



Jurnal Dinamika Akuntansi dan Bisnis (JDAB)
Journal of Accounting and Business Dynamics

URL: <http://jurnal.unsyiah.ac.id/JDAB/index>



Speaking One Language with Different Accents: A Review on Adoption of International Accounting and Auditing Standards

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<http://dx.doi.org/10.24815/jdab.v5i1.8084>

ARTICLE INFORMATION

ABSTRACT

Article history:

Received date: 10 August 2017

Received in revised form: 12 January 2018

Accepted: 19 January 2018

Available online: 31 March 2018

Keywords:

Culture, accounting, auditing, Hofstede, standards, convergence

The objective of this study is to comprehend different practices of accounting and auditing across countries. Although over 120 countries use similar accounting and auditing standards, resulting from converging towards IFRS and ISA respectively, a difference of accounting and auditing practices still exists. It needs a comprehensive theory or analytical framework to explain such differences. Yet, there is still a limited overarching theory and comprehensive analytical framework to explain different accounting and auditing practices. Hofstede's work on culture, which is widely used in accounting and auditing research, may be useful to comprehend various accounting and auditing practices. Alternative explanations using political and economic factors are also often proposed to explain the dissimilarities. These fragmentary approaches seem to result in lack of understanding on the issue. Seeking theories or analytical tools to provide an enhanced explanation of why accounting and auditing practiced differently may be worthwhile avenues.

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1. Introduction

Advancement in transportation and information technology has been changing the way people do business (Friedman, 2005). The internet, for example, enables people to do business at all time and anywhere, without any delay. As a result, there has been an increase in international trade, multinational companies and the mobility of people, in terms of volume and frequency, over the last decades. Subsequently, there is a growing demand for integration of capital markets and convergence of rules or regulation across countries to facilitate development (Roussey, 2000). Convergence of corporate governance, as well as accounting and auditing

standards, is an example of this. An initiative to converge these instruments has been ongoing for some time in order to improve and guide practices of corporate governance, accounting and auditing in many countries. Michas (2011) asserts that sound implementation of corporate governance can provide assurance to investors, creditors, analysts, governments, and donors to transact business more confidently. According to Roussey (2000), besides improving corporate governance to attract cross-border investments, governance reforms are required to tackle economic crimes, including fraud, corruption and money laundering.

In this paper, it is assumed that accounting and auditing are a matched-pair, although it is not

always necessary for both to be identical. For example, some scholars state that auditing is a corollary of accounting. Another aspect is that auditing is an important sub-organ of corporate governance, which can play a role in supplying relevant and reliable information to other parties, especially those incharged with governance (Michas, 2011; Roussey, 2000). Thus, corporate governance, accounting, and auditing are interrelated concepts and may be used interchangeably in this paper, where appropriate.

The convergence process, however, appears as an uneasy task, as indicated by varying research findings, which state that differences in practices of accounting and auditing still exist (Ball, 2016; Bik & Hooghiemstra, 2017; Roussey, 2000; Zattoni & Cuomo, 2008). There should have been an explanation why the differences exist, although efforts to unify have been conducted.

By studying differences among auditing practices in 50 countries, Bik & Hooghiemstra(2017) found that there are cultural variations in terms of auditor-in-charge involvement as a proxy of audit quality among these countries. They argue that despite harmonization of auditing standards and practices, the results of such process is still far from expectation. The cultural dimensions such as power distance, individualism versus collectivism and uncertainty avoidance (these terms will be discussed in the next section) seem to be influential factors in contributing to making significant differences. It is argued that it still needs time to see whether the total convergence will occur.

In a similar vein, Favere-Marchesi (2000) studies audit quality in ASEAN countries, where this study proposes that different legal environment, including national laws, regulations, professional codes, and standards, can affect audit quality. He finds that audit quality among ASEAN countries varies and; to an extent, is due to the deifferent statutory legal environment in these countries. Although this study does not relate cultural factors directly to audit quality, some

research (e.g., Askary, 2006; Gray, 1988; Hofstede, 2001) argue that there is an interaction among several elements, such as language, religion, morals, values, attitudes, law, education, politics, social organisation, technology, and material culture, in society which make up the legal environment. Thus, culture arguably affects the legal environment (Favere-Marchesi, 2000) and convergence process (Yoshikawa & Rasheed, 2009). An analogy for differences in current practices may be similar to one language with different accents.

