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and the National Culture

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Management Control Systems and the National Culture*

Mouhcine Tallaki**, Enrico Bracci***

Abstract:

The relation between an organization, economic, social and cultural contexts leads to ask the question whether those organizations, not only big companies but also SMEs, can transfer their domestic Management Control Systems (henceforth MCSs) overseas or they need to redesign them according to cultural imperatives of other nation (Graeme et al., 1999). The rise of internationalization versus localization emphasizes the significance of this question.

The study of differences in MCSs has been discussed in the literature according to different approaches, namely: the cultural approach, societal effects, new institutionalism and historical approach (Bhimani, 1999). One of management diversity causes which was highlighted by the most of the approaches is the culture. This paper aims to sketch an embryonic conceptual framework to understand the relationship between national culture and MCSs. In doing so, the case of the Italy-Morocco is considered adopting a combination of historical analyses, new institutionalism and cultural approach. Culture is not stable and evolves over the time (Morin, 1984), it is learned and not inherited. With the adoption of an historical approach, we attempt to study the origins of MCSs and to understand the circumstances under which they were born, spread and institutionalized. New institutionalism helps us to understand how organizational ideals become common and how they are shared in languages and symbols. Cultural approach instead explains how cultural values may affect the management, this approach was developed with the apparition of Hofstede study about culture and management.

Keywords: management control, national culture, management diversity

JEL Classification: M16; M41

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Introduction:

With the launch of the World Wide Web and the diffusion of ICT systems, the early 1990s signified the outbreak of the largest globalization wave in the history. In this context, organizations have been compelled to operate outside their local or regional sphere. The increased openness and transfer of information and technologies has eased the entry to the competitive international market. Any firm unable to adapt to this “new world” and to integrate in the international open market risks to lose its competitiveness. Taking these into account, some organizations choose commercial internationalization, thus, production is kept in the country of origin while the trade of the good is internationalized through export-import policy. Other organizations prefer internationalizing the production, thus, maintaining the organization’s headquarters in the country of origin and establishing branches and subsidiaries in other countries. The internationalization of production can take advantage of the labor markets in those countries which also usually offer relatively cheaper labor.

This ongoing process of globalization and the corresponding changes associated with interdependence and reciprocal markets have pushed economic and international management analysts to study the significance of differentiation among cultural contexts.¹ The organization is considered as open social system composed of interdependent elements, linked to one another forming an autonomous entity. It interacts with the external environment, can influence and be influenced by it. The interaction and the adaptation to external environment comes through people which are rather driven by their cultures and beliefs. The literature suggests that people from different cultures have different attitudes to similar management practices². The close relationship between culture and management pushes to the consideration of culture in designing efficient and effective MCSs.

In spite of the fact that management control, which is one of the main components of organization systems, should be adapted to culture, many organizations tend to implement in other countries the domestically-developed MCSs, neglecting the country-specific cultural aspects. MCSs include two dimensions, the technical dimension which consists of the tools and methodologies, and the social dimension which is the hidden component that comprises the cultural context. These dimensions are

¹ Ciambotti M.,2001, L’influenza dei fattori culturali sul controllo manageriale, Lint Editoriale Associati

² Chow W et al ,1997, Escalating commitment to unprofitable projects replication and cross-cultural extension, Management Accounting Research, 8 (3), 347– 361

not only interdependent, but also inseparable and must be linked together to achieve good control results³. Consequently, MCSs effective in one environment can prove dysfunctional in other environments⁴. Therefore, they have to be adapted to the cultural characteristics of the region, the country and even, at times, the district. To achieve this customization of systems, we have to understand the culture and its relationship with MCSs.

The research question, therefore, can be the following. How does the culture impact on MCSs?. Whereas the national culture affects the MCS we can consider that the MCSs are a cultural product and they are not universal, they should be adapted to the national culture. This paper aims to understand how the MCSs have become universal, particularly the Anglo-Saxon and the Japanese MCSs, and how the national culture could affect the MCSs. In doing that we combine various approaches: new historical analyses, new institutionalism approaches and cultural approach. With the adoption of an historical approach, we attempt to study the origins of MCSs and to understand the circumstances under which they were born, spread and institutionalized. New institutionalism seeks to explore how organizational ideals become common and are shared in languages and symbols. Institutions are not seen as the products of deliberate design or the outcomes of purposive action, but rather as results of persisting practices (Zucker 1991). The cultural approach studies the link between the cultural values and the MCSs, Hofstede's work (Hofstede 1980) represented a milestone for this approach, in which he attempted to understand the role of culture in other social and economic fields. Hofstede's classification was used in numerous disciplines, also in accounting research.

Back to our area of study, the choice was favored by the vast cultural diversity in that region despite its geographical proximity. Additionally, to the success of the Barcelona Declaration of 1995 that materialized the willingness to strengthen the regional economic relations through the creation of a free trade area in the Mediterranean. However, the Mediterranean area is being one of the most important areas that have made decisive steps in cooperating towards the internationalization of organizations. The Euro-Mediterranean Partnership was set-up to create a free trade area, going beyond bilateral relations which were developed and strengthened at times of colonialism. So, understanding the link between national culture and MCSs will help the organizations to adapt their domestic practices to cultural specificities.

³ Helene I, 2000, Cultures nationales et contrôle de gestion, article 43 in Encyclopédie de Comptabilité, de Contrôle de gestion et Audit, B. Colasse (Ed.), Economica, p.577-596

⁴ Chow W et al ,1996, The use of organizational controls and their effects on data manipulation and management myopia: a Japan vs. US comparison, Accounting Organizations and Society, Volume 21, Issues 2-3, 175-192.

