

The Theoretical Boundaries and Mechanism of Action of Institutional Environment on Corporate Accounting Behavior Constraints

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Abstract: This study aims to systematically analyze the theoretical boundaries and the intrinsic mechanism of action through which the institutional environment constrains corporate accounting behavior. Based on the three-dimensional framework of institutional theory encompassing normative, regulative, and cultural-cognitive pillars, the research repositions accounting behavior as strategic information decision-making embedded within an institutional context. The analysis of theoretical boundaries demonstrates that the constraining effect is moderated by organizational agency, industry characteristics, and the competition among multiple institutional logics. The space for accounting choices is jointly and structurally defined by both formal rules and informal norms, with the boundaries themselves being dynamically evolving. The intrinsic mechanism is synergistically realized through three pathways: the shaping of information cognition, the transmission of resource legitimacy, and the interaction of multi-dimensional logics. This research constructs an integrative theoretical framework to deepen the understanding of the complex regularities underlying the systemic constraints imposed by the institutional environment.

Keywords: institutional environment; accounting behavior; theoretical boundaries; mechanism of action; legitimacy; institutional logic

Introduction

Corporate accounting behavior is deeply embedded in and systematically constrained by the institutional environment. Although existing research acknowledges the importance of the institutional environment, a systematically integrated exposition of the theoretical boundaries of its constraints and the intrinsic pathways of its action is still lacking. The ambiguity of theoretical boundaries limits the explanation of behavioral differences, while the superficial description of the intrinsic mechanism restricts the understanding of the complexity of its influence. Therefore, systematically delineating its theoretical scope of action and deeply revealing its multi-path, dynamic intrinsic mechanism hold significant theoretical value. This not only helps to advance the dialogue between accounting sociology and institutional theory but also provides a more solid theoretical foundation for understanding the evolution of accounting standards and corporate reporting strategies. This paper aims to construct an integrative analytical framework to simultaneously explain the limits, dynamics, and deep-seated processes of institutional constraints.

1. The Foundational Theoretical Linkage Between Institutional Environment and Accounting Behavior

1.1 The Theoretical Composition and Core Dimensions of the Institutional Environment

The institutional environment is understood as a complex system composed of multi-level, multi-type rules and cognitive frameworks. Its theoretical composition typically encompasses three core dimensions: the normative, regulative, and cultural-cognitive pillars. The normative dimension refers to the professional standards, ethical codes, and industry practices shared by professional communities, shaping social expectations regarding "appropriate" behavior. The regulative dimension manifests as a formal system of binding rules, including accounting standards, regulatory frameworks, and contractual arrangements, which define the boundaries of legitimate behavior through reward and punishment mechanisms. The cultural-cognitive dimension involves widely shared beliefs, mental

models, and cognitive templates, providing an inherent, taken-for-granted basis of legitimacy for specific accounting treatments or disclosure methods. These three dimensions are interwoven, collectively forming a stable and transmissible external framework of meaning within which corporate decision-making is embedded, serving as the theoretical starting point for analyzing their systematic impact on accounting behavior.

1.2 Analysis of the Connotation and Theoretical Positioning of Corporate Accounting Behavior

Corporate accounting behavior extends beyond purely technical accounting procedures. Its theoretical connotation should be positioned as a strategic information decision-making process embedded within the organizational context. This process encompasses a series of critical decision points, including the selection of accounting policies, judgments regarding accounting estimates, and the timing and content strategy of information disclosure^[1]. From a theoretical perspective, accounting behavior is not merely the passive recording of economic transactions but an active mechanism for signaling and management with economic consequences. It is influenced by internal contractual arrangements, management motivations, and corporate governance structures within the enterprise. Simultaneously, as a key information symbol that the enterprise outputs to its external environment, it is directly linked to resource acquisition, valuation judgments, and legitimacy status. Therefore, accounting behavior is theoretically a pivotal act connecting the internal operations of an enterprise with the external institutional environment, and its decision-making logic is inevitably permeated and shaped by external institutional forces.

1.3 The Theoretical Linkage and Preliminary Analytical Framework of the Constraining Relationship

The constraining relationship between the institutional environment and corporate accounting behavior can be theoretically linked through the legitimacy mechanism and the theory of institutional isomorphism. The institutional environment exerts continuous pressure on organizations through the aforementioned three dimensions, prompting a convergence of corporate accounting behavior with externally recognized norms, rules, and cognitive patterns to acquire and maintain legitimacy. This convergence manifests through three isomorphic pathways: coercive, mimetic, and normative. Based on this, a preliminary "pressure-transmission-response" analytical framework can be constructed. This framework views the institutional environment as the source of pressure, with its influence transmitted into the organization through resource channels, information channels, and cognitive channels. The firm, acting as a proactive agent, interprets and filters this pressure based on its assessment of legitimacy needs and its internal governance logic, ultimately resulting in specific accounting behavioral outputs. This framework provides a foundational theoretical guide for the subsequent in-depth exploration of the precise boundaries and specific mechanisms of the constraining effect^[2].