Another argument claims that culture is not appropriate to explain differences in accounting and auditing practices (Baskerville, 2003; McSweeney, 2002; Roberts, Weetman, & Gordon, 2002). They assert that accounting and auditing are much more affected by economic, historical, and political factors. These variables will be discussed further in the critiques on Hofstede's work in the next section.

The rest of the paper is presented as follows. The first section describes concepts of culture and literature review, specifically in accounting and auditing as well as corporate governance. Section two and section three discuss critics on Hofstede's culture model and an alternative approach for differences in practices across countries, respectively.

2. Literature Review

Definition of Culture

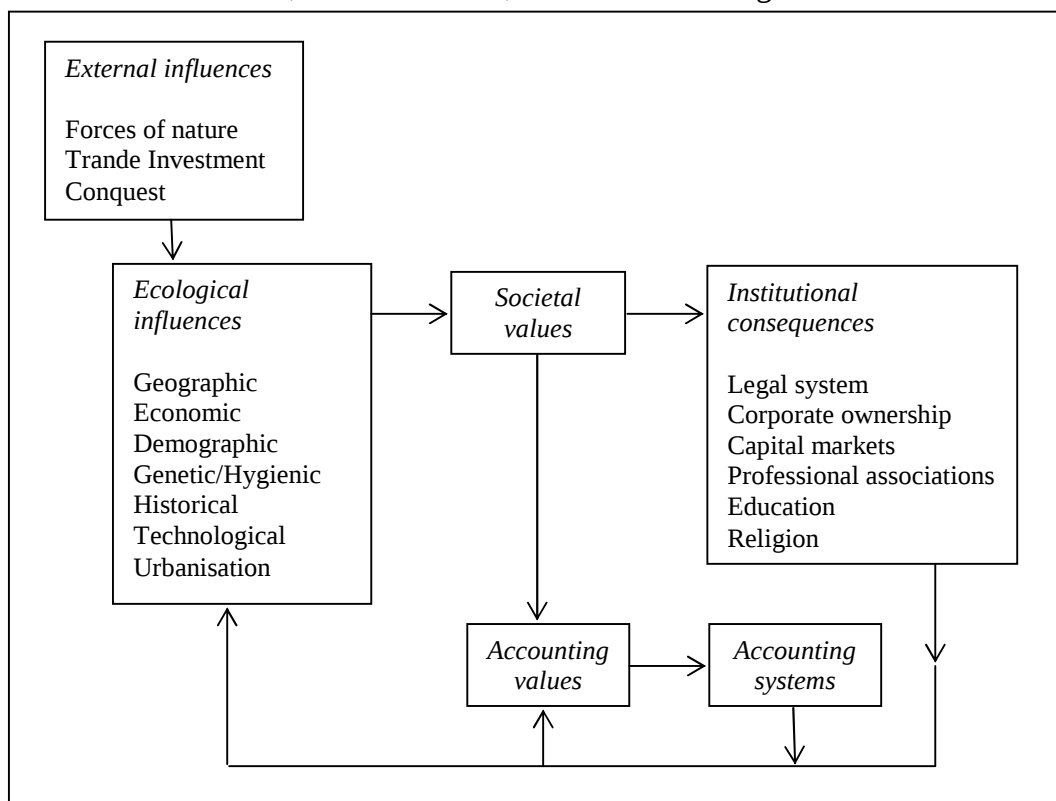
Culture is defined as, 'the collective programming of the mind that distinguishes the members of one group or category of people from another' (Hofstede, 2001). Culture is characterized by symbols, heroes, rituals, and values (Hofstede, 1987). Hofstede (1987) states a relevant dimension of these characteristics in this discussion is 'values', since it the most difficult to change and thus, it can be relatively stable as a distinctiveness to explain differences in institutional behavior of the organization. He argues that values themselves comprise four different dimensions: large versus