The paper will be structured in the following sections, in the first chapter, we will analyze the management diversity and the approaches that study this diversity. After we will define the culture. In the third chapter we will analyze the relationship between management and national culture. Finally we will present the theoretical framework, we will try to study the case Italy and Morocco.

1. The study of the management diversity

In the scientific literature is now accepted that there are, in general, various ways of management. The management diversity has been studied by various approaches, these approaches are not all agreed on the importance of culture, some see culture as a central element, others see culture as a secondary element. Before understanding the relationship between culture and the management we will try to list, briefly, the approaches that study the management diversity and after we will define the relation between management and culture. Following the Bhimani division's (1999) there are five approaches of study: the convergence school, cultural approach, societal effects, new institutionalism approach and the new historical analysis. The *convergence school* argues that the differences in the behavior of organizations are derived from other factors such as economic development, the size of enterprises, the sector, the level of industrialization. It considers that the international diversities decrease with the convergence of society and become more similar over time⁵. The marginal utility of both the theoretical paradigm and the research methods of this approach seem to be declining rapidly. The *cultural approach* considers the culture as the central element to explain the management diversity. Hofstede is considered the founder of this approach, he defined the culture as "the collective mental programming of a people in an environment. For him culture is not a characteristic of individuals; it encompasses a number of people who were conditioned by the same education and life experience"⁶. An alternative approach is the *societal effects*. This approach gave the importance to the institutional factors like the education system, the industrial relations and the role of the state (Maurice, Sorge & Warner, 1980; Sorge & Warner 1986). It was spread by the authors through comparative studies in France, Germany and Gran Britain. The approach supposes the existence of interdependence between organizational dimension, human resources dimension, industrial sectoral dimension, labor market dimensions, technical dimension. Each dimension has implications on the others and the organization is set by stable pairs of features between these dimensions. The authors find that the organizational processes

⁵ Lammers C. Hickson J., 1979, Organisation alike and unlike: international and interinstitutional studies in the sociology of organizations. London: Routledge

⁶ Hofstede G, 1990, Marketing and Culture. Working Paper 90-006, University of Limburg, Maastricht, the Netherlands

of differentiation and integration interact with the processes of education, training, recruitment, promoting, and develop into an institutional logic that is typical of a society⁷. The MCSs are seen as the mix of qualifications, skills and training systems⁸. Each nation has structure within which all other elements of social system interact while retaining degree of autonomy⁹. In this context the culture has mediating influence¹⁰. This approach has some shortcomings, as was said by Bhiman, in fact, the approach of “societal effects” does not take into account the cultural elements of society¹¹ and it assumes that the institutions embody the value of all social classes and does not consider that institutions are predominantly shaped by the powerful in society¹². The *new institutionalism* suggests, instead, that organizational structure reflects not only the technical requirements and resource dependencies, but was also shaped by institutional forces, including rational myths, knowledge legitimated through the educational system and by the professions, public opinion, and the law. The core idea is that organizations are deeply embedded in social and political environments and that organizational practices and structures are often either reflections of or responses to rules, beliefs, and conventions built into the wider environment¹³. To be judged efficient, to maximize legitimacy, the organizations have to meet criteria of rationality established by the institutional context. In this regards the institutions are seen in terms of the persistence of practices not as rational product¹⁴. The notion that MCSs come from technical rational has been questioned. This approach draws attention to the causal impact of state, societal and cultural pressures but doesn't consider the origin of the institutions. To understand the change in the organization structure it's necessary to investigate about the history of the institutions¹⁵. The last approach is the *new historical analysis*, this approach puts the focus on historical events to understand the differences in the organizations. The experiences of the past continue to be part of present and the human actions are based on the past experiences¹⁶. In this order, an analysis of MCSs in connection with historical events could be useful to understand their current state. There are many different approach: historicists for instance appeal to careful historical narrative, another

⁷ Maurice M. et al,1980, Societal differences in organization manufacturing units: A comparison of France, W. Germany and Grand Britain. *Organisations Studies*, 1(1), 63-91.

⁸ Michael R., 1985, *Universalism, Culturalism and the Aix Group: Promise and Problems of a Societal Approach to Economic Institutions*, p 69

⁹ Maurice M et al,1986, *The social foundations of industrial power: a comparison of France and Germany*. London: MIT Press.

¹⁰ Maurice M.,1979, *For study of societal effect: Universality and specificity in organization research*. London: Routledge and Kegan Paul.

¹¹ D'Iribarne ,1991, *Culture et effect societal*, *Revue Francaise de Sociologie*. 32, 599-614.

¹² Lane C.,1989, *Management and labour in europe the industrial entreprise in germany britain and france*. UK: Edward Elgar

¹³ Walter W. Powell,2007, *The new institutionalism*, *The International Encyclopedia of Organization Studies*.

¹⁴ Zucker L. G.,1987, *Institutional theories of organization*, *American Sociological Review*, 82(3), 443-464.

¹⁵ Powell W. W and Di Maggio P.J,1991, *The new institutionalism in organizational analysis*, Chicago: University of Chicago Press.

¹⁶ Braudel F. 1977, *Afterthoughts on material civilization and capitalism*, London:John Hopkins University press.

approach of study has been to supplement the examination of short sequences of heterogeneous events with the investigation of the emergence practices over long periods of time whilst bridging the two with medium length units of time¹⁷. The third approach is the history of mentalities¹⁸ which investigate the historical conditions that allow to generate knowledge, to share system of representation of value that interpret the reality. In the accounting literature the importance of culture and his historical roots is only just beginning to be recognized¹⁹.

