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THE INFLUENCE OF NATIONAL CULTURE ON MANAGEMENT CONTROL SYSTEMS

Master’s Thesis
Accounting
October 2014
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1 INTRODUCTION

1.1 Motivation

Differences in management controls used by European and American organizations are somewhat visible and known. The difference in using monetary incentives, bonuses, and other pay for performance rewards in general, is probably the best known presumption of differences between these cultures.

Due to globalization, many organizations have spread their businesses to multiple countries and continents. Reasons for globalization can include accessing a new target market or lowering manufacturing costs. Companies face new challenges in design and usability of their management control systems due to possible influence of national cultures.

In the era of global operations, it should be considered in companies, that management controls which are effective in one national setting could work differently when used in another national setting. Therefore it is important to understand how national culture affects preferences for and the design of MCSs. (Chow, Shields & Wu 1999.) Many authors have proposed, that certain national differences can be important in shaping various management practices. The dominant view for this group is generally a belief that a practice which might work in one country, does not necessarily function as well in another (Budhwar & Sparrow 2002). If this view should be correct, then it would be of use to adapt management practices to factors varying from national cultures (Jansen, Merchant & Van der Stede 2009).

Understanding the relation between the design of management control systems and national culture in different countries has been seen relatively important for two reasons. First, it provides valuable information to the business community. Increasing globalization has brought the opportunity and necessity for companies to establish international operations, even though they would have previously operated only in their home country. For these companies it is important to find out if they can use their existing MCS overseas, or if they have to redesign the MCS according to cultural imperatives of overseas nations. Second, the research done on the relation between
national culture and the design of MCSs in different countries can also benefit the academic community. In accounting research, the design of MCS has been a popular issue for a long time. The great majority of research has been conducted within single nations. It is therefore significant to study the influence of culture, so the models of MCS design will not be under-specified. (Harrison & McKinnon 1999.)

One important part of management control systems is incentives. Many studies (e.g. Jansen, Merchant and Van der Stede 2009) have been able to present notable differences in, especially monetary, incentives and bonuses between U.S. based and European companies. Could some other differences be pointed out easily between management practices in Finland and USA?

1.2 Research topic

It should be corporate management’s responsibility to provide a conducive environment that could improve the decisions made by managers running the businesses (Campbell, Goold & Alexander 1995). An important part of creating such an environment is using suitable management control and incentive systems (MCISs). Should internal MCISs used by multi-business firms be adjusted to suit local business, and to local national cultures, in particular? (Van der Stede 2001). Failures in management control can result in significant financial losses, damaged reputation, and even lead to organizational failure (Merchant & Van der Stede 2007: 3).

The research question of the study is to identify how Finnish and American cultures differ from each other, and are these possible differences identifiable in the use of management control systems. Can the possible cultural differences be explained using Hofstede’s cultural dimensions?

The empirical part was conducted by interviewing four Finnish professionals about their experiences from multiple Finnish and American organizations. The efficiency of management control alternatives is then discussed, based on comparing cultural attributes of the two nations, and with a reference on personal experiences of the professionals interviewed. Another point is to gain understanding why these different
techniques are used, and could their efficiency possibly depend from a different cultural setting. The contingency factor studied here is thus national culture.

### 1.3 Type of study

The research is conducted as a qualitative study. Data for the study has been collected from interviews which all have taken place in April and May 2014. For the empirical part, four Finnish nationals were interviewed. All interviewees have worked in the U.S. for several years, and all have received academic training. All of the interviewees have held either manager or director positions when working in the U.S.

The data collected from the interviews is reviewed using Geert Hofstede’s findings of differences among cultures at national level related to cultural attributes (Hofstede 1980; 1994; 1997). Hofstede’s work is one of the best-known modern research discussing cultural differences.

As a frame for management control’s point of view, Merchant and Van der Stede’s (2007) classification into results controls, action controls, personnel controls, and cultural controls was chosen. Many examples of the relations between different control methods and cultural attributes are presented by Merchant and Van der Stede, which made their view of control alternatives a suitable theoretical frame for this study.