small Power Distance; strong versus weak Uncertainty Avoidance; Individualism versus Collectivism; and Masculinity versus Femininity. Power distance is defined as "the extent to which the members of a society accept that power in institutions and organization is distributed unequally"; Uncertainty avoidance is about "the degree to which the members of a society feel uncomfortable with uncertainty and ambiguity; Individualism is "preference for a loosely knit social framework in society wherein individuals are supposed to take care of themselves and their immediate families only"; Masculinity is characterised as "a preference in society for achievement, heroism, assertiveness, and material success" (see more Hofstede, 1984).

Gray(1988) illustratively extends the cultural work of Hofstede and specifies societal values to

accounting values at the level of the accounting subculture (as opposed to the culture at the nation at level). He holds Hofstede's model at the macro level and derives accounting values from societal values as depicted in Figure 1. Hofstede(2001) describes that culture is also as 'crystallization of history', thus to understand the origins of cultural differences across nations, it is necessary to study a comparison of history. Factors which can change culture are mainly from external, through forces of nature (climate changes, silting up of harbors, spreading of diseases) or forces of man (trade, conquest, political and economic domination, scientific discoveries, technological breakthroughs) (Hofstede, 2001). Reinforcement and interaction among elements may reach an equilibrium point of culture, so it should be relatively stable for a period of time and can be a unit of analysis.

Figure 1
Culture, Societal Values, and the Accounting Values

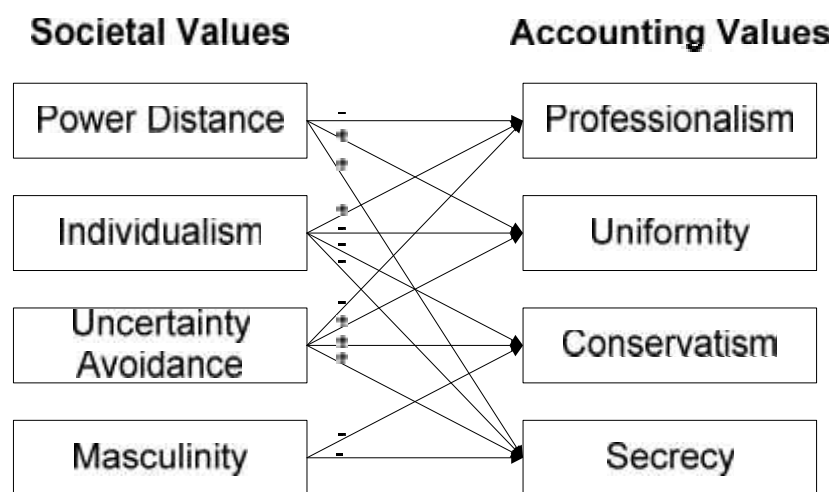


Source: Toward a Theory of Cultural Influence on the Development of Accounting Systems Internationally (Gray, 1988).

Gray (1988) proposes that four cultural dimensions, in terms of explanatory power to accounting values, in order, are uncertainty avoidance, individualism, power distance, and masculinity. In addition, he points out that accounting values consist of Professionalism versus Statutory Control; Uniformity versus Flexibility; Conservatism versus Optimism; and

Secrecy versus Transparency. The relationship between cultural dimensions and accounting values is depicted in Figure 2. As can be seen from the figure, individualism and uncertainty avoidance have four directions toward all accounting values, while power distance and masculinity have 3 and 2 directions respectively.

Figure 2
Relationships between Societal and Accounting Values



Note:

+ = a direct relationship, - = an inverse relationship

Sources: Adapted from Gray (1988) and Baydoun & Willett (1995)

The value of professionalism/statutory control is, 'a preference for the exercise of individual judgment and the maintenance of professional self-regulation in contrast to compliance with prescriptive legal requirements and statutory control' (Gray, 1988). This implies that accountants in a country prefer exercising their individual judgment or being unified by law/regulation for their judgment. Gray (1988) asserts that higher professionalism may be rooted in societal values of high individualism and lower uncertainty avoidance, as well as lower power distance. Independent professional judgment is in line with being a loosely knit social structure where it emphasizes independence, a belief in individual

decisions and respect for individual efforts. High professionalism is often associated with weak uncertainty avoidance since this dimension implies that people have a belief in fair play and prefer to have few rules. In addition, small power distance also contributes to promoting professionalism because people prefer to treat and be treated equally. Conversely, these dimensions should be also applied to the statutory control, as opposed to professionalism, in the reverse direction. Lower professionalism is related to collectivism, higher uncertainty avoidance, and higher power distance.

