

Accounting for Culture in Terms of Hofstede and Gray

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Abstract

Culture as the "norms, values, beliefs, and customs that reflect common behavioral characteristics" which is widely used in a particular society at a particular point in time to be shared. Human thinking part in shaping the culture of the community. According to Hofstede, culture is "the collective programming of the mind which distinguishes the members of one human group from another. In this paper, the definition of culture, Hofstede's cultural dimensions of perspective, Turner and Trampnrz (1993) is discussed and compared. The theoretical relationship between cultural values and accounting values outlined in the model of Gray (1988) and the experimental test of the model will be presented. According to Hofstede's five cultural criteria (Include power distance, uncertainty avoidance, individualism, male secretaries and their vision of society) are able to explain cultural differences in different nations. Obviously, accounting, business entities that are part of the performance is hard to be affected by national and organizational culture, with the help of four basic criteria proposed by Gray (career orientation, uniformity, conservatism and secrecy) can be used to accounting practice communities distinguished from each other.

Keywords: *culture- cultural values- the value of the account- conservatism- secrecy*

1. Introduction

More researches have been done prior to 1970, for the understanding of human behavior is influenced by intense racial prejudice. But from 1980 onwards, the researchers aimed to examine the universality of psychological theories in Europe and America, they tend to cross-cultural

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research. The results of this research suggest that the key elements of psychological theories (e.g., theories of motivation) are not universal. This cause led researchers to do the research to determine what aspects of psychological problems in the world, in a particular cultural field are valid. Finally, Professor Hofstede (1983Hofsted) in an extensive survey of employees of a multinational company IBM (IBM) in 53 countries and a statistical analysis of the survey results, in his famous theory about the cultural dimensions proposed.

The theory in various fields including psychology, organization theory, and recently has had widespread use in accounting research. Twin accountings civilization history has a long history. In this environment, the accounting forms. In other words, patterns and forms of accounting with the social, religious, and political systems and history form the background environment, the communication (Hofstede, 1980).

2. Review of Literature

2.1 Definition of Culture

Although it seems that all the same impression as beliefs, values, and beliefs of the meaning of culture in mind. However, the real meaning of what is culture?

The scientific definition of anthropological culture stated that Smircich (1983), different views and definitions about culture is summarized in the following five forms:

- 1- Culture is a means to better meet the psychological needs is essential.
- 2- Culture as an adaptive mechanism that controls each link individuals to social structures.
- 3- Culture is a system of shared perceptions.
- 4- Culture is a shared system of symbols and meanings.
- 5- Culture, Art of infrastructure (pronoun) is an unconscious human thought

Although this definition is based on different views have been expressed, but in all human thought as an effective part in shaping the culture is taken into consideration. It also defines the Professor Hofstede (1991) the culture is obvious.

He believes that culture is the collective programming that distinguishes the members of one group from the other groups (Hofstede, 1980). Violet (1993) by exploring the resources of anthropology, culture is defined as: "Culture is a system of learned behavior patterns that are the fabric of any community members will form a special feature of physiological or genetic origin is not. Thus, culture is learned behavior and natural product of human activities".

Beer Trays (1993) also defines culture as a system of shared beliefs. Thus, a common value system in a society shaped the culture of the community. Determine the "worth" of a mood or behavioral condition -specific preference of the majority of people (Hofstede 1991, p 8). When some of the values accepted by the population, these values are expected to become the social norms of society (whether individuals or organizations) may act in concert with these norms.

2.2 Impact of Culture on Accounting

In the midst of tourism research in the field of financial and accounting procedures have been performed in various countries. Hence, there are studies that provide a framework for assessing the impact of culture on accounting have been made. One such investigation, inquiry Mckinnon associated with the historical evolution of accounting in Japan (Mckinnon, 1986).

Two years later Grey posed by incorporating Hofstede's cultural values (1980), provided a model for investigating the effect of culture on accounting systems that were researchers hugely welcomed by the (Gray, 1988).