The interviews for this study were conducted during March and April 2014. Four professionals who either have held, or are currently working in, manager or director positions in the US were interviewed. All the individuals chosen as interviewees are Finnish nationals who have worked both in Finland and USA, in order to give the study a uniform standpoint. All the interviewees have academic education ranging from B.Sc. to Ph.D. degrees. Two interviewees are still currently working in US, while two of them are now working in Finland in similar kind of positions that they held in USA. Taking into consideration the professional qualifications and background of the interviewees, the findings presented in this study are based on the viewpoint of knowledge workers, superiors, and management and cannot therefore be generalized to include all employees in Finland or USA in general. Three of the interviewees are male, and one is female.
For the purpose to gain understanding of the differences between management controls alternatives used, it is important to understand the main differences in the researched cultures. Finnish and American cultures were therefore compared against each other using Hofstede’s (1980; 1994; 1997) cultural attributes as the main frame. Hofstede’s work has been questioned and criticized over the years, yet it still remains to be the most widely used frame for studying cultural differences, especially in accounting settings.

In order to pursue a broader perspective for the observations, a relatively long time span was used. The interviewees have worked in USA from two to eleven years. These employments have taken place during 1998 and 2014. In order to gain all-round perspective instead of focusing on just one company or even industry, the interviewees were chosen from different companies and different industries. However, two of the interviewees work in pharmaceutical industry, making it the dominant industry for responses. Using observations from more than 15 years of time should allow the answers to be more focused on attributes of national culture, rather than on company culture. Company culture usually remains relatively fixed over time, even as the surrounding business environment constantly changes, causing a need for strategies and goals to adapt (Merchant & Van der Stede 2007: 85).

As MCISs have a habit to be implemented uniformly inside firms, rather than designed to suit the national culture and local business-unit conditions, using observations collected from multiple companies and industries in this research should provide it with results that possibly can be generalized as more focusing onto cultural differences rather than results from a single company, or even a single industry. Three out of four interviewees have had two or more employers in USA, again giving the answers more depth and perspective. However, one interviewee has been employed by the same company for over 25 years, in both Finland and USA. The answers of this interviewee can be seen to represent a ‘within firms’ approach. Within firms approach refers to if MCIS observed in different business units of the same company differ with geographical location, and are therefore attuned to national culture, or if they are implemented uniformly throughout the corporation with no regard to differences in national culture. (Van der Stede 2003.)
Two interviews had to be conducted by email due to busy schedule of one respondent and the geographical location of other. Two other interviews were conducted face to face. With two first interviews, additional discussion went on by email in order to specify some points made in the questions, so the answers would be as elaborate as possible. However, in the interviews held face to face, the answers to questions were more specific due to the more interactive nature of the interview situation. Consequently somewhat more value has to be placed on the answers from the two respondents interviewed face to face.

Various researchers have stated that some types of national differences can be important in shaping many management practices (Budhwar & Sparrow 2002). The need for management accounting procedures in companies operating in an international, or even global, competitive environment, has been recognized (Granlund & Lukka 1998). Therefore this research topic is relevant for both academic and for the business environment as well.

As the business is increasingly becoming more globalized, many studies have attempted to find out if relations between management and control practices and cross-national differences exist, and if they do, how do they emerge (e.g. Merchant, Chow & Wu 1995). Merchant and Van der Stede (2007: 8) also highlight the behavioral orientation related to management controls; they are referred to guard against possibilities people do something against the will of organization, or fail to do something they should in order for the organization’s well-being. Hofstede (1994: 4) refers to culture as some sort of programming of human mind, through which people learn a certain pattern of thinking, feeling and acting. Taking these things into consideration, it is reasonable to assume that different cultures can affect how individuals react to organizational goals and strategies, or how they experience or respond to different kinds of management controls.

The rest of the thesis is organized as follows. First, different management control alternatives are examined using Merchant & Van der Stede’s (2007) classification of controls into results controls, action controls, personnel controls, and cultural controls as a frame. These management control alternatives are introduced in chapter two.
Chapter three first briefly describes the definition of culture. Next, Hofstede’s conception of cultural dimensions, including power distance, individualism, masculinity and uncertainty avoidance is introduced. Then, Finnish and American cultures are compared against each other using Hofstede’s cultural attributes as a means to identify possible differences between Finland and USA. In the end of chapter three, some light is shed on previous research results considering national differences and management control practices.

