes over others where the adoption of MFRS15 cannot have an impact on their customers, like GST or SST. As the customers were already aware of such taxation charge implementation, however, this is different with MFRS15 adoption. Besides that, BETA has to educate its stakeholders (the board of directors, subsidiaries, and associates) and train its employees. The professional training programme, which is supported by the codes of conduct of professional associations, applies institutional pressure to normalize social practices (like accounting standard change) among many organisations that operate in a similar industry. In line with normative isomorphism, which stems primarily from professionalization. Therefore, organisations could follow the compliance tactic recommended by experts, which differs based on the company's culture, conventions, and values generated from the national context (Beddewela & Fairbrass, 2015; Martínez-Ferrero & García-Sánchez, 2017).

The last interaction is shaping change strategies. This situation explains how the transformation strategies of an organisation may be influenced and shaped by external factors. For instance, technological advancements may necessitate the adoption of new systems or procedures, while legislative changes may necessitate compliance-driven efforts. How the organisation aligns its resources, structures, and procedures to effectively implement these plans is determined by internal factors such as leadership tactics, organisational competencies, or personnel skills. The impact of the revenue recognition standard has forced BETA to change the technology system that can cater to MFRS15 requirements. At the stage of earlier implementation, the finance team still does not have the best solution to cater to and accommodate to fit with the daily processes, especially in the billing system using the Systems Application and Products (SAP). The team has set the best benchmark by imitating the system processes of the Philippine Long Distance Telephone Company (PLDT Inc.) and Bell Canada, which is Canada's largest communication company. Therefore, the finance team was engaged in the sense of using SAP. Besides that, they also exchange ideas with other organisations that have a similar environment to BETA, which will allow them to better understand how to cater to that environment. Hence, this situation is similar to mimetic isomorphism, where organisations may imitate the behaviours of other organisations, industries, or nations and replicate their behaviour in response to the pressure of uncertainty (DiMaggio & Powell, 1983; Martínez-Ferrero & García-Sánchez, 2017).

The interactions between external and internal forces, or revenue recognition standards, and organisational change in the finance department are dynamic and significantly shape the direction and outcome of the change process. The findings of this study are consistent with the process of institutionalisation moving in a cascading manner, as suggested by Dillard et al. (2004) framework, through three levels of socio-historical relationships (Dillard et al., 2004). Based on the Dillard et al. (2004) framework, this study has summarized the interactions between external and internal forces influencing the revenue recognition standard change in the finance department of BETA. At the PE level, external forces such as government and politics, regulatory and legal requirements, and competitive market pressure can be identified. Therefore, MASB, MCMC, and Khazanah Nasional Berhad were the main powers that triggered the internal forces. The stakeholder expectation creates the external forces at the OF level. Both levels of PE and OF forced the finance department of BETA to implement the new revenue recognition standard and served the internal forces at the level of intra-organisational, which is at the finance department. Thus, the finance department has changed the model by following the standard given, where they apply the five-step model of revenue recognition. Besides that, the team has also upgraded the system to cater to and accommodate MFSR15. BETA, as a publicly listed company, aims to be the market leader in the telecommunications industry; thus, BETA has to ensure that all process changes will improve the quality of financial results and information provided more effectively and efficiently. Therefore, Figure 3 has illustrated the flow of interaction between external and internal forces influencing accounting standard change at the intra-organisational level.