2. An Analysis of the Theoretical Boundaries of Institutional Environment Constraints on Accounting Behavior

2.1 The Theoretical Limits and Conditional Dependence of Constraining Effectiveness

2.1.1 The Bidirectional Interaction Between Organizational Agency and Institutional Pressure

The constraining effectiveness of the institutional environment is not an absolute force applied unilaterally; its theoretical limits are first reflected in the processes of buffering, interpretation, and reconstruction by organizational agency. Enterprises are not passive recipients. Their strategic intentions, management's cognitive models, and internal governance structures constitute a complex system of "filtering" and "response." Organizations possessing unique resources, technical expertise, or market positions may have higher institutional bargaining power. This enables them to selectively adopt or strategically ignore certain normative or cultural-cognitive pressures while adhering to core regulatory requirements. This interactive relationship determines that the effectiveness of constraints exhibits a gradient difference rather than a homogeneously comprehensive coverage.

2.1.2 The Moderating Role of Industry Ecology and Techno-Economic Characteristics

Systematic differences exist in the technological trajectories, market structures, and knowledge bases embedded within different industries. These differences profoundly moderate the scope and intensity of the institutional environment's constraining force on accounting behavior. In sectors

characterized by rapid technological iteration and novel business models, existing accounting standards and disclosure norms often face applicability challenges. In such contexts, the market logic and the spontaneous norms of technical communities may constitute a stronger guiding force for behavior than formal regulations. Conversely, in highly standardized, traditionally regulated industries with dense oversight, the constraining boundaries of formal institutions are clearer and more rigid. Industry characteristics, as a key contextual variable, shape the channels and priority of institutional pressure transmission.

2.1.3 The Competition of Multiple Institutional Logics and the Legitimacy Threshold

Enterprises typically operate within a multi-institutional environment interwoven with logics such as market logic, professional logic, and community logic. These logics are sometimes complementary and sometimes competitive, creating diverse sources of legitimacy for corporate accounting behavior choices. The theoretical boundary of constraints, in a sense, depends on the "legitimacy threshold" that an enterprise must meet to ensure its survival. When the demands of different institutional logics regarding accounting behavior come into conflict, an enterprise may adopt a trade-off strategy. It prioritizes meeting the requirements of the institutional logic that holds the most critical resource dominance, while offering symbolic compliance or delayed response to other logics. This clearly delineates the practical boundary of constraining effectiveness within a specific context.

2.2 The Institutional Definition of Accounting Behavioral Choice Space

2.2.1 The Symbiotic Structure of Formal Rules and Discretionary Space

The institutional environment, particularly its regulative dimension, establishes the "hard" baseline for behavior by clarifying prohibitive and mandatory clauses concerning accounting recognition, measurement, and disclosure through formal texts such as accounting standards and listing rules. However, while setting this baseline, these rules also often reserve a certain degree of "discretionary space" through means such as principle-based approaches, policy options, and professional judgment^[3]. This space is not a vacuum; rather, it is filled and guided by normative expectations (such as the principle of prudence) and cultural-cognitive templates (such as prevailing industry practices). Therefore, the choice space for accounting behavior constitutes a structured field delineated by formal rules and filled by informal institutions.

2.2.2 The Shaping and Ranking of the Behavioral Spectrum by Informal Norms

Within the discretionary space left by formal rules, informal norms-including professional ethics, industry practices, investor expectations, and the societal shared cognition of "high-quality financial reporting"-play a crucial role. They do not explicitly list feasible options but rather, by assessing the reputational implications of the potential economic consequences associated with different accounting treatments, they implicitly shape a behavioral spectrum ranging from "highly desirable" to "marginally acceptable" to "should be avoided." An enterprise's positioning choice within this spectrum reflects its nuanced trade-off between the costs of legitimacy and the benefits of information. The institutional environment achieves a deep-seated definition of behavioral choice by establishing the ranking logic of this spectrum.

2.2.3 The Influence of Information Intermediaries and Market Supervision on the Boundaries of Space

External information intermediaries and active market participants, such as analysts, rating agencies, and auditors, serve as vital components of the institutional environment. They continuously interpret, evaluate, and provide feedback on corporate accounting behavior. Their collective consensus forms a powerful force of market supervision, capable of dynamically adjusting the boundaries of accounting behavior deemed acceptable by the market. For instance, widespread negative interpretation of a specific aggressive accounting policy would rapidly narrow the legitimacy space for that behavior. This real-time adjustment mechanism, based on professional interpretation and market feedback, ensures that the institutionally defined behavioral space is not rigidly fixed but exists in a fluid state subject to continuous monitoring and redefinition.