Table 2 presents plausible relations between Hofstede’s cultural attributes and control alternatives presented by Merchant and Van der Stede, as well as assumptions exhibited by Chow, Shields and Wu based on Hofstede’s taxonomy of national culture. Harrison and McKinnon’s reseach on national culture and management control was utilized as well. (Hofstede, 1994; Chow et al., 1999; Harrison & McKinnon 2007; Merchant & Van der Stede 2007.)

The typology of Hofstede, combined with the country rankings, has been adopted almost extensively by cross-cultural researchers in MCS in recent years (Harrison & McKinnon 1999). Therefore it is justifiable to use it as a frame to compare national differences in a way that is common to multiple other cross-cultural management control studies. Hofstede’s view of culture has become the best study in cross-cultural management and accounting studies, and with its four universal dimensions it serves as the platform for most comparative cross-country research in accounting (Williams & Seaman 2001).

The empirical part of the study, which is the topic for chapters five and six, was conducted by interviewing four Finnish professionals. All of the interviewees have been working in the U.S. for at least two years. Two out of the four interviewees are currently still working in USA. The interviewees were first questioned about the differences between Finnish and American workplace in general. The questions following were about management and control practices, in order to find out what kind of, if any, differences the interviewees possibly may have encountered in their working environment. The idea is to focus on if differences in management control practices can be identified between these two nations, and to describe the possible differences in more detail.
Finally, chapter seven discusses conclusions made based on this study. Evaluation of the study evaluates the challenges of multi-national management control research in general, and presents some criticism made against Hofstede's IBM study. Restrictions and viewpoints related to this particular study are discussed as well.
2 MANAGEMENT CONTROL ALTERNATIVES

2.1 Characteristics of Management Control Systems (MCS)

In general, Management Control Systems can be described as means to address organizational problems such as thefts, frauds, and even unintentional errors (Merchant & Van der Stede 2007: 4). Anthony (1989: 6) simply describes management control as the management role in control, and management control system as the system which serves the purpose of gathering, analyzing and assessing information, and using it along with other instruments to control activities. Management control systems include three concepts: management, control, and systems, which all are substantially hard to define as they all are a part of discipline developed over the last 40-45 years (Siriyama 2007). Almost 40 years ago, Ouchi (1977) separated organizational culture and organizational structure. He defined organizational control as an evaluation process, which is based on monitoring and evaluating behavior or outputs in an organization.

Management control has a close relationship with strategic planning. Most organizations use strategies to formulate policies and programs, which are used to indicate organization leaders of the organizations’ goals. Management control in general is used as means to implement these strategies into use. (Anthony 1989: 22-23.) To apply behavior control, the processes which subordinates use to create the end product or service, have to be understood by superiors from start to finish. Only this way superiors are able to rationally achieve control over the behavior of their subordinates by watching and guiding their behavior towards desirable actions. (Ouchi 1977.)

It is hard to define the concept of management control systems clearly. A distinction between MCS and information/decision-support systems should be made, but yet another difficulty arises. If the focus is on control instead of decision-support, what is the MCS supposed to control? After defining the parameters for MCS, another question arises from what forms the MCS, what should be left out, and why. Third reason for challenges when studying MCS as a package lies in the nature of MCS. They are commonly complicated and large systems, posing problems for researchers
in understanding the complexity and in reporting the findings to readers in an understandable manner. Merchant and Van der Stede’s (2007) view of management control systems represents a narrower view of what constitutes MCS. Their view divides management control and strategic control, and defines management control as means to address employees’ behavior. (Malmi & Brown 2008.)

Harrison and McKinnon (2007) define management control as a set of formal and informal mechanisms, that are put together to assist the organization in achieving its objectives. Formal mechanisms are deliberately chosen, often presented through written rules and procedures, whereas informal mechanisms, such as information sharing within people in the organization, are something that occur naturally. (Harrison & McKinnon 2007: 100.)