After this introduction, it is clear that there are differences in the management. Among the causes of this diversity that it was emphasized by some approaches of study we can find the culture. So, what is the **culture** and how it influences the management?

2. What is culture and National culture?

The term “culture” is derived from “cultivation” that means the process by which a person becomes educated. It was initially equivalent to “civilization”, and then it was used in the modern significance, as a social science concept, by Tylor(1871). Generally, culture is a very complex concept and it’s hard to be clearly and strictly defined. Giving a single exhaustive definition of culture is very difficult task²⁰. The difficulty comes from the fact that the same term is used in different fields and could resemble various contents.²¹ This recurrence of “culture” in many disciplines in the social sciences results in its various interpretations. The definitions that have been given are different because each discipline emphasizes a different aspect. Anthropologists talk about values, norms, practices and human products, psychologists stress the learning and behavior, while social scientists are interested in ideas. However, two of these interpretations are the most important to our study: the anthropological and sociological approach..

According to the *anthropological approach*, culture includes the ideas, traditions and also the manifestation of human life that represent the arts, law or other creations of man. Tylor (1871) was the first anthropologist to introduce culture in its scientific significance. For him, culture or civilization is a complex including knowledge, belief, art, morality, law, customs and any other

¹⁷ Bhimani A,1999, Mapping methodological frontiers in cross national management control research, Accounting, Organizations and Society, 24, 5-6, 413-440

¹⁸ DUBY G.,1982, The three orders feudal society imagined, Chicago: UCP.

¹⁹ Gray S. J.,1988, Towards a theory of cultural influences on the development of accounting systems intentionally, Abacus, 24, 1-15

²⁰ Decastri M.,1993, Verso l'internazionalità. Aspetti organizzativi, sistemi di gestione del personale e cultura d'azienda per affrontare la sfida internazionale, Milano: Guerini e associati

²¹ Ciambotti M,2001, op.cit

capabilities and habits acquired by man as a member of a society²². Tylor's definition of culture has gained wide acceptance, not only among anthropologists but also among sociologists and psychologists. Kluchohn and Kelly (1945) defined the culture as all those historically created designs for living, according to them the products of human activity are determined the socially-acquired habits²³. We can obviously note that the anthropological approach does not only consider the spiritual dimension of culture which incorporates the values and convictions constituting the complex human spirituality, but also the material dimension or the human productions and creations.

In the *sociological approach* the focus is on symbolic elements of culture. However, the sociologists are interested in the analysis of the phenomena, for that they focus is on its symbolic elements. Sociologists study culture as a set of symbols and traditions, their modes of formation and transmission. Émile Durkheim stressed in the importance of the collective representations shared by a social group. He considered the set of ideas, habits and traditions as concrete institutions which form the basis of a society. In his book, "*The Social System*", Parson considers culture as a subset of general system of action that is formulated through the structuring of cultural orientations in relation to social structures, ideologies, religious beliefs, systems of symbols²⁴.

In this paper we adopt an anthropological definition of culture. Kluchohn and Kelly (1945) define the culture as the complex which includes artifacts, beliefs, art and all other habits acquired by man as a member of a organization, and all products of human activity as determined by these habits²⁵. From this definition we can note that the authors stressed about both material and spiritual aspect, Furthermore, the authors stress that the learning and the adaptation are characteristics of culture (habits acquired by man as a member of a organization). In other terms the culture is the set of basic assumptions²⁶ invented, discovered or developed by a particular group while learns to adapt and integrate with the external environment. In order to live, people invent, develop knowledge and ideas that allow to achieve the goal, new requirements imply new inventions and ideas.

The concept "culture" is often described by adjectives to clarify and restrict its meaning, national culture, corporate culture, individual culture are examples. The *national culture* regards the nations geographically defined, then we talk for example about Italian culture and French culture. Many

²² Tylor E. B.,1871, Primitive culture: Reasearch into the development of mythology, philosophy religion, language, art and custum, voll1,New York: Henry Holt

²³ Kluchohn C. and Kelly G. A., 1945, Comment on C.J. friedrich's, "the problem of communication between cultures seen as Integrated Wholes", Approach to National Unitty, L. Bryson, L. Finkelstein, e R.M maclver, pp 628-635.

²⁴ Parsons T,1981. The social system. Glencoe Free Press,

²⁵ Kluchohn C. and Kelly G. A,1945 op cit

²⁶ Shien E,1985, Organizational culture and leadership. San Francisco: Jossey Bass

Scholars have attempted to measure and compare cultural differences between the nations, they define the culture in some dimension. We believe that culture can't be restricted in some dimension, and we think that within the same country we can find different cultures. In this research national culture(s) is defined as the culture shared by an homogeneous group of people (the nation can be divided into different groups). Cultural dimensions are not able to represent the culture We have to consider not only the dimensions of cultural differences, they might interact with other cultural characteristics of a specific group within the nation, this interaction may affect the way of thinking. On the other hand the citizens of each nations have common values (cultural dimensions measured) because, through a political culture, the governments have tried to harmonize the divergent cultures of the groups but the traces of cultural differences between groups persist. The goal is to start from the cultural dimensions and to consider the specificities of each culture. So what are the cultural models present in the literature and how they have defined national culture.

The Hofstede's study is based on the universalist approach which considers that all variants are present in the sample of analysis. From his survey of employee attitudes in the worldwide subsidiaries of IBM, Hofstede (1980) aggregated culture in four dimensions that measure, according to him, cultural differences between countries. These dimensions are: power distance, individualism, uncertainty avoidance and masculinity.²⁷ In a subsequent search he identified the fifth dimension Confucian dynamism (long term orientation)²⁸. Recently he has added another dimension, Indulgence Versus Restraint (Cultures and Organizations: Software for the Mind Third Edition 2010).

