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EMBRACING CULTURAL RELATIVISM IN MANAGEMENT ACCOUNTING: A CONTEMPORARY
PERSPECTIVE.

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Abstract

This paper draw on literature related to cultural relativism, management accounting, accounting and organizational practices. It synthesizes key concepts and perspectives to form a comprehensive understanding of cultural relativism in management accounting within the business landscape. The diverse cultural tapestry of a country significantly influences individuals' interpretations, judgments, and decision-making processes in the realm of management accounting. Recognizing and incorporating cultural relativism in management accounting practices can lead to enhanced decision-making accuracy, improved stakeholder relationships, adaptation to local business practices, and ultimately contribute to enhanced organizational performance. The practical steps for organizations to implement cultural relativism, including cultural sensitivity training, localization of accounting practices, engagement with local experts, and regular cultural audits.

KEYWORD: *accounting, management, culture, relativism*

Introduction:

When you move from one country to another or even from one state to another within a particular country or even within a particular state you find out that each local government area tend to have different way of life, what one locality believe is different from another even given to the fact that we are all human. Irrespective of what we have in common like education, race, language, religion etc, people still behave differently, why because of our various locality

we grow or stay. a Muslim from the north and the one from the west tend to behave differently even though they practice same religion obviously for locality sake, this same factors people tend to bring to their work place and even the management team is not left out as they behave same in order to suit the environment that the organisation is located, as the saying goes 'when you are in Rome you behave like the Romans'. Culture over the years has been acknowledged as a social phenomenon that has shaped human existence as well as the various aspects of life that has to do with man (Dorota & Joseph, 2011).

The intersection of cultural relativism and management accounting has become increasingly significant in the globalized business landscape. As organizations expand internationally, understanding and adapting management accounting practices to diverse cultural contexts have become imperative for effective decision-making. Culture as it is commonly said is the way of life of a people living in a particular geographical location. Therefore, each geographical location tend to behave differently. This article explores the relevance of cultural relativism in the field of management accounting, drawing on studies and perspectives from literature.

Literature Review:

Cultural Relativism in Management Accounting:

Cultural relativism in management accounting refers to the idea that accounting practices and principles may vary across cultures, and they should be understood and evaluated within the cultural context in which they operate. Cultural relativism in management accounting in Nigeria, organizations should take a culturally sensitive approach. This involves understanding and respecting the local context, incorporating cultural values into accounting practices, and adapting management accounting systems to align with the cultural nuances of the Nigerian business environment.

This approach promotes better communication, ethical decision-making, and overall effectiveness in financial management within the Nigerian cultural context. Cultural relativism in management accounting refers to the idea that accounting practices and standards should be understood and evaluated within the cultural context of a particular country or region. In the case of Nigeria, which is a diverse country with various ethnic groups and cultural influences, cultural relativism plays a significant role in shaping management accounting practices.

Cultural relativism, as applied to management accounting, emphasizes the need to recognize and respect cultural differences in the design and implementation of accounting systems. This approach acknowledges that accounting practices are not universal and should be adapted to align with the cultural norms and values of specific regions (Hofstede, 2001).

According to Bohannon (1995), culture can be defined as a collection of shared understandings that are evident in actions and artefacts. It exists simultaneously within individuals' minds as internalized understandings and in the external environment through observable actions and artefacts. In a broader societal context, culture encompasses a complex interplay of meanings, symbols, and assumptions regarding what is considered good or bad, legitimate or illegitimate, as outlined by Bourdieu (1977). This understanding places emphasis on the significance of cultural values, which are the underlying abstract ideas shared either implicitly or explicitly about what is deemed good, right, and desirable in a given society.

Cultural values, as elucidated in this perspective, serve as the core of culture. They represent the guiding principles that shape prevailing practices and norms within a society.

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These values play a crucial role in justifying and directing the functioning, goals, and operational methods of social institutions such as family, education, economy, politics, and religion. Individuals in various social roles, including organizational leaders, policy-makers, and firm managers, draw upon these cultural value emphases to make decisions, assess individuals, and interpret events within their respective spheres (Bohannon, 1995). This dynamic interaction highlights the intricate relationship between cultural values and the ways in which social institutions operate and individuals within those institutions navigate their roles.

In the field of accounting, Cultural Relativism is a factor that influences individuals' interpretations and judgments when applying accounting principles. The human element, which impacts accounting practices, is inherently linked to cultural influences. Consequently, interpretations and judgments in accounting can vary significantly from one cultural group to another. Recognizing and comprehending this diversity underscores the importance of incorporating cultural relativism in accounting practices, as suggested by scholars such as Gray (1988), Belkaoui (1995), Douppnik and Salter (1995), and Hofstede (2001). Belkaoui (1995) specifically defines cultural relativism in accounting as the impact of culture on judgment and decision-making processes.