Merchant and Van der Stede identify three main categories that cause the need for control on employees. These categories are: lack of direction, motivational problems, and personal limitations. First-mentioned indicates that employees’ unsatisfying performance may result from insufficient knowledge of what is expected from them. Motivational problems arise from human nature. A majority, if not all employees, have the tendency to sometimes act in their own personal interest, instead of striving for organizations best interest. Last group of management control problems, personal limitations, refers to the fact that employee is not capable of handling the assigned task. Reasons for incapability to handle the situation can be for instance lack of experience, stamina, or intelligence. On the other hand, lack of knowledge, information or training fall into this category as well. (Merchant & Van der Stede 2007: 10–11.)

There is more to management controls than barely strict controlling of employees. Adding more control does not necessarily create improvement of control in every situation. Comparing, or even understanding, the relations and different views of MCSs presented in books and articles is difficult, due to imprecise language of Management Control Systems. The so-called old view of MCS, or the Basic Management System feedback loop, can be seen as a relation of measured performance and preset performance standards. Managers compare these two, and take corrective actions when necessary. (Merchant & Van der Stede 2007: 4–5, 8-10.)
A broader view on management controls is much more complex than the old view of MCS. It identifies, that not all management controls used necessarily have to focus on measured performance. Some management controls can be proactive instead of reactive. This refers to the fact that these controls are designed to prevent possible problems before they occur in the organization. Examples of proactive controls include, but are not limited to, planning, pre-approvals for certain expenditures, passwords for computers, and clear communication of duties for the employees. (Merchant & Van der Stede 2007: 5.)
As shown in figure 2, the broader view on management controls can take various possible control alternatives into use. All the devices and systems used by managers have one goal, which is to make sure that employee behaviors and decisions are aligned with organizational objectives and strategies. In other words, the ultimate goal is to accomplish what is in organizations best interest. When members of an organization are behaving in desirable ways, as a benefit increased organizational profits can be expected. (Merchant & Van der Stede 2007: 4–5.)

Three broad categories are identified by management control theory in general: action controls, results controls, and social controls. Action controls include all the actions employees have to take, from operating manuals to checklists or approvals of investments. Results controls mechanisms are based on monitoring preset performance targets, and for reaching those targets employees are then rewarded. Social controls relies on guiding employee behavior and personal goals towards the goals of the organization. Merchant and Van der Stede have parted social controls into personnel controls and cultural controls. (Williams & van Triest 2009.)
2.2 Results Controls

Results controls focus more on the achieved end result, than on the work process itself. A classic example of results controls is pay for performance, a well-known powerful motivator, in which employees are rewarded for achieving good results. In addition to financial rewarding, also job security, promotions, autonomy, and recognition are factors that can be linked to employee performance. By using results controls, meritocracies are created. In meritocracies, rewards are given to those employees who have shown exceptional talent and hard work in their daily work, instead of those who have stayed in the organization for the longest time, or happen to have the right social connections. (Merchant & Van der Stede 2007: 25.)

Combinations of results-linked incentives are used to steer employees into the direction that is desirable for organization’s interests. By influencing the actions of employees, they are empowered to act the way which they feel is wanted by the organization. Members of the organization are also encouraged to find and develop their competences, and to get placed into jobs that suit them well. A carefully constructed results control system is therefore able to help produce the desired results. Results controls can only be effectively used if the desired result areas can be controlled by the employees whose actions the results controls are supposed to have an impact on. It also has to be possible to measure the controllable results areas efficiently. Results controls can be especially effective in addressing motivational problems, and they can address personal limitations problems as well. (Merchant & Van der Stede 2007: 25–29.)

Malmi and Brown (2008) present reward/compensation as one element of the MCS package. Their description of this element is parallel to Merchant and Van der Stede. Rewards and compensation are seen to motivate and increase the performance of organizational actors through connecting rewards to control direction, duration and intensity of the effort used.

Results controls are widely used to control behaviors of professional employees, especially those with decision authority, such as managers. They are seen as compatible with implementation of decentralized forms of organization, where entities
or responsibility centers are largely autonomous. With results controls organizations are able to steer managers’ behavior towards entrepreneurial manner, using performance targets to subject managers to same market forces and pressures that entrepreneurs face. Utilizing results controls is possible throughout the organization, even at the lowest levels. Numerous successful examples of well-known organizations using results controls at all levels of the organization exist. (Merchant & Van der Stede 2007: 26–28.)