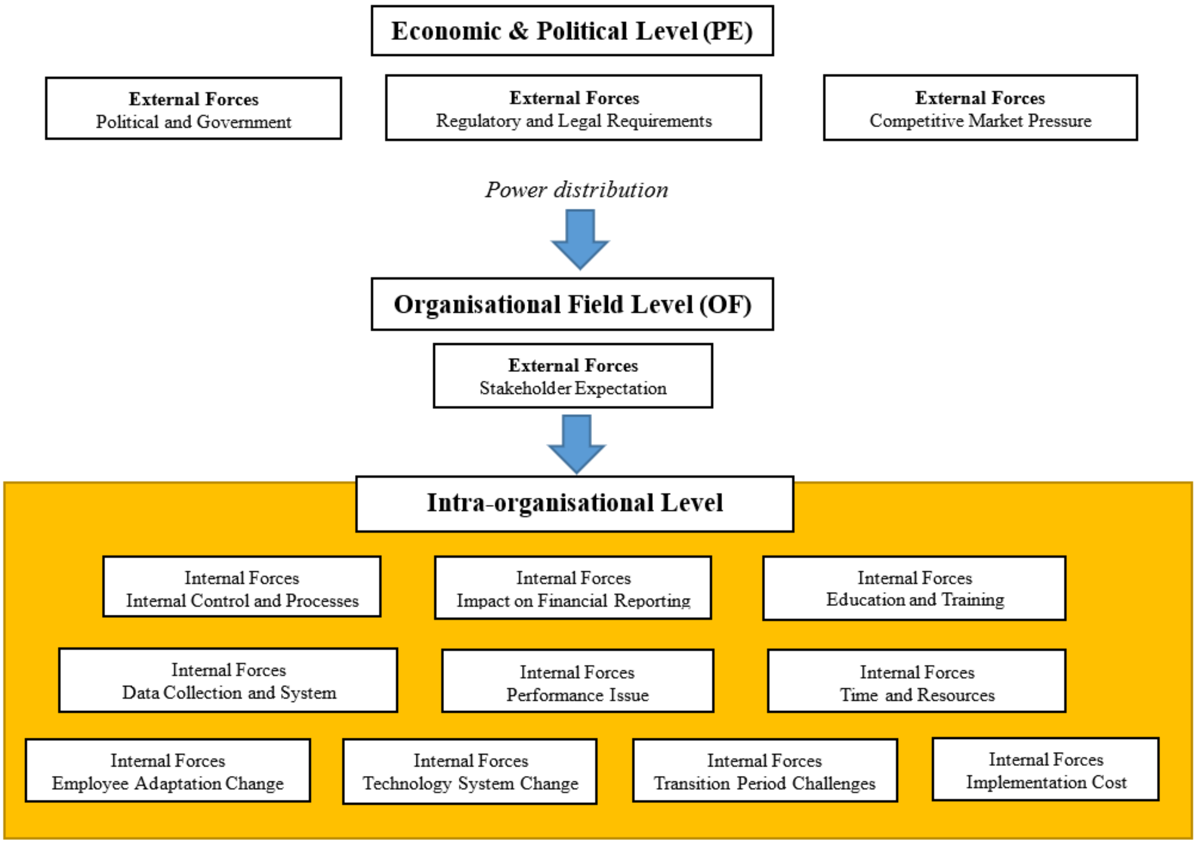

Figure 3. Illustration of the flow of interaction between external and internal forces influencing accounting standard change.

Conclusion

This study aimed to increase the understanding of the forces of revenue recognition standard change in a telecommunications company by utilizing an explanatory case study of a Malaysian telecommunications company. In conclusion, the forces of revenue recognition standards have a notable impact on a telecommunications company such as BETA. The changes in accounting standards and regulations related to revenue recognition, which are MFRS15, impose external forces that require the company to adapt its financial practices that seek to improve financial reporting accuracy, comparability, and transparency. Internally, the finance department of BETA must respond to these external forces and adapt its internal processes, systems, and practices to ensure compliance with the new revenue recognition standard. Thus, BETA has to adopt SAP into the system to cater for the MFSR15 model. The interaction between external revenue recognition standard changes and internal organisational responses drives significant change within companies. Besides that, these interactions are consistent with isomorphism in institutional theory, which is coercive, normative, and mimetic.

Lastly, the interaction between these forces of accounting standard change shows that external forces influence the internal forces in a cascading manner. These interactions also present an opportunity for continuous improvement and a reevaluation of overall financial reporting practices, ultimately enhancing the organisation's ability and stability to meet regulatory requirements and stakeholder expectations. The impact of these changes is not limited to a small fraction of an organisation, such as the finance department, but MFRS15 can impact a bigger fraction of the whole of the organisation.

This study has some limitations. Firstly, this study has limited generalizability in terms of contexts and settings. According to the conclusions drawn only from the finance department of BETA, there is potential for subjectivity and bias. Therefore, future studies should be exercised when attempting to generalize the results of a case study to a larger population. The second limitation of this study is the limitation of the sample size. This study has a limitation on the number of interviewees because data collection was held during the COVID-19 pandemic, which lasted from 2019 until 2021. The processes for scheduling an appointment and seeing the field are likewise extremely rigid. In future research, this study will widen the scope area of a case study that not only focuses on a single telecommunications company but may also focus openly on the telecommunications industry in Malaysia.

This study hopes to contribute new insights, knowledge, and understanding to academicians, especially in the financial accounting field. This study can shed light on the effectiveness, relevance, and consequences of the proposed standard, leading to more robust and well-informed financial reporting requirements. Besides that, this study will provide practitioners with an understanding of the issues of the impacts accounting standards change on the evolving landscape of financial reporting and a guide for adapting to new reporting requirements and emerging issues. Other businesses with similar problems to the telecommunications industries can utilise the study's findings as a reference and guidance. Additionally, by giving a new dimension to organisational change from the standpoint of financial accounting standard change based on institutional theory, this work may add to the accounting literature.

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