Uniformity versus Flexibility refers to values, which are related to uniformity, consistency or comparability (Gray, 1988). Gray (1988) states

uniformity is associated closely with stronger uncertainty avoidance and individualism dimensions as well as lower individualism. He describes people who have a preference for avoiding uncertainty, tends to pay attention to law and order and rigid codes of behavior, a need for written rules and regulations and a respect for conformity. They need certainty rather than managing uncertainty. Furthermore, he adds that uniformity values encourage people to have a tight-knit social framework, a belief in organization and order and respect for group norms. There is also a link between uniformity and a large power distance since large power distance encourages people to accept the imposition of laws and codes of a uniform character (Gray, 1988). Conversely to uniformity, flexibility has the same explanation but in the reverse direction.

Accounting values of conservatism versus optimism have a significant place in accounting and it is one of the accounting principles which mean prudence in measurement and reporting (Gray, 1988). Gray (1988) mentions that this accounting value dimension is closely related to uncertainty avoidance, individualism, and masculinity. High conservatism attitude may be identical with dimensions of, in order of soundness level, high uncertainty avoidance, collectivism and femininity and vice versa. He argues that individuals with high uncertainty avoidance preference tend to behave in a secure manner to avoid the uncertainty of future events and may be supported by a low individualism mindset since they are unlikely to emphasize individual achievement and performance. Furthermore, in some societies, masculinity may contribute to promoting conservatism, even although it is less strong compared to others. For this reason, masculinity is the least relevant dimension for accounting purposes (Gray, 1988).

To be transparent or secret is an option for people, who are affected by societal values and it can be a significant value for accounting practices (Gray, 1988). Gray (1988) hypothesizes that high

secrecy, contrary to transparency, is influenced by weak power distance, high uncertainty avoidance, low individualism and weak masculinity and vice versa. He asserts that individuals with high power distance and strong uncertainty avoidance preference are likely to control information, to maintain power inequalities, thus they tend to be secretive. In addition, he adds that low individualism also encourages people to be more secretive, since it prefers to engage closely with a firm, rather than external parties. Yet again, although masculinity may affect accounting value, it is less significant and less relevant with related to transparency or secrecy (Gray, 1988).

Hofstede and Gray with their societal and accounting values apparently influence much of management and psychology research, including accounting and auditing (Baskerville, 2003; Roberts et al., 2002). The cultural model of Hofstede, which was developed in 1980, has been used to explain differences in accounting and auditing regulations and practices, either at culture level or sub-culture level. The model has been cited in Social Sciences Citation Index more than 1,706 times from 1981 to 1998 (Baskerville, 2003), and it has reached 43,345 citations, counted by using google scholar as of 19 September 2017.

Differences in Accounting and Auditing Practices

Askary (2006) contends that cultural environment may be recognized as national or regional systems, which consist of cultural elements and their interaction. For illustration purposes, a failure of merger and acquisition between two companies from different countries, e.g. Benq, the Taiwanese mobile company, and Siemens mobile, the giant Germany Company, blamed different culture between Taiwanese and Germans as a causation factor, rather than merely technical and management issues (Alexander & Korine, 2008). Both companies have to integrate and acquire existing employees, with their own routines and culture (Hennart & Reddy, 1997) and this is perhaps the most difficult one, especially when the

gap between these cultures is significant (Jemison & Sitkin, 1986). As a result, culture possibly will affect other elements in a larger system and if accounting is a part of it, it will also be affected.