2.3 The Dynamic Evolutionary Characteristics of Theoretical Boundaries

2.3.1 Driven by Endogenous Knowledge Accumulation and Exogenous Shocks

The dynamic evolution of the institutional environment's constraining boundaries on accounting

behavior is jointly driven by endogenous forces and exogenous shocks. Endogenous forces primarily refer to the knowledge accumulation and paradigm shifts within accounting theory, measurement techniques, and auditing methodologies themselves; these advancements continually challenge and extend the applicable limits of existing rules. Exogenous shocks encompass major financial events, turning points in economic cycles, technological revolutions (such as digitalization), and the integration of global capital markets. These forces exert external pressure, compelling the existing institutional system to undergo adaptive adjustments or even fundamental reforms, thereby triggering a systemic shift in the constraining boundaries^[4].

2.3.2 Institutional Entrepreneurs and the Agentic Process of Boundary Reconstruction

The evolution of boundaries is not a purely natural process. Institutional entrepreneurs—including standard-setting bodies, academic leaders, influential accounting firms, and large corporations—play an active role within it. They proactively participate in negotiating the definition and boundaries of "appropriate" accounting behavior by proposing new concepts, lobbying for rule changes, and creating and promoting innovative practices. The competition and cooperation among different groups of institutional entrepreneurs determine the direction and pace of boundary shifts, rendering the evolution of boundaries characterized by an intertwining of path dependence and contingent breakthroughs.

2.3.3 The Mechanisms of Boundary Movement: Infiltration, Conflict, and Institutionalization

The dynamic shift of constraining boundaries typically involves several key mechanisms. New ideas or requirements initially "infiltrate" the existing boundaries through forms such as professional discussions, pilot programs, or controversial cases, thereby drawing attention and sparking debate within the field. Subsequently, "conflicts" may arise between the old and new logics, manifesting as standards controversies, regulatory penalties, or market valuation discrepancies. Ultimately, through the revision of formal standards, the issuance of authoritative interpretations, or the solidification of market consensus, new behavioral norms complete the process of "institutionalization," and the old boundaries are redrawn. Analyzing this cyclical mechanism helps in understanding that the movement of theoretical boundaries is not linear but rather a process of social construction filled with negotiation and contention.

3. The Intrinsic Mechanism of Action Through Which the Institutional Environment Constrains Accounting Behavior

3.1 The Pathway of Information Transmission and Cognitive Shaping

3.1.1 The Encoding and Diffusion of Institutionalized Information Flows

The institutional environment engages in systematic information encoding and diffusion through highly structured information channels, including accounting standards, regulatory agency interpretations, authoritative academic literature, and the analytical frameworks of major market participants. This information does not consist of fragmented knowledge points but is organized into a coherent conceptual framework, measurement models, and disclosure templates, constituting a standardized knowledge system regarding "how to recognize, measure, and report economic reality." The dissemination of this knowledge system enables financial professionals across different enterprises to share similar educational backgrounds, professional language, and cognitive tools, laying the foundation for the comparability and comprehensibility of accounting behavior^[5].

3.1.2 The Internalization of Cognitive Frameworks and the Convergence of Professional Judgment

Standardized knowledge is internalized into the cognitive frameworks that guide management's professional judgment through vocational education, audit interactions, and market feedback. These frameworks delimit the cognitive boundaries for identifying relevant information, assessing uncertainties, and selecting accounting policies. For example, the revenue recognition model not only provides operational guidance but also reshapes the judgment mode regarding the substance of transactions, thereby encouraging individual judgments to converge towards the "reasonable" range predefined by the institution. This process transforms external technical norms into internal decision-making logic.

3.1.3 Expectation Management and the Spontaneous Realization of Behavioral Convergence

When accounting treatments based on institutionalized cognitive frameworks become the market's general expectation, behaviors deviating from this expectation will incur additional interpretation costs

and trust risks. Therefore, when making accounting decisions, management proactively predicts how those decisions will be interpreted by information intermediaries and investors. To minimize communication costs and the uncertainty premium, enterprises have an inherent incentive to adopt accounting methods that align with mainstream expectations. This expectation management mechanism, rooted in shared cognition, enables institutional constraints-at the final stage of information transmission-to achieve convergence in accounting behavior by influencing decision-makers' anticipation of behavioral consequences. Its mechanism of action exhibits significant self-enforcing characteristics.

3.2 The Pathway of Resource Dependence and Legitimacy Pressure Transmission

3.2.1 Legitimacy as a Key Medium for Resource Exchange

From a resource dependence perspective, the providers of critical resources required by enterprises-such as capital, credit, human capital, and reputation-often consider institutional legitimacy as the core basis for assessing credibility and investability. Here, legitimacy functions as a functional "medium of resource exchange" that reduces transaction costs and builds trust. Accounting behavior that aligns with institutional expectations serves as the primary way for an enterprise to send a "credible and compliant" signal to resource holders, thereby securing or maintaining the inflow of resources.