Grey model developed in the Hofstede model (Hofstede, 1980) in relation to cultural patterns in which the values and practices of accounting as a subset of social values and symbolic consequences have been added. Gary believes that the accounting value of a subset of social values, so they can be considered as a replica of the larger societal value dimensions in financial reporting and accounting standards appears. In other words, models Garry relationships between cultural values and accounting functions show (Gray, 1988).

Surveys and studies indicate a strong tendency to use the theories of behavioral accounting research in recent years. This research focuses on the psychological factors affecting the financial statements due to the political role - Social accounting in organizations and social causes. So far so good comparative studies in the field of accounting and environmental factors that influence in the world has been that they all support the interaction between accounting and the environment to

each other. These results suggest that the development of accounting is influenced by various environmental factors, one of the most important elements of "culture" is.

One important result of the accounting standards of the International Program Committee (TASC) on the harmonization of accounting globally accepted international standards and increasing the number of significant symbols of Professional Accounting in developing countries.

With the increase in capital flows and international trade in the past two decades, the uniformity argument against the resilience of the financial accounting standards to international levels, and like most discussions of improving the literature related to this topic two different point of led quickly.

Group sponsors international standardization of accounting procedures that: the needs of users of financial information, accounting procedures and principles to meet these needs must be global. One proponent says we need consistency, uniformity of principles and procedures for financial statements that they are prepared for common goals if financial statements are to inform investors, the principles and procedures should not be expected to change from one country to another.

On the other hand opponents argue uniformity cultural environments affect the accounting, legal, economic, political and various countries came under international standardized accounting procedures would be extremely difficult. Some also believe that due to the variety of environmental conditions, the development of an efficient set of international accounting standards seem unlikely.

For example, Mueller says business and economic environments are not identical in all countries due to the close relationship between economic conditions and trade with accounting principles generally accepted set cannot be used in all countries. Development of accounting in each of the social environment and society. This led the researchers to identify the main environmental factors could affect the accounting function.

Numerous studies have been conducted in this section a number of these studies are mentioned. In one study, research done by Arpan and is Radebaugh (1985).The results of their study showed that four factors include conservatism, secrecy; mistrust and determinism affect the accounting function, but could not explain the systematic analysis of the relationships between these factors and accounting functions express.

Another unique study was Hofstede (1980 - 1991) in his study of 116,000 people in more than 50 countries can use IBM's Body. He raised the cultural values of the five criteria that social values are: 1) individualism vs. collectivism, 2) large versus small power distance, power, and 3) strong or weak uncertainty avoidance, 4) Masculinity versus female -oriented 5) Short -term versus long-term horizons (Hofstede, 1980).

The main features and some of the criteria associated with them and their consequences for the calculation are as follows:

2.2.1 Individualism vs. Collectivism

The measure of the degree of solidarity among members of a society or association created between a person and his colleague is concerned. Individualism and social solidarity in a society that prefer the free form, while it is assumed that the members of his immediate family to take care.

Strong correlation implies the gregariousness and social framework in which individuals can expect their relatives to care for them or be loyal to them without hesitation. Characteristics of these benchmarks, specific questions with regard to the common theory of management thinking (level of credibility and reliability of the overall economic theories based on psychological theories of narcissism and self- reality based) is proposed. In individualistic societies, human relationships are very weak and pale. In these communities, people only care for themselves and their immediate families know their job. In these societies from the beginning of life in the community who are joined together to support and care for them as their permanent duty. Degree of individualism or collectivism affects individuals between communities and organizations.

In collectivist societies, strong emotional ties between members of the organizations, there are organizations responsible for many of its members believe in the case of conflict between individual and social values are lost. But if they are not members of the organizations attention to the discrepancy between the values of individualism and individual increases or changes in the social composition of the group or of both of these be. Hofstede concludes that the level of individualism in a country with a wealth of data that is relevant to the community (1983) (Hofstede, 1980).

According to this argument the more prosperous countries of origin, era of individualism and collectivism are poor countries. This view seems to be that significant differences in the values of the social aspects of the relationship between the countries.