Differences in accounting and auditing practices across countries have been explored by some studies (e.g., Bik & Hooghiemstra, 2017; Chan, Lin, & Mo, 2003; Gray, 1988; Haniffa & Cooke, 2002; Lin & Fraser, 2008; Yusoff, Othman, & Yatim, 2014). Societal values, as proposed by Hofstede, affect values at sub-culture level, such as accounting and auditing (Gray, 1988). Lin & Fraser (2008) conduct an empirical comparison study about culture to resist client pressure in China and the UK. By measuring different practices in terms of specificity of accounting standards, level of audit tenure, provision of consultancy services and audit market competition in both countries, they explore the causes of such differences from cultural perspectives. They find that cultural dimensions of power distance and individualism significantly affect audit practices in UK and China. Chinese auditors, characterized by high power distance and low individualism, are more likely to compromise toward client pressure, than their UK counterparts.

The study confirms Patel, Harrison, & McKinnon (2002) who investigate client pressure on auditors, using data from Australian, Indian, and Chinese Malaysian auditors. They find Australian auditors have a higher rate of protection from client pressure, shown by low power distance and high individualism, than the other two.

The effects of different cultures on auditor-detected accounting errors and fraud are also noted (e.g. Chan et al., 2003). They investigate the relationship in China between auditor's judgment of detecting financial misstatement due to errors and culture, especially power distance and individualism dimensions. By using audits of 80 foreign companies from different cultures, they hypothesize both these companies have preferences of accounting practices and management control systems and subsequently tend to have a pattern

of making errors in their financial statements. This study establishes that cultural dimensions of power distance and individualism significantly cause different materiality of the errors detected among these companies. It suggests firms with large power distance and individualism tend to have larger errors in account receivable and account payable, than firms with low power distance and individualism.

Haniffa & Cooke (2002) examine a link between the culture of Malaysian and Chinese ethnic and corporate governance practices in Malaysian companies, using Hofstede's cultural model. They posit that Malays have lower secrecy than Chinese, so the former tend to disclose at a lower rate than the Chinese. The study finds that there are insignificant differences in terms of uncertainty avoidance and individualism values among both ethnicities. The finding contradicts Hofstede's results and implies that the Chinese in Malaysia may be under pressure culturally and politically, so they have a relatively different attitude, compared to their origins in China (Haniffa & Cooke, 2002).

Unfortunately, the number and type of cultural dimensions that are used in the several studies above vary. Some only use a single dimension, while others employ two, three or more cultural dimensions. Lin & Fraser (2008), for example, utilize two dimensions - power distance and individualism, whereas, Haniffa & Cooke, (2002) exercise all four societal values and others (e.g, Gul & Tsui, 1993) draw only on the single dimension of uncertainty avoidance. Significantly, Patel et al. (2002) use culture in its entirety, rather than its composite parts.

This inconsistency of the utilization of cultural characteristics may indicate that use of one or two cultural dimensions is inappropriate and unacceptable, since it may limit an understanding on the effects of culture on the judgment from an accounting perspective (Harrison and McKinnon, 1999). For this reason, it is arguable that culture is not a main driver for

the differences and may only facilitate other variables Roberts et al. (2002).

Even although the cultural model seems to be the most influential framework Spector, Orrell, Davies, & Woods(2001), this cannot escape from criticisms.

Criticisms of Hofstede's Cultural Model

The cultural model, as proposed by Hofstede, has been criticized since the framework was published in 1980(Hofstede, 2001). In the second edition of *Culture's Consequences* in 2001, Hofstede has classified and incorporated his counter to critiques of his work in five areas - research methods, unit of discussion, usage of an organization to reflect nation's culture, obsolescence of data and adequacy of cultural dimensions. Soon after the book was published, McSweeney(2002)and Baskerville(2003) also criticized this cultural work and Hofstede respectively responded to them in 2002 and 2003 and then countered again by Baskerville in 2005.

Some research argues that it may be inaccurate and inappropriate to measure differences in culture across countries using questionnaires (survey) since the value is culturally sensitive and subjective(Jones, 2007; Schwartz, 1999). In addition, McSweeney(2002) points out that the average of questionnaires, distributed in each country in Hofstede's research was small and even more, in some countries, it was minuscule.