- Individualism (IDV): on the one side versus its opposite, collectivism, that is the degree to which individuals are integrated into groups. On the individualist side we find societies in which the ties between individuals are loose: everyone is expected to look after him/herself and his/her immediate family.
- Power distance index: (PDI): that is the extent to which the less powerful members of organizations and institutions (like the family) accept and expect that power is distributed unequally
- Uncertainty Avoidance Index (UAI): deals with a society's tolerance for uncertainty and ambiguity; it ultimately refers to man's search for truth.

²⁷ Hofstede G.,1980, Culture's consequences: National differences in thinking and organization, Beverley Hills

²⁸ Hofstede G. and Bond M.,1988, The Confucian connection: from cultural roots to economic growth, Organizational Dynamics, 16, 4-21.

- Masculinity (MAS): versus its opposite, femininity, refers to the distribution of roles between the genders which is another fundamental issue for any society to which a range of solutions are found.
- Long term orientation (LTO): versus short-term orientation: this fifth dimension was found in a study among students in 23 countries around the world, using a questionnaire designed by Chinese scholars It can be said to deal with Virtue regardless of Truth²⁹.
- Indulgence Versus Restraint (IVR): Indulgence stands for a tendency to allow relatively free gratification of basic and natural human desires related to enjoying life and having fun. Its opposite pole, restraint, reflects a conviction that such gratification needs to be curbed and regulated by strict social norms.

Since 1990, his model has continued to dominate research and to be used and cited by almost all authors studying the relationship between culture and management, but it has been criticized for several aspects like the assumption of equating nation to culture, the assumption of stability in cultural differences scores, the status of the observer outside the culture³⁰. Moreover, many studies have demonstrated and confirmed the validity of the Hofstede study. There have been several attempts to improve this model by the adaptation or adding other variables, we can cite Trompenaars model. Trompenaars defined three categories of characteristics: which arise from our relationship with other people, from the passage of time and those which relate to the environment. He identified seven fundamental dimensions of culture, five of these come from the first category. These five value orientations influence the way of doing business and managing as well as the responses in the face of moral dilemma. The relative position along these dimensions guides the beliefs and the actions throughout life.

- universalism versus particularism (rules versus relationships): define how we judge other people's behaviour. Universalism when there is an obligation to adhere to standards which are universally agreed to by the culture in which we live, in the other extreme particularism obligations to people we know. Then we tend to follow rules that apply to all rather than to personal interests and relationships.
- Individualism versus communitarianism (the individual versus the group): the same dimension as defined by Hofstede.

²⁹ Hofstede G. et al; 2010; Cultures and Organizations, Software of the Mind; McGraw-Hill Companies.

³⁰ Baskerville R, 2003, Hofstede never studies culture. Accounting, Organizations and society. Volume: 28, pp. 1-14.

- Neutral versus emotional: members of culture which are affectively neutral do not telegraph their feeling but keep them carefully controlled and subdued. In contrast, in cultures high affectivity people show their feeling plainly by laughing, smiling...
- Specific versus diffuse culture: is the degree to which we engage other in specific areas of life and single level of personality, or diffusely in multiple areas of our lives and at several levels of personality at the same time. In specific oriented culture, for example, a manager segregates out the task relationship he has with a subordinate and insulates this from other dealing.
- Achievement versus ascription: Some societies accord status to people on the basis of their achievement, other ascribe it to their virtue of age.
- Orientation in time: the relative importance that culture give to the past, present and future. The view that the time is sequential or monochronic (people tend to be schedule very tightly), a series of passing events, or whether it is synchronic or polychronic (people track various activity in parallel) , with past, present and future all interrelated.
- Attitudes towards the environment: the role that people assign to their environment, people can control nature or they are part of nature and must go along with its laws³¹.

Another model that have attempted to improve the cultural dimensions defined by Hofstede is "Globe Project" (House et al 2004). For conceptual reasons GLOBE expanded the five Hofstede dimensions to nine The summary of all models is in the following table.

	Models		
	Hofstede	Trompenaars	Globe Project
cultural dimensions	Power distance	universalism-particularism	Power distance
	Uncertainty avoidance	Individualism-collectivism	Uncertainty avoidance
	Individualism-collectivism	Specific-diffuse	Human orientation
	Masculinity-femininity	Neutral-affective	Institutional collectivism
	Time orientation	Achievement-ascription	In group collectivism
	Indulgence-restraint	Time perspective	Assertiveness
		Attitudes towards the environment	Gender egalitarianism
			Futur orientation
			Performance orientation

Within this approach, the tension between the general and the specific characteristics of culture led D'Iribarne to consider the specific characteristics of each country. Therefore he adopted an

³¹Trompenaars F. Turner C. H.,1998; Riding The Waves of Culture: Understanding Diversity in Global Business; London: The Economist Books.

ethnographic methodology that seeks to explore the cases of intercultural comparison taking into account the specific characteristics of each country, instead of making a nomothetic research such as that adopted by other authors ³². Other authors have used a combination of Hofstede and D'Iribarne model's.