2.2.2 Large Power Distance Versus Small Power

The criteria acceptance of unequal distribution of power in organizations and institutions, by members of the relevant community. In large power distance societies, people tend to adopt a hierarchy in which everyone has a place that needs no further attention. While in low power distance society people tend to try and draw attention to the power disparities in power demand. This standard specifies the characteristics tend to attract attention and to answer questions like the following items:

Is it necessary to consult with subordinates? Management and system acceptance is top secret, sir? The importance of consulting with subordinates in large power distance (due to the tendency of people to man the top secret), it is possible to measure the importance of this issue in terms of power distance is low. Degree of inequality in a society is measured by the amount of space power.

The difference between the amount of power being centralized authority and the authoritarian leadership is concerned. Societies in which power is unevenly distributed can further stay, because this position requires a psychological dependence on the people without power meets.

In other words, the value systems of the two groups are complementary. Hofstede (1983) about the relationship between power distance and collectivism collectivist believes that countries always show a large power distance, although person -oriented countries are not always a small gap in power. It is interesting that all poor countries with large power distance, collectivism are.

2.2.3 Strong Or Weak Uncertainty Avoidance

The measure of the degree in which some members of a society feel uncomfortable with uncertainty and doubt they are related. The fundamental issue here reacts in the face of an uncertain future. This reaction , which tries to control the future and allow the future to happen .In weak uncertainty avoidance societies, people naturally tend rather to feel safe while in societies with high uncertainty avoidance, people tend to try to create the future because the future is essentially unpredictable is projected that there will be a higher degree of concern.

In such societies, some institutions are trying to create security and avoid risk. One important way to secure passage of legislation and official institutions by which support is provided by the unpredictability of human behavior.

Despite the relatively high degree of planning and economic activity in communities with strong uncertainty avoidance, can be explained as a measure of value. All religions are trying to make sure what ideas people have high expectations.

This standard will specify, among other things due to an emotional need for formal rules guide behavior, Formal degree of integration, and standardization of customs agencies, the amount and degree of action for ideas and deviant behavior to risk all to bring there.

2.2.4 Male Homosexual Activism Against Women

Male receptionist is a measure of the rate of population trends show a modest hit in the face of aggressive behavior, in other words, the male receptionist means population trends supremacy champion husbandry and Delaware. In contrast, the female clerk means the tendency of people to communicate, humility, care for the weak ones and improve the quality of life.

2.2.5 Long- Term Versus Short -Term Horizons

This measure indicates how communities rely on the capacities of their combination are analyzed. In countries with longer-term horizons, try different sections are combined through a strong and adjustable. Patience of the people of such a society is willing to accept a lot of different parts to combine with each other. But in countries with short-term horizons , try to break all the components in these communities, the retention ratio , a commitment to social obligations , regardless of their price stability remain equal in status with others , low levels of savings and quick access to the results is emphasized.

3. Compare Hofstede's Model And The Model Of Turner And Trampnrz

Clearly, the five criteria proposed by Hofstede's value ,worth seven criteria set forth by Turner and Trampnrz (Universalists in particular against sexism , against the combined analysis , individualism vs. collectivism , the external circuit to circuit , the coincidence of chronology , an acquired condition due to their alleged status , equality before the class hierarchy) largely coincide and are identical in nature

Theoretical relationship between cultural values ,accounting values " Model Gray " (1988) incorporating Hofstede's cultural values and context raised by the measure of value -oriented accounting professional , uniformity , conservatism and secrecy , a model system for studying the effect of culture on accounting, which was welcomed by the researcher.

Although 25 years have passed since the presentation of the model, still, it is used as a model for further studies on an international level And even new models inspired by Gray Hofstede's model for interpreting the impact of culture on the development of accounting change in different countries are presented (Choi2001), (Verma1998) and (Verma and Gray1997).

Gray models, actually expanded in relation to Hofstede's model of cultural patterns in which the values and practices of accounting, as a subset of social values and institutional implications added.

Grey's Anatomy greater role model in predicting the impact of culture on accounting values and performance is discussed. He says, because the accounting value of a subset of social values, so they can be considered as a model of the larger societal value dimensions in financial reporting and accounting standards appears.