As a result, this possibly affects their reliability and validity of the survey as well as explanatory and comparability power. Furthermore, Spector et al.(2001) argue that Hofstede's work contains low internal consistencies, which means that to draw a conclusion at the country level, this should be derived from the individual level of participants, but this is not the case in this study. (Hofstede, 2001, 2002) responds to these critiques that, 'comparing forests is not the same as comparing trees....tests developed for individual level are not necessarily relevant for the aggregate level and

vice versa'. He additionally counters the criticisms by saying that survey is one method and there were other methods, which were used in this study.

In regard to the effect of culture on judgment and decision-making (JDM) in accounting and auditing as discussed in most studies above, this should use appropriate research methods. Bonner (2008), for example, states most of the behavioural research methods in accounting and auditing, particularly in relation to judgment and decision making, employ experimentation and passive observation. She argues that the methods enable the researcher to control for an alternative explanation for results through the random assignment of subject to treatments; systematic manipulation of variables of interest; control of variables not interest by, for example, holding them constant and valid and reliable measurement of variables. These dimensions of experiments allow for better attributions that relations between independent variables and JDM quality or between JDM quality and various consequences are causal in nature or internally valid. In addition, she argues that the ability of experimentation to examine the processes through which factors affect JDM quality. Studying the effect of culture on judgment and decision making may benefit more from these methods than surveys and Bonner(2008) suggests it can be enriched by utilizing other methods, such as archival data.

Even though the use of the cultural model in accounting and auditing research has a place, as indicated by a number of citations of work of Hofstede and Gray, the relationship between culture and accounting is apparently still vague. For example, Roberts et al.(2002) suggest that culture may be more appropriate and treated as a mediating variable rather, than as a proxy itself, to explain differences in accounting and auditing practice across countries. They assert culture intervenes in the influence of ecological or environmental and external factors, as well as societal and accounting values. Thus, culture

facilitates, either positive or negative direction, other variables to affect accounting systems, and it does not directly affect accounting systems. Therefore, it is a fact that some countries with similar culture have different accounting systems and conversely, some countries with dissimilar culture have similar accounting systems (Roberts et al., 2002).

The fundamental issue of the cultural model is to equate the unit of the studying of culture as nations. Baskerville (2003) argues that cultures are not the same as state nations since a nation can consist of more than two cultures. For illustration, Indonesia comprises about 300 ethnic groups, 583 languages, and dialects and they inhabit approximately 6,000 of 17,000 islands, spreading over three different time zones. Geographical landscapes, for some reason, are the main factor which causes differences among these ethnic groups, in terms of physical and attitude of these ethnics. How to measure or quantify a national culture from hundreds of local subcultures should be a relevant issue which would have to be resolved for Hofstede's study, before comparing them to other countries. Furthermore, representativeness of samples from large subcultures can be also a challenge to this work. Baskerville (2003) states that Hofstede was not trying to maximize the diversity to capture homogeneity among sub-cultures and only uses an organization's culture to be reflected in a national culture. In a similar vein, Roberts et al.(2002) also remind that measurement of culture may be problematic since culture is a complex phenomenon which cannot be easily simplified by using a quantitative approach. To this critique, (Hofstede, 2001, 2002) argues that the approach was proposed as an initial stage to examining cultural differences across countries and it is the only kind of unit available for comparison. In return, Baskerville-Morley(2005) contends that his repeated response does not answer criticisms in depth and the second book is not actually revised to address the criticisms.

If culture is suitable as a proxy of culture, it should be supported by anthropologists and sociologists for such usage and because of a lack of supporters from both areas, Hofstede appears not to be legitimized(Baskerville, 2003). She contends that debate on culture should involve disciplines where theories embrace it. Instead of denying cultural influence, Roberts et al.(2002) suggest that culture may be considered as a moderator variable.