3. Management control systems and culture

The diversity in the management is studied, as we have seen, by different approaches, some consider the culture and other not. Chow W. et al (1999) using Hofstede's national culture taxonomy to derive predictions about Japanese, Taiwanese, and U.S. owned firms' design of seven characteristics of management controls in their Taiwanese operations. The results determined that national culture is an important determinant of the MCS designs used by the Japanese and U.S. firms in their Taiwanese operations. Van der Stede (2003) examined whether variations in national culture at the business-unit level of multi-business firms that operate internationally trigger adjustments in the cooperate management control and incentive systems to fit the local business unit circumstances. The results showed that selected management control and incentive systems are attuned to business-unit national culture. In 2007 Chiang F. and Birtch T. examined the transferability of management practices, in particular they examined the multi-dimensional nature of reward preferences in the cross border context. The analyses have confirmed that they are apparent variation between the key constituents of reward preferences. Birnberg J. G. and Snodgrass C. (1988) have compared the perceptions of management control systems which are held by U.S. and Japanese workers, they argued that because of the shared values and norms the bureaucratic procedures will be fewer in Japanese firms. However, they hypothesized that the Japanese workers will be as aware of the presence of the controls as their U.S. counterparts. In other hand, the finding of Chow C. W. et al (1996) supported the predictions that relative to their U.S. counterparts, the Japanese profit center managers were subject to tighter procedural controls and controls via directives given at meetings. Parboteeah K. J. Et al (2005) proposed that we need to understand both the national culture forces and istitutional forces to develop a more comprehensive understatnding of ethical climate perceived within organizations. Newman K. L. and Nollen S. D. (1996) find that the work unit financial performance is higher when management practices in the work unit are congruent with the national culture. Other authors have studied the influence of

³² D'Iribarne P.,1989, La logique de l'honneur. Gestion des entreprises et traditions nationales. Paris : Le Seuil

national culture on the efficiency of certain accounting tools like Activity Based Costing or the budgetary participation.

Our focus of analysis will be on the relationship between culture and MCSs in Italy and Morocco. The studies in the literature show that there is a relationship between national culture and Management. The research methodology followed by the authors to study the impact of national culture on management is comparative. Our contribution will be in this sense, at the current state of our knowledge there isn't a comparative study between Italy and Morocco. So, we try to identify the differences between MCSs in Italy and Morocco and the relationship between culture and MCSs in these countries.

We start first by defining the MCSs. According to the systemic approach, management control is a system consisting of an organizational structure, accounting structure and a process. It is characterized by some elements and influenced by some factors, whereby these factors may be internal or external. Organizational structure refers to the distribution of roles and responsibilities of the accounting, economic and technical structures. The accounting structure is the set of tools which allow data collection and monitoring the conduct of activities. The process is the logic of strategy implementation and outcomes monitoring³³. The components of management control are interconnected, they have to be compatible between them and with the hidden element representing by culture and the social element.³⁴ In other terms, management control can be defined as a process by which managers make sure that the behavior of the organization is putting the strategies of the organization into practice³⁵. It is the activity that enables to link between the decision and the implementation moment³⁶. The effectiveness of a management control system is in achieving the objectives through controlling human activities. Since the control is based on human behavior. People have different cultural backgrounds, the MCSs have to be adapted to the cultures in order to achieve the intended goal. The MCSs consist in set of behaviors, practices and decisions seeking managerial efficiency and effectiveness. These practices represent how managers interpret reality and try to control the external context by controlling human behavior. In this context, culture is like a mental institution that directs the managerial behavior to interpret the external environment and to control it. So, we can consider MCSs as cultural product because they include the culture into their components.

³³ Brunetti G, 2004, *il controllo di gestione in condizioni ambientali perturbate*. X ed. Franco Angeli

³⁴ Helene L, 2001, *op.cit*

³⁵ Anthony, R. N., 1965, *Planning and Control Systems: A Framework for Analysis*. Harvard Business School Division of Research.

³⁶ Amaduzzi A., 1978, *L'azienda nel suo sistema e nell'ordine delle sue rilevazioni*. III ed. Torino, Utet

The culture influences first the organizational structure of MCSs consequently influences the choice of tools. We have to identify the characteristics of the organizational structure. In the literature there are several studies that define the dimensions of the organizational structure of control, in this research we adopt the dimensions given by Kreder and Zeller³⁷ :

- *Dominant orientation*: MCSs can be directed to measuring the results or control of personal behavior, is implicit or explicit.
- *Hierarchical position*: delegation of the decision making.
- *Range of involvement*: authoritarian or participative style, or another type
- *Time orientation*: short or long term orientation
- *Manner of intervention* : direct or indirect control
- *Content of control* : explicit or implicit control

After identifying the cultural models used in literature and the dimension of the organizational structure we have to understand the relationship between them.

4. The theoretical framework and methodology

In this study we assume that the culture affects the MCSs, we asked the question: how that national culture affects the MCSs? This leads us to ask another question about the origin of management control systems and their diffusion. If MCSs were born and applied in the same country the cultural issues will not be considered, but if they were applied in other context the cultural problems arise.

The MCSs are mostly Anglo-Saxon or Japanese, therefore represent an Anglo-Saxon or Japanese cultures. The Anglo-Saxon and Japanese MCSs can't perform well in other different countries, they have to be adapted or replaced. To answer to these questions and to understand why the MCSs which were born in some countries are applied in other countries we have to adopt an historical and new institutionalism analysis.