Implementing results controls is a process done using four steps. First, it has to be defined which dimension or dimensions for which results are desired. Next, the performance of these dimensions has to be measured. Third and fourth step include setting performance targets for employees and providing adequate rewards so that desired results can be achieved. For results control to work best, some conditions have to be present. Organizations have to be able to determine which results are desired in the controlled areas; and measuring of these results has to be effective. Also, the employees held accountable for the results must have a significant influence of achieving these results. (Merchant & Van der Stede 2007: 29–35.)

2.3 Action Controls

Action controls are brought into use to ensure that employees perform certain actions regarded desirable for the organization. Managers have to be sure of which actions are preferred by the organization and how to ensure that they occur, in order to successfully use action controls. These features make action controls the most direct form of management control. Action controls can be divided into four main groups: behavioral constraints, preaction reviews, action accountability and redundancy. (Merchant & Van der Stede 2007: 76–78.)

Merchant and Van der Stede’s action controls can be viewed as a narrower view on methods to control employee behavior towards desirable actions. For example, Malmi and Brown use term “administrative controls” to classify these operating procedures and practices. Their typology is noted to provide a more complete conception of the administrative tools used by managers in an attempt to control behavior. (Malmi & Brown 2008.)
Behavioral constraints can be either administrative or physical constraints. Physical constraints are usually different technically sophisticated devices preventing access to certain locations or machines. (Merchant & Van der Stede 2007: 76–77.)

Preaction reviews and action accountability focus on the actions planned, or those that have already taken place. Preaction reviews take into consideration projects and actions that are about to take place in the future. They are evaluated and approved beforehand, and often relate to planning and budgeting processes. Action accountability makes employees accountable for the actions they take. Action accountability is communicated to employees either administratively or socially. This form of action controls is more frequently related to punishing than rewarding.

Figure 3. Different forms of behavioral constraints

Figure 4. Implementation of action accountability controls
Redundancy is one form of action controls. In principle, the possibility of a satisfactory result from a task is increased by assigning additional employees to a task. (Merchant & Van der Stede 2007: 78–80.)

2.4 Personnel Controls

Employees are seen to possess natural tendencies for self-control and/or self-motivation. Personnel controls are based on these qualities. Basic idea of personnel controls is to hire employees with certain qualities desired by the organization, train them properly for the job they are placed in, and to provide them with the resources and capabilities needed in order to successfully complete the task. In some forms personnel controls can be seen to be based on trust. Personnel controls are less formal than many other forms of control. (Merchant & Van der Stede 2007: 83-85.)

![Figure 5. Three basic purposes of personnel controls](image)

Selection of employees commonly refers to certain qualities, education and work experience that are expected when looking for the suitable candidate to fill the position. By selecting employees carefully companies try to increase self-monitoring of employees. Nowadays more advanced techniques are used as well, for instance analyzing handwriting or using polygraph tests. Training of employees is other
common way to ensure they have the satisfactory capability needed to successfully handle their work. Via training it is possible to clarify organizational targets, help employees to understand their job better, and give them a greater sense of professionalism. Training is often formal and held in class-like occasions, but it can also take place in an informal way. One other way to assist employees in delivering expected results is to make sure they have access to adequate capabilities and resources needed for the job. Job design has to allow qualified and motivated employees a probable option of success. Resource needs should always be carefully planned as they are highly job-specific. (Merchant & Van der Stede 2007: 83-85.)

Malmi and Brown explain the elements of Merchant and Van der Stede’s personnel controls in a slightly different way. They include selection of employees, as well as selection criteria, under cultural controls. Placement is associated with organizational structure, so these two are divided into separate categories in their vision. Training is viewed as means to teach individuals to follow the specified rules and policies, and it is therefore included in administrative controls. It can also be viewed as means to manage organizational culture, and can thus be included in cultural controls as well. Job design can be considered as an administrative control, and provision of necessary resources in seen as a prerequisite for proper work, instead that it should be seen to provide direction or being a real control mechanism. Without taking any stand whether Merchant and Van der Stede’s or Malmi and Brown’s typology is more relevant or correct, these views help to understand the complexity of management control systems, as well as their almost infinite links inside the organization. (Malmi & Brown 2008.)