3. Alternative Proposals

Besides criticisms, Baskerville (2003) also provides a proposal to cover weaknesses in Hofstede's cultural model. She supplies an argument that it is more suitable and applicable if business research, including accounting and auditing, uses economic indices, history, and political factors, rather than a cultural approach, to explain the differences in accounting and auditing practices across countries. She argues that these variables possibly mirror the mechanisms of social organization or the strengths and opportunism of different nations, which may be epiphenomenal to historical origins. Roberts et al.(2002) confirm these aspects and argue that economic and political systems are the most important variables of accounting regulations and practices. Political system of a country reflects how the economy is controlled and organized and will subsequently influence the objectives or role of accounting(Roberts et al., 2002). Roberts et al.(2002) state there are two common political systems: 1) liberal-democratic systems, adopted by Western Europe, North America, Japan, and Australasia; 2) egalitarian-authoritarian systems, used by China, North Korea, Vietnam, and Cuba. Liberal-democratic political systems tend to use the capitalist economic system, while egalitarian-authoritarian systems are apparently identical with centrally planned economic systems. Accounting systems and practices which help in planning and controlling the economy, frequently serve in a different manner for each economic system

(Roberts et al., 2002). Other elements which also contribute to promoting such difference are legal systems, taxation systems, corporate financing systems and accounting profession, as well as exportation and importation accounting systems (Roberts et al., 2002).

Baskerville (2003) operationally claims that the differences can be explained by using well-established proxies such as GDP, GNP, population size and density, market size, stock market characteristics, political dominance, religious dominance, class structures, or education statistics. Clustering and employing these variables to predict accounting and auditing regulations and practices across countries may be useful to identify how they are operated. She, however, does not provide an empirical analysis regarding the significance of these factors.

In conjunction with Hofstede model and alternative proposals above, other explanations, such as institutional theory, may also be useful to comprehend the differences in accounting and auditing practices. Institutional theory has been emerging to enlighten various social phenomena, including accounting and auditing (eg., Gabbioneta, Greenwood, Mazzola, & Minoja, 2013; Thornton, Jones, & Kury, 2005). Cultural, political, economic, and other factors proposed above may arguably be ingredients of institutions or organizations as proposed in institutional theory. Scott(2003), for instance, argues that every organization consists of three elements: regulative, normative, and cultural-cognitive elements. This classification is similar with DiMaggio & Powell(1983) one, comprising coercive, normative and mimetic elements. Thus, use of institutional theory may provide deeper and better understanding of different accounting and auditing practices.

4. Discussion and Conclusion

Culture is a broad topic which cannot be explained and easily understood (Roberts et al., 2002). The way culture influences management

behavior causes a significant discourse. Hofstede's book, *Culture's Consequences*, is remarkably influential Ailon (2008); Bing (2004); Søndergaard (1994) and Triandis(1993) argues that it is a 'monumental study'. To date, this book may offer a foundation of mainstream organizational and management thinking (Ailon, 2008; Søndergaard, 1994) and attract both critiques (e.g.Baskerville, 2003; McSweeney, 2002) and supports (Bing, 2004; Gray, 1988), particularly practitioners. Such debate may be an attempt to pursue a sounder basis for explaining differences in accounting and auditing practices.

Even though the model may contain a lack of propositions (Baskerville, 2003) or even more, Bing(2004) describes it as 'teaching lenses', it appears that the model still is used as a framework, especially in business research and a variety of consultancy practices. In this sense, it will be possibly equated with stakeholder theory, which lacks fundamental assumptions as a theory but it is widely used in practice as a basis of allocation of corporate responsibilities to all stakeholders (Sternberg, 1997). In addition, it is also recognized that these findings of Hofstede's work, as large-scale research at that time, involving more than 177,000 questionnaires, which distributed to more than 66 countries, provide valuable insights (Bing, 2004) and may be still viewed as the largest scale research to date.

Literature acknowledges that accounting and auditing, especially in developing countries, are imported mainly from developed countries (Baydoun & Willett, 1995; Roberts et al., 2002). Accounting and auditing in Indonesia, for instance, was initially imposed by the Netherlands during the colonial era and then imported from the US by academicians who received scholarships from the US government. They have influenced much of this development of accounting and auditing until now. The movement towards IFRS/ISA has been initiated in 2004 (IAI, 2004) and fully adopted in 2014. Thus, it may be less relevant to compare different regulations and

practices between the countries that export accounting systems and those which import it (Roberts et al., 2002). This argument is, however, perhaps not always true, since there is assimilation and reinforcement between imported systems and local culture, as indicated by some studies, involving both sides.