It is necessary to go back to history (historical approach) to understand the development of MCSs. The culture evolves over the time, it's not stable. Then how can we understand the cultural changes? And more specifically, what are the reasons leading to these changes? The culture

³⁷Kreder M. Zeller M.;1988; Control in German and USA companies; Management international review 28/3, p: 58-66.

changes over time and it is affected by historical context. Thus, reading through history would help us to understand culture in the past, its process, as well as, the causes of the change. Sutherland and Woodward (1940) defined the culture as the sum of the social heritage which acquired a social meaning in virtue of the historical life of the group³⁸. Kluckhohn and Kelly (1945) defined the culture as a historically derived system of explicit and implicit designs of life that tend to be shared³⁹. Besides understanding the past status of culture, analyzing history help us to understand the present, the mentality and the current mode of thought. Studying the history of MCSs in relation to the environmental and historical events would help us to understand how they are evolved, because the accounting systems can be viewed as a social artifact dependent upon the historical events relating to each country⁴⁰. Moreover, historical events affect MCSs in two ways directly and indirectly. Directly because these events lead to change the societal and economic scenario that can influence the behavior of the firm, indirectly when the historical events affect the legal and institutional scenario, educational system. Historical events such as the first and the second world war, economic crises, colonialism, globalization ... etc, have led to an international division of power and to the cultural supremacy of those (countries) who hold power. Their models have become an example of success, a myth to be followed to achieve the same result. In fact, the English has become the scientific language, the Anglo-Saxon models are taught and applicable worldwide. All this has led to an institutionalization of the myths even if it not could be efficiency. Technological development and communication systems took part in the institutionalization of these models. In this case the choices become largely attributable to the pressures exerted by institutional compliance that determine the goals and the structure of the organization. The rationality of choice is driven by external pressures (that has been treated by new institutionalism approach), at the same time, they are tied to historical events that create the conditions necessary to their development. The new institutionalism approach explains that the organizations are driven by external pressures, by the institutions. The choice is not necessarily rational. This help us to understand why the Anglo-Saxon and the Japanese models are widespread, but how are their used in other countries? they have to be adapted to the new culture?.

The cultural approach has sought to study the relationship between the cultural values and management. In this approach, as was already mentioned earlier, we can identify two schools. The first is driven by Hofstede's model which considers the culture as a set of general value and tries to

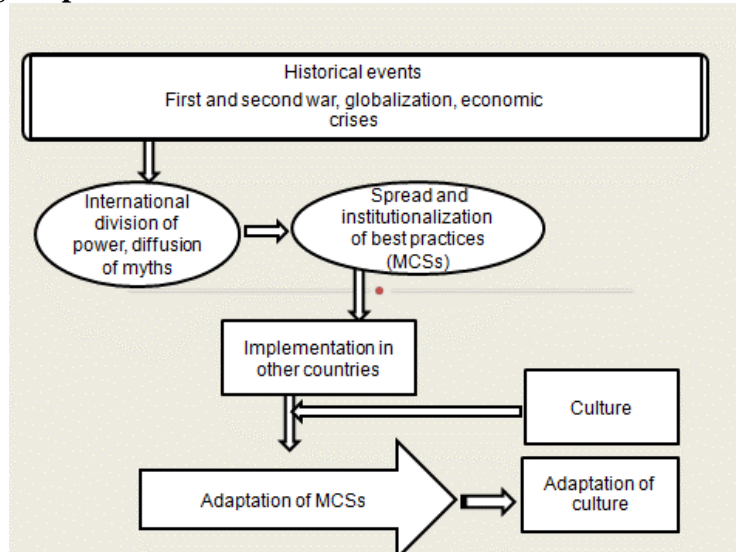
³⁸ Sutherland R.L and Woodward J. L.,1940, *An Introduction to Sociology*. Chicago: University of Chicago Press.

³⁹ Kluckhohn and Kelly, 1945, *Op.cit*

⁴⁰ Gray S. J and Roberts C. B., 1991. East west accounting issues: Anew agenda. *Accounting Horizons*, Volume: 5, Issue: 1, Pages: 42-50

measure them to make a comparison between countries. the second is driven by D'Iribarne study which considers the specific features of each countries.

Fig 1: Logical process of influence of national culture on the MCSs



Summarizing, in this

research we will tried to propose a combination of the historical, new institutionalism and cultural approaches. The goal is not only to establish the relation between the national culture and management control systems, but also is to understand how the management control is evolved and widespread along with the economic and the institutional scenarios. The figure1 describes the mechanism of this combination between the historical the new institutionalism and the cultural approaches. The scheme is valid only for Anglo-Saxon or Japanese MCSs used worldwide, this means that some countries may have developed a different system of management control. The goal is therefore to part from the concept of management control developed in Japan and Anglo-Saxon countries and try to adapt it to a another culture, not to study the MCSs of a given countries and try to make a comparison.

So, what is the relationship between the cultural characteristics and the dimensions of organizational structure of MCSs. Unlike other models, Hofstede taxonomy, giving the scores of cultural dimensions, allows to make a comparison between cultures In this paper we based on the Hofstede's model. Despite the methodological criticisms directed at the model (Baskerville 2003, 2005) it's still widely used. We believe that culture can't be summed up in some variable, we have to consider the specific characteristics of each culture. The variables defined by Hofstede could be considered as part of culture. The criticisms of the Hofstede studies are purely methodological, this implies a lack in the measurement of the indicators that define the culture, however the relationship between these indicators and the management was approved in several research. The other school of D'Iribarne doesn't have an alternative methodology that allows to develop a valid model, its idea

is to go looking for the origin of cultural values and implement a monitoring system based on these values. Given that the indicators defined by the Hofstede's school can decipher the relationship between national culture and management, our idea is to start from these indicators and try to approve their validity. In doing that we have to consider the instability of culture and we have to open up to the specific characteristics of each culture. The phase of the research could be the following:

- Define the cultural characteristics
- Approve the cultural variables defined
- Assume the MCSs as they should be according to the cultural variables defined above in each culture
- Making an empirical analysis on the MCSs
- Compare the hypothesis with the reality
- Doing a qualitative analysis to determine whether the differences that could be due to the specific characteristics of each culture.