Management accounting, a crucial aspect of organizational decision-making, has witnessed significant evolution over the years. According to Charles T. H, Gary L. S, & David (2014) management accounting is the process of identifying, measuring, accumulating, analyzing, preparing, interpreting, and communicating information that helps managers fulfil organizational objectives.

The roots of management accounting can be traced back to the early 20th century, with the pioneering work of Taylor and Fayol, who laid the groundwork for scientific management principles (Drury, 2008). However, it was during the mid-20th century that management accounting began to emerge as a distinct field, incorporating concepts such as budgeting, variance analysis, and cost accounting (Kaplan, 1984).

The latter half of the 20th century witnessed a paradigm shift in management accounting towards a more strategic orientation. Kaplan and Johnson's seminal work on activity-based costing (ABC) in the 1980s marked a pivotal moment, emphasizing the importance of understanding the costs associated with specific activities (Kaplan & Johnson, 1987).

In the 21st century, technological advancements have transformed management accounting practices. The integration of sophisticated information systems and data analytics tools enables organizations to gather, process, and analyze vast amounts of data for strategic decision-making (CIMA, 2018).

Contemporary management accounting practices embrace a holistic approach, incorporating concepts such as balanced scorecards, environmental accounting, and sustainability reporting (Guilding et al., 2000; Epstein & Roy, 2001). The focus has shifted from merely reporting financial information to providing comprehensive insights into organizational performance. Despite its evolution, management accounting faces challenges such as ethical considerations, evolving regulatory landscapes, and the need for continuous adaptation to technological changes (Langfield-Smith, 2008). Future directions may include further integration of artificial intelligence and machine learning for predictive analytics.

Accounting is the art of communicating financial information about a business entity to users. The communication is generally in the form of financial statements which show in money terms the economic resources under the control of the management. The art lies in selecting that information which is relevant to the user and is reliable (Koleśnik and Katarzyna, 2013)

Cultural Dimensions Theory:

Hofstede's Cultural Dimensions Theory is instrumental in understanding how cultural values impact management accounting practices. The dimensions of individualism-collectivism, power distance, uncertainty avoidance, and masculinity-femininity provide insights into how different cultures perceive and approach financial reporting, budgeting, and performance measurement (Hofstede, 2001).

Management Accounting in Collectivist Cultures:

Studies suggest that in collectivist cultures, where group harmony and collaboration are prioritized, management accounting systems often focus on collective performance metrics rather than individual achievements (Chow et al., 2008). The emphasis on team-based rewards and recognition aligns with the cultural values of cooperation and shared success.

Power Distance and Budgeting Practices:

Research by Innes and Mitchell (2005) explores the influence of power distance on budgeting practices. In cultures with high power distance, where hierarchical structures are accepted, top-down budgeting approaches may be more effective. In contrast, cultures with low power distance may prefer participative budgeting to empower lower-level employees.

Adapting Performance Measurement Systems:

Cultural relativism encourages organizations to adapt performance measurement systems to align with local values. A study by Merchant and Van der Stede (2007) highlights the need for flexibility in performance measurement, recognizing that certain key performance indicators (KPIs) may hold varying importance across different cultural contexts.

Challenges and Opportunities:

While incorporating cultural relativism into management accounting practices presents opportunities for improved decision-making and employee satisfaction, it also poses challenges. Striking a balance between standardized global accounting practices and culturally adapted systems requires a nuanced understanding of local contexts (Chenhall & Moers, 2007).

Recommendation and Conclusion:

In the dynamic landscape of global business, Nigeria stands as a vibrant and culturally diverse nation, presenting both challenges and opportunities in the realm of management accounting. To address the complexities arising from cultural influences, it is highly recommended that organizations should embrace cultural relativism in their management accounting practices. This recommendation stems from the recognition that cultural nuances significantly impact individuals' interpretations, judgments, and decision-making processes in the accounting domain. With its rich tapestry of ethnicities, languages, and traditions, reflects a unique blend of cultural influences. The diverse cultural landscape encompasses various value systems, communication styles, and ethical considerations that directly impact how financial information is perceived and utilized within organizations.

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The following Steps are recommended for implementation of cultural relativism in management accounting:

- **Cultural Sensitivity Training:** Provide training programs to employees and accounting professionals to enhance their cultural awareness and sensitivity.
- **Localization of Accounting Practices:** Tailor accounting systems to accommodate cultural nuances, ensuring that financial reporting reflects the specific needs and expectations of the Nigerian context.
- **Engagement with Local Experts:** Collaborate with local accounting experts and professionals who possess a deep understanding of Nigerian culture to guide and inform accounting practices.
- **Regular Cultural Audits:** Conduct periodic assessments of the cultural impact on accounting processes and make necessary adjustments to ensure ongoing alignment with cultural relativism.

Embracing cultural relativism in management accounting is not merely an option but a strategic imperative for organizations operating in a society. By recognizing and adapting to the diverse cultural landscape, businesses can navigate challenges more effectively, promote ethical financial practices, and ultimately contribute to sustainable success in the organisation.

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