2.5 Cultural Controls

Group rewards, including profit-sharing schemes, team-based incentives, and gain-sharing plans, have been receiving increased attention from both academia and practice in recent years. At best, group rewards can create an ownership culture in organization, and research (e.g. Merchant & Van der Stede 2007) suggests, that they have potential in multiple situations. Numerous challenges can however be identified when using group rewards. Free rider problem poses one challenge, there is a potential for individuals to see themselves detached from the group, or a lack of equity, as well as
the difficulty of relating group performance and individual performance. (Ferreira & Otley 2009.)

Cultural controls aims to create a group or clan culture inside the organization, to allow employees’ personal goals to be aligned with organizational goals (Williams & van Triest 2009). The base for cultural controls is mutual monitoring. Powerful group pressure is formed on individuals who do not act as desired by group norms and values. Due to their nature, cultural controls are most efficient in collectivist cultures, where people tend to avoid losing their face, or disgracing their family. In addition to countries and communities, strong cultural controls can also be found within a single organization. Most common ways for managers to create and shape organizational culture is by using codes of conduct and group rewards as tools. (Merchant & Van der Stede 2007: 85.) Rewards are often linked to cybernetic controls such as budgets and financial or non-financial measure, but rewards and compensation can also be used to encourage cultural controls and retain employees via group rewards (Malmi & Brown 2008).
Codes of conduct are written, formal statements of company policies, values, promises to stakeholders, and of a desired way for the organization to function as a whole. They are used in an attempt to steer employees’ general behavior into certain direction, in a situation where guidance or rules for action are not available. According to a survey of 264 companies, codes of conduct can more commonly be found in US companies than in their non-US counterparts. According to this survey 84% of the US respondents and 58% of the non-US respondents have a code of conduct. Codes of conduct are seen to create better communication of organization’s expectations, and of the reasons underlying these expectations. Strong leadership and proper tone from the top are mentioned as crucial facts of the implementation and use of codes of conduct. (Merchant & Van der Stede 2007: 85-88.)

Personnel controls and cultural controls can be used effectively to address lack of direction problems, as well as problems arising from personal limitations. One important part of cultural controls, codes of conduct, can more commonly be found in
US companies than in their non-US counterparts, as mentioned earlier. According to one survey, out of 264 companies studied 84% of the US respondents and 58% of the non-US respondents have a code of conduct. Based on this information, it could be assumed that US companies could, in general, have an advantage against lack of direction and personal limitations problems compared to non-US companies. (Merchant & Van der Stede 2007: 85, 90–91.)
3 THE DEFINITION OF CULTURE AND HOFSTEDE’S DIMENSIONS

Culture is something that we learn, not inherit in our genes. It is always a collective phenomenon, shared by people who are living or have lived in the same social environment, where culture was learned. Culture can be defined as “mental programming”, something that gives a base for our actions and behavior, but something that we can also deviate from. In human mental programming, two other levels are identified in addition to culture: human nature and personality. Human nature is universal, in common to all human beings. Human nature is the foundation for learning culture. The last building block is personality, it is like the tip of an iceberg. Our personality is something that makes us unique, so it is seen on top of culture, when studying human mental programming as a reason for our actions. (Hofstede 1994: 4–6.)

Shared traditions, norms, beliefs, values, ideologies, attitudes, and ways of behaving provide foundation on which culture is built. Organization is one group of the groups that forms its own culture. Although goals and strategies are constantly revised to meet the requirements of the changing business environment, organizational cultures remain relatively the same over time. Employees’ behavior is channeled by written and unwritten rules of the organization’s culture. (Merchant & Van der Stede 2007: 85.)

3.1 Cultural dimensions

In his IBM studies, Geert Hofstede identified four dimensions of national culture; power distance, individualism-collectivism, masculinity-femininity, and uncertainty avoidance. The dimensions are aspects of culture. They can be measured and compared against other cultures. A four-dimensional model of differences between national cultures can be formed, based on these dimensions. The countries are characterized by scoring each of the dimensions mentioned. Later on a fifth dimension, long-term orientation-short term orientation, was added. Finland was not part of this later study, so long-term orientation score for Finland is not available. (Hofstede 1994: 14, 166.)