According to Hofstede, in countries in which employees are not seen as very afraid (low power distance scale) and bosses as not often autocratic or paternalistic, employees express a preference for a consultative style of decision making. In countries on the opposite side of the power distance scale, where employees are seen as frequently afraid of disagreeing with their bosses and where bosses are seen as autocratic or paternalistic, employees in similar jobs are less likely to prefer a consultative boss. In other hand, In the large-power-distance situation, superiors and subordinates consider each other as existentially unequal the hierarchical system is based on this existential inequality. Organizations centralize power as much as possible in a few hands, in the opposite case the organizations decentralize the power.

So, we can assume that:

H1: In high power distance the hierarchical position tends to centralized and the range of involvement tends to be paternalistic or authoritarian. In this case the control is directed to measure the result and to control the behavior.

H2: In low power distance the hierarchical position tends to decentralized and the range of involvement tends to be participative. In this case the control is implicit.

In Strong Uncertainty Avoidance Societies laws, rules, and regulations are the ways by which a society tries to prevent uncertainties in the behavior of people. Uncertainty avoiding societies have more formal laws and informal rules controlling the rights and duties of employers and employees.

Countries with weak uncertainty avoidance can show the opposite, an emotional horror of formal rules. We can assume that:

H3: In Strong Uncertainty Avoidance Societies there is an emotional need for rules, the MCSs will be standardized, explicit and long term orientation.

H4: In weak Uncertainty Avoidance Societies there should be no more rules than strictly necessary. The MCSs will be personal (low standardization), implicit and short term orientation.

In an individualist culture people are expected to act according to their own interests and work should be organized in such a way that this self-interest and the employer's interest coincide. In a collectivist culture, an employer never hires just an individual, but rather a person who belongs to an in-group. The employee acts according to the interest of this in-group which may not always coincide with his or her individual interest. Management in an individualist society is management of individuals. It should be linked to an individual's performance.

H5: In an individualist society the MCSs tend to be centralized and directed to measuring the result

H6: in collectivist society the MCSs tend to be implicit and decentralized.

The absolute and statistical biological differences between men and women are the same the world over, but the social roles of men and women in society are only partly determined by the biological constraints. Men are supposed to be more concerned with achievements outside the home. Organizations in masculine societies stress results and try to reward achievement on the basis of equity. Organizations in feminine societies are more likely to reward people on the basis of equality. We can assume that:

H7: in masculine societies the MCSs tend to be directed to measuring the result.

H8: in feminine culture the MCSs tend to be implicit and personal.

The last cultural dimensions defined by Hofstede are: orientation term and indulgence Versus restraint. The latter dimension wasn't discussed in the literature, while the long/short term orientation has a direct impact on the time orientation of MCSs.

H9: in long time orientation culture the MCSs tend to be continuous and with long term vision.

H10: in short time orientation culture the MCSs tend to be ad hoc and with short term vision.

The following table summarizes in extreme manner the tendency of MCSs respect to the cultural dimensions (without considering the specific characteristics of the culture) and the organizational structure of management control⁴¹

		Dominant orientation	Hierarchical position	Range of involvement
Individualism	H	Directed to measuring the result, control behavior, bureaucratic, explicit	Centralized control	
	L	Personal, cultural and implicit	Decentralized control	
Power distance	H	Directed to measuring the result, control behavior, bureaucratic, explicit	Centralized control	Paternalistic, authoritarian control
	L	Personal, cultural and implicit	Decentralized control	Participative control
Uncertainty Avoidance	H			
	L			
Masculinity	H	Directed to measuring the result, control behavior, bureaucratic, explicit		
	L	Personal, cultural and implicit		
Long term orientation	H			
	L			

	Time orientation	Manner of intervention	Content of control
Individualism			
Power distance			
Uncertainty Avoidance	Long term orientation, continuous control	Through regulation	Explicit
	Short term, control ad hoc	Low standardization	Implicit
Masculinity			
Long term orientation	Long term orientation, continuous control		
	Short term, control ad hoc		

L: low. H: High

⁴¹ The table summarizes various works presented in the cha literature with analyzing the relationship between culture and management, setting the table is adapted to the work, already cited, of Ciambotti (2001).

The assumptions identify the trend of MCSs based on cultural characteristics, in a comparative analysis we must take into account other factors that could affect the organizational structure of control, such as sector, company size, or the specific features of each culture.

5. Example of application of the model in Italy and Morocco

To have a complete picture of the MCSs it is necessary to consider the country as a unit of study because each country has different story and culture(s). Our case study is Italy and Morocco. In the following section we will describe the implementation stages and the cultural characteristics of each nation emphasizing only the cultural differences between Anglo-Saxon management control systems and the cultural characteristics of the countries studied. We will not propose MCSs adapted, this go beyond the goal of this paper.