3.2.2 The Process of Economizing the Transformation of Legitimacy Pressure

The legitimacy requirements of the institutional environment are transformed into concrete economic costs or benefits through the collective actions of resource providers, such as investor sell-offs, bank credit tightening, or rating agency downgrades. If accounting behavior is perceived as aggressive or opaque, it may lead to increased financing costs, stock price declines, or the loss of partnership opportunities. This process concretizes abstract normative pressures into financial indicators that impact corporate survival, creating strong incentives that drive management to adjust accounting behavior to meet institutional demands, thereby ensuring the unobstructed flow of resources.

3.2.3 The Strategic Spectrum from Symbolic Compliance to Substantive Response

In response to legitimacy pressures, enterprises exhibit a strategic spectrum ranging from symbolic compliance to substantive response. Symbolic compliance might manifest as adding trendy terminology in disclosures (e.g., ESG statements) without altering core measurements. Substantive response, on the other hand, involves genuine adjustments to accounting policies, estimation methods, and internal control systems. An enterprise's positioning on this spectrum depends on its perceived degree of legitimacy crisis, the comparative pressures from different resource providers, and its internal adjustment costs. This reveals the asymmetric nature of the constraining effect, which is more pronounced in areas with high resource dependence and high costs for non-compliance.

3.3 The Interactive Influence Mechanism of Multi-dimensional Institutional Logics

3.3.1 The Coexistence and Tension of Heterogeneous Institutional Logics

The operational field of an enterprise typically hosts the coexistence of multiple institutional logics, such as the market logic that pursues efficiency and shareholder value, the professional logic that emphasizes professional standards and procedural justice, and the community logic that focuses on social equity and long-term sustainable development. These logics impose different, and sometimes conflicting, demands on accounting behavior: market logic may encourage accounting choices that help smooth earnings; professional logic requires strict technical neutrality; and community logic may drive greater disclosure of non-financial costs and impacts. This heterogeneity and tension render the field of accounting behavior a space filled with competition and negotiation^[6].

3.3.2 The Dynamic Competition and Contextual Dependence of Logic Dominance

During specific periods and under particular circumstances, a certain institutional logic may gain dominance, thereby overwhelmingly shaping the prevailing paradigm of accounting behavior. The attribution of dominance is the product of dynamic competition, influenced by factors such as macroeconomic cycles, the focus of public discourse, major events, and the shifting balance of power among key stakeholders. Corporate accounting behavior must keenly perceive and respond to changes in the dominant logic, reflecting the contextual and dynamic complexity of institutional constraints.

3.3.3 Strategic Responses of Enterprises: Coupling, Compartmentalization, and Compromise

As proactive agents, enterprises develop strategies such as coupling, compartmentalization, and compromise to manage multiple logics. "Coupling" refers to integrating the demands of different logics into the accounting and reporting system; "compartmentalization" involves assigning conflicting demands to different organizational units or reporting vehicles; "compromise" entails partially satisfying multiple demands through trade-off solutions. These strategies demonstrate that the ultimate constraining effect of the institutional environment is the result of enterprises actively managing logical complexity, reflecting the continuous interaction between the complexity of institutional structures and the agency of organizational strategy.

Conclusion

This paper, through systematically organizing and deeply analyzing the theoretical boundaries and mechanism of action through which the institutional environment constrains corporate accounting behavior, reveals that this constraining relationship is far from a simple, static, direct mapping. Rather, it constitutes a complex process characterized by conditionality, structural nature, and dynamism. The theoretical boundaries are jointly defined by organizational agency, industry ecology, and the competition among multiple institutional logics, and they are in a state of continuous evolution driven by knowledge, technology, events, and the actions of institutional entrepreneurs. The intrinsic mechanism of action operates synergistically through the information-cognition pathway, the resource-legitimacy pathway, and the logic-interaction pathway, transforming external institutional pressures into specific internal decision-making logics and strategic choices. This integrative framework demonstrates that accounting behavior is the result of enterprises making strategic responses within an institutionally defined, structured space to cope with multiple pressures and manage legitimacy.

Future research can build upon this foundation to further investigate how digital technologies reshape the pathways of institutional information transmission and cognitive shaping. It can analyze the impact of the transnational dissemination and fusion of heterogeneous institutional logics on boundary evolution within the context of globalization. Furthermore, it can explore the intrinsic mechanisms behind abrupt shifts in theoretical boundaries under extreme circumstances, such as major crises. These inquiries will continually enrich and develop the theoretical map of the relationship between the institutional environment and accounting behavior.

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