The four criterion are considered in this model is the accounting value - professional orientation, uniformity, conservatism and secrecy - very similar to the criteria set forth by Arpanand Radebaugh (1985) in 1985 (conservatism, secrecy, mistrust and determinism) is. Indeed, fusion - cast model of Hofstede's model (1980) and the accounting value is derived from the model Arpanand Radebaugh. Four criteria for the accounting value of perspective, Gray as follows:

Career -oriented versus statutory controls, reflecting a preference for the exercise of professional judgment and professional self- regulation rather than comply with legal requirements and professional control over by the government.

Uniformity versus flexibility, reflecting a preference for using accounting methods between companies in the same consecutive years instead of the flexibility and application of different procedures, depending on circumstances of the companies.

Conservatism versus optimism, reflecting a preference for dealing with uncertainty due to careful selection of future events rather optimistic approach relies on the freedom and accepted risk.

Secrecy versus transparency, reflecting a preference for confidentiality and disclosure of information on business operations, Only to those who are in close contact with the management of its finances, instead of dealing more transparent, explicit and open in responding to the public (Grayand Vint, 1995).

Gary theoretical study of the relationship between accounting values and accounting practice concluded that conservatism and secrecy on measurement procedures and disclosure in financial reporting impact, but the uniformity of professional idealism and shows its effectiveness in the process of developing accounting standards. Also, a comparative analysis of his words, a theoretical relationship between cultural values and accounting of payments, which are summarized as follows:

1- Professional positively oriented individualism and power distance and uncertainty avoidance are negatively related. In other words , the greater the degree of individualism in a country , but the degree of uncertainty , and uncertainty avoidance and low power distance in this case to the control of that society, more willing to the control of professional legal .

2- Uniformly positively associated with individualism and power distance and uncertainty avoidance are negatively related. In other words , whatever the level of power distance and uncertainty avoidance in a country where less is more , but the degree of individualism, in this case the community tend to the uniformity of (as opposed to flexibility) there.

3- Conservatism positively correlated with uncertainty avoidance and individualism has a negative relationship between a man and a secretary. In other words, whatever the degree of uncertainty avoidance in a country where less is more, but individualism and male secretary, then that society tends to be conservative (in front of optimism) there.

4- Concealment of uncertainty avoidance, power distance relationship with a male secretary and individualism are negatively related.

Gary (1985) by extending their analysis, accounting systems of different countries is based on four categories accounting value.

4. An Experimental Test Of Gary Model

Grey Model (1988Gray) framework provides the basis for empirical research examining the impact of culture on accounting provided. Accordingly, many researchers such as (Eddie, 1989),

(Belkaoui, 1989), (Doupink Salter, 1995), (Zaisekei, 1996), (SalterNiswander, 1995) and (1995 Gray and Vint) empirical model to test him.

Eddie by selecting a sample of 13 in each of the countries of Asia and the Pacific, Gary began test the model. His research includes three phases: in the first stage, Eddie indicators to measure value accounting (professional orientation, uniformity, conservatism and secrecy) designs.

Secondly, the figures for these indicators calculated for each of the 13 countries studied, and in the third stage, the calculated index value accounting figures for the number of indicators related to cultural values (which previously had been measured by Hofstede) is compared. The results of confirm the theoretical relationship proposed by Gray (on how to communicate cultural values and accounting values, respectively) (Eddie, 1990).

Belkaoui (1989) in their study, the following four hypotheses based on the Grey Model is proposed, tested:

- 1- The power distance in a society, the more career -oriented degree that society becomes less.
- 2- How to avoid uncertainty in a society, the more career -oriented degree that society becomes less.
- 3- What is more individualism in society, career -oriented degree that society becomes less.
- 4- The male receptionist in a society, the more career -oriented degree that society will be greater (Belkaoui, 1989)

Belkaoui these four hypotheses at the international level and in 28 countries (countries that Gray and colleagues (1984) they have assessed the accounting system) can be tested. The result of this study showed that professional orientation greatly influenced the cultural aspects of society (especially individualism, uncertainty avoidance and male secretary) is located.