The application of the model is divided on two steps, the first regards the issue of deployment of Anglo-Saxon management control systems, the second seeks to define the cultural characteristics and their relationship with MCSs. In the first step the idea is to explain how that historical events have affected economic and social scenario which help to institutionalize models of success considerate as best practices. We have to identify those the historical context that might had an impact on social life and help to the diffusion of myths. In the second step we will focus on the relationship between culture and MCSs. We will identify only the diversity in the cultural characteristics between MCSs, Italian and Moroccan cultures'. The empirical analysis and the comparison of MCSs will be goal on future research.

a. First step

Some historical events as the first, the second world war, the financial crises, the colonialism and the globalization have affected the economic and the institutional scenarios of countries. The impact of the historical events was in different ways depending on the culture, because each country has its culture(s) that responds differently than another. The result of historical events was an imbalance in international power, some countries that have come winners have been the control of the world economy. With the globalization the culture of these countries has become a model of success, their multinational companies have invested in most of the world, their management model have become models to follow. With the colonialism these cultures were also exported to Arab Muslim countries, the education system was westernized, the same for the civil code and the language of instruction. The new reality has become new culture, the cultural models of success have become

myths and were adopted, this means an institutionalization of myths. In Italy, for example, until almost the midpoint of the 20th century, the only instruments in widespread use in organizations for obtaining management control were the double-entry book keeping⁴². Over the time the MCSs are evolved along the economic, the legal and the institutional scenarios. Currently there are various instruments and management control systems that are born outside Italy. In Morocco, instead, before the colonization the economy was based on the Islamic religion, the establishment of the Islamic state led to the development of various accounting systems to suit the needs of Muslims in compliance with Islamic Share'ah⁴³. Business transactions had long been in practice since the early days of Islam, but with the colonization, the social environmental (like legal, politic, education systems) discipline gets infected whit the western ideology. The infiltration of modern conventional leads to misplace the Islamic system.⁴⁴ Now western management control are widely spread.

b. Second step

In this section we try to define the cultural characteristics that must be taken into account in the adaptation of management control systems to cultural identity. As we said earlier, the national culture cannot be summed up in some variable or characteristic. However, these cultural characteristics represent part of national culture, it was also tested their central position in managerial decisions. The following table shows the cultural differences (scores of Hofstede's model) between Italy and Morocco in relation to Anglo- Saxon management control.

Country	PDI	IDV	MAS	UAI	LTO
MCSs	40	91	62	46	26
Italy	50	76	70	75	61
Morocco	70	46	53	68	14

Based on these scores and the previously assumptions we can make some conclusions, for example the power distance in Morocco is more than Italy, than the MCSs have to be centralized and directed to the result in Morocco. But it is clear that the assumptions are extreme and we must also consider the cultural specificities of each country. This could be achieved after the empirical analysis. The table presents an extreme situation, we have to analyze these dimensions in relation to the *cultural characteristics* of each country and try to implement a control system adapted. The phase for the adaptation of MCSs could be the following:

⁴² Catturi G. Riccaboni A.,1996, Management control and the National culture in Italy” in Management control and national culture. Siena: Department of business and social studies University of Siena

⁴³ Ziad O. A., 2004, Accounting systems and recording procedures in the early Islamic state, Accounting historian journal, 31(2). 149-170

⁴⁴Tapanjeh A M, 2009, Corporate governance from the Islamic Perspective: A comparative analysis whit OECD principles. Critical Perspectives on accounting 20, 556-567

- Assume the MCSs as they should be according to the cultural variables defined above in each culture
- Making an empirical analysis on the MCSs
- Compare the hypothesis with the reality considering the specificity of each culture(s)

As you can see there are cultural differences between Italy, Morocco and management control. These differences must be taken into account by the internationalized companies in these countries for implementation of a efficient and effective control system, but how to adapt the MCSs to the cultural characteristics?

6. Discussion and conclusion

Management control is guidance system that allows to measure and evaluate the actions of those involved. It represents a way of individual assessing with a projection into the future, it is based on the concept of measurement and quantification. Management control is not universal. However, many studies have shown that management control reflects the Anglo-Saxon culture, so it is difficult to transfer it in other cultures.

An example of failure of the universality of management control was Japan, where the management control imported after the Second World War showed their weakness and has been adapted to the cultural characteristics of Japan. The procedures of management control are characterized by the contractual logic which is cultural characteristic of American society⁴⁵. Moreover equality values of the American society have created the widespread climate for the involvement of subordinates in the decisions and to decentralize power, this is explained by the low hierarchical distance that characterizes American society. Management control is based on performance measurement, risk-taking and the achievement of the objectives, this is explained by the low level of individualism and masculinity that characterize American culture. It is clear that management control is the reason for being in an individualistic society with a high index of masculinity, low hierarchical distance-oriented and risk-taking⁴⁶. In different cultures, management control must be adapted.

This study has aimed to understand how the MCSs have become popular and how the national culture impacts the MCSs. The paper discussed the current state of literature and it proposed a model based on a combination of both approaches, the historical, the new institutional and the cultural approaches. A comparison based on three approaches can be useful to understand the

⁴⁵ D'iribarne P., 1989, op cit

⁴⁶ Kais L.,2008, L'Adaptation Culturelle Du Controle De Gestion Cas De La Tunisie; La comptabilité, le contrôle et l'audit entre changement et stabilité, version1.

differences in the MCSs and can help to adapt it to local and regional characteristics. The combination of three approaches helps to understand how they became popular and how they should be adapted to the cultural characteristics of each country. It was taken as a case study Italy and Morocco. According to Hofstede's model's (*individualism, power distance, uncertainty avoidance, masculinity, long term orientation, indulgence Versus Restraint*) we made some assumptions about the dimensions of MCSs (*dominant orientation, hierarchical position, range of involvement, time orientation, manner of intervention, content of control*). It's clear that the assumptions provide the extreme cases. We need to do empirical research in order to study more clearly the relationship between cultural characteristics and dimensions of management control. Doing empirical research and considering the specific characteristics of each culture will be useful to verify if and how culture affects the MCSs, the empirical research will be the objective of future research. Then, the future goal is to propose MCSs adapted for organizations that want to internationalize in the Mediterranean area. Finally, we think that MCSs are linked to national culture and they should be adjusted to have an effective control system otherwise there is a risk of failure.

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