Convergence of corporate governance, accounting and auditing standards has been conducted for years, and about 127 countries have adopted it or are in the adoption process, as of 31 January 2012. This reality may encourage the harmonization of financial statements as a consequence of the increase of international trade and the integration of capital markets. The aims of the convergence are to enhance the comparability of financial statements and increase reliability and relevancy (Aljifri & Khasharmeh, 2006). Without concerning regulatory environments, e.g. as founded by Favere-Marchesi (2000), harmonization of accounting and auditing standards is likely to be jeopardized and the goals appear less relevant. Four of the cultural dimensions affect accounting values in their origin countries (Baydoun & Willett, 1995; Gray, 1988), therefore, to understand how accounting and auditing operate, it is necessary to grasp the culture surrounding them. Some empirical studies, as discussed in the literature review above, confirm this proposal that power distance, uncertainty avoidance, individualism, and masculinity appear to contribute to making up accounting values – professionalism, uniformity, conservatism, and secrecy.

With regard to prevention and detection of fraud, for example, auditing standards enacted in many countries, especially those which adopt IFRS and ISA, currently use the same/similar framework of fraud triangle and other procedures, which are employed in International Standards on Auditing (ISA) 240. Unfortunately, cross-country studies, such as by the (Association of Certified Fraud Examiners, 2010, 2016), provides empirical evidence, which indicates the auditor's ability to detect fraud appear to lessen over time and the

degree of decrease is different among those countries. If cultural divergence among countries exists, it may be also appropriate to posit that the effectiveness of the implementation of standards varies and otherwise, is only by accident.

Baskerville (2003) claims that differences in accounting and auditing practices are mostly caused by economic, historical and political variables, rather than cultural factors. Their assertions may be based on an assumption that such variables can be isolated from interaction with other aspects, including cultural dimensions. If the assumption is true, then the result is that culture is the significant explanatory variable otherwise it is only about significant matters among these variables. Another explanation of why culture may be inappropriate is that culture is only a mediating variable (Roberts et al., 2002) and not as a proxy itself. Four dimensions of Hofstede's cultural model result from the sorting of a number of variables and it generates four the most significant variables as proxies of culture (Hofstede, 2001). It is also acknowledged that culture interacts with other factors, including the elements proposed by Baskerville and all together reinforce themselves as dynamic as their interactions (Askary, 2006; Gray, 1988; Hofstede, 2001).

The cultural model has been used in either cross-country studies or cross-organization studies in a country. The explanatory power of the model seems to diminish when it is used to describe different practices at the sub-cultural level or in two or more countries with a similar culture (Lin & Fraser, 2008). For example, Haniffa & Cooke (2002) find the differences in corporate governance practices between Malays and Chinese Malaysia are insignificant. On the other hand, practitioners widely employ the cultural model at subcultural or organizational level (Bing, 2004) and such usage at that level may be unsuitable for utilizing economic, historical and political variables. Thus, discourse on cultural versus alternative approach (e.g. suggested by Roberts et

al.(2002) and Baskerville(2003)) should be placed in for context of cross-country comparisons.

Finally, the cultural model of Hofstede has its pros and cons. Although the model may appear to be lack of propositions, it still benefits as a framework for comparative studies of behavioral management research across countries, including in accounting and auditing, and consulting services. Hofstede (2002) stated that after more than 30 years of the model being published, recognizes that, 'in many practical cases [culture] is redundant, and economic, political or institutional factors provide better explanations. For this reason, it should motivate to conduct of a similar study in accounting and auditing using alternative approaches, in terms of theory (e.g., institutional theory), variables (e.g., based on recommendations of Roberts et al. and Baskerville) and research methods (e.g., Bonner suggests using experimentation, passive observation, archival data, etc.) as rigorous as Hofstede's claim.

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