Salter and Dvpynk (1995 and 2004) with a compound related to the development of accounting models proposed by previous researchers, such as Stand up Card (1985Schweikart) and Robson (1993Robson), achieved an overall model. Based on this model, accounting for both the product development of complex inter-relationships between a set of external environment, organizational structure and culture of that country. Next, they use the hierarchical analysis and correlation to test

their own model. The results showed that all three factors of the external environment, organizational structure, and culture play a significant role in accounting for changes in a society. On the other hand, global institutional structure was identified as the most important element influencing accounting systems (Doupnik and Tsakumis, 2004). Salter and Niswander (1995) with data collected from 29 countries, began to test the Gray model concluded that the model best able to describe the financial reporting functions in a real environment. But the explanation is extremely weak structures and legal professionals. In addition, they found that the rate of development of financial markets and tax levels to add to this model, the explanatory power of the model increases (Salter and Niswander, 1995).

Gray and Vint (1995) to examine the impact of culture on accounting disclosure (measure of secrecy / transparency) of 27 in the nation. They reveal a level of financial and non -financial items (discretionary and non- discretionary) as the operational definition of secrecy / transparency were considered. Thus, whenever the financial statements of companies in a greater number of items to be disclosed, the level of secrecy keeping the community will be less.

Gray and Vint disclosure indices mean the companies surveyed, the classification of enterprises (and communities) based on the degree of information trails. Using linear regression analysis, the figures reveal indicators and indicators of social / cultural calculated by Hofstede, to examine the impact of culture on accounting information disclosure. Their results confirm the existence of a strong relationship between cultural values (particularly uncertainty avoidance and individualism) and the disclosure of accounting information in the surveyed countries (Gray and Vint, 1995).

Zaisekei (1996) with Gray model tried to answer the culture so that the effect of accounting for the unified efforts of the International Accounting Procedure makes it futile? He found that the culture of corporate disclosure practices Inland impact, But companies that are active in the global market is far more information than is required in their well-known publications. Perhaps because of this, and to save resources at the international level of spending is disclosed in these areas (Zarzeski, 1996).

In addition to these studies, researchers such as (1996 Oriol others) and (2000 Verma) using gray models - Hofstede examined the effect of culture on accounting practice in one country are paid. Oriol and his colleagues in a theoretical analysis to study the culture and accounting changes (including management accounting and financial accounting) of Spain after Franco's death (1975) until the emergence of the democratic structure of the (1978) addressed in this country.

In other words, the validity of the gray model, the strength of this model is reflected in the culture and accounting tested in Spain. According to the researchers of the period, convergence and flexibility of the accounting profession in Spain rose against conservatism and secrecy, declined. But also culturally more individualism and power distance uncertainty (uncertainty avoidance) is lower. Suderwan and Fogarty (1996) in a 12-year period (1992-1981) was tested gray model in Indonesia.

Their results show that the adjustment made in gray models, the modified model is capable of accounting for the effects of cultural change on Indonesia to explain. Javad Rezazadeh (2002) in a cross-sectional survey, The relationship between social values based on culture (including power distance, reliability ambition, individualism and Masculinity) by accounting values (conservatism and secrecy) review, Unlike Gray and concluded that, despite an increase in gray model Iranian companies have reduced the amount they cover. This is really the generalizability of a model of cultural values and accounting in various countries which scuppered.

5. Conclusions

The theory of cultural dimensions proposed by Hofstede (1980-1990) can be described as the biggest paradigm shift in cultural development is considered. According to Hofstede's five cultural criteria include power distance, uncertainty avoidance, individualism, male secretary horizons individuals are able to explain cultural differences in different nations. On the other hand, an unconscious culture of each community on how to design and implement information systems in different companies and organizations that impact society. In other words, cultural differences existing in the community can lead to differences in organizational cultures as the main factor affecting business performance of the organization (or) is possible.

Obviously, accounting, business entities that are part of the performance is hard to be affected by national and organizational culture. With the help of four basic criteria proposed by Gray (career orientation, uniformity, conservatism and secrecy) can be distinguished from each other in different societies accounting practice.

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