A scoring calculus was developed by Hofstede to round up measures of values and perceptions into an organizational score, and to a national level to express four...
dimensions of culture. As a base he used a survey database consisting of 116,000 responses originating in a globally operating company. Hofstede’s taxonomy of culture has been used in the accounting literature to research managers’ preferences or reactions to different situations. Broadly they can be categorized as preferences or reactions to existing management control systems, simulated experiences of managerial behaviors, or the interaction effects of national culture and existing organizational cultures. (Williams & Seaman 2001.)

3.1.1 Power distance

The power distance index (PDI) is used to measure the degree of inequality in a society. Inequality can be found from any society. Inequality can be identified in ways how power, wealth, status, physical or intellectual capabilities and respect of individuals is distributed among members of the society. Power distance index is an indicator of how citizens of different nations are willing to accept these inequalities. Higher the score, the more willing people are to accept the fact that power is not equally distributed in society. In high power distance societies, powerful people are seen to possess the right, and responsibility, to command less powerful people. Powerful people in these societies are also entitled to privileges and benefits that are not available for all citizens. Low power distance societies believe in equality of people. Hierarchies exist in these societies in institutions and organizations, but only to smoothen administrative processes. Scandinavian and Anglo-American countries, as well as some European countries, have relatively low power distance. Some other European countries aside with South American, Chinese-based and Arab countries are countries with relatively high power distance. (Hofstede 1994: 23–25; Harrison & McKinnon 2007: 95-96.)

PDI scores can be used to compare dependence relationships in a country, specifically in work environment. In small power distance countries subordinates are not dependent on their superiors; they are ready to approach them and disagree with them. In these countries with low PDI, employees are used to a more consulting leadership style. In large power distance countries situation is the opposite. Subordinates are considerably dependent of their superiors. This dependence can be preferred by the subordinates, in a form of autocratic or paternalistic boss, or it can be declined by them.
altogether. The latter is referred as counterdependence, which can be seen as dependence with a negative sign. In large power distance countries the emotional distance between subordinates and their superior is significant, it is not likely for subordinates to approach and interact directly with their bosses. (Hofstede 1994: 27-28.)

In summary: countries with small power distance prefer minimal inequalities among people, and interdependence between less and more powerful people should exist. At workplace the salary range between top and bottom levels of the organization is narrow, subordinates their opinions to be taken into consideration, and the ideal boss is a resourceful and democratic leader. In countries with high power distance, inequalities between people from different classes are expected and desired, and less powerful people are and should be dependent on the more powerful individuals. At workplace, the salary range is wide, subordinates expect to be given straight orders what to do, and the ideal boss is seen as the “good father” or autocratic leader. (Hofstede 1994: 37.)

Power distance is the one dimension which has a direct theoretical linkage to organizational culture, thus making it particularly relevant. For the other three dimensions, a similar feature is not well supported in the literature. (Williams & Seaman 2001.)

3.1.2 Individualism

Hofstede categorizes societies into collectivist and individualist. Collectivist societies are seen to place the power of the group over the interest of the individual. In these societies, family is seen to consist of a much larger group of people than in individualist cultures. This larger concept of family, including parents, grandparents, uncles, aunts, servants, housemates and so on, is referred to as extended family in cultural anthropology. In collectivist cultures, members of the extended family are dependent on each other. Individualistic societies still represent the minority of world’s nations and cultures. In these societies children are usually brought up in families consisting of two parents and possibly other children. In individualist cultures, children are brought up to be independent and self-reliant. Children raised in individualist
societies often reduce contact with their parents after leaving home, or possibly even end communication with them for good. (Hofstede 1994: 49–51.)

The degree of individualism or collectivism differs not only between countries, but within countries as well. In individualist countries, members of the society are seen to place high importance on personal time, freedom to adapt your own approach to the job, and having a challenging enough work to do. For the opposite, in collectivist countries learning new skills, good physical working conditions, and being able to apply your skills and abilities on the job are considered important. The attributes mentioned above for individualistic societies are seen to reflect employee’s independence from the organization. Training, physical conditions, and skills being used at work refer to things organization is able to provide its employees with, therefore stressing employees dependence on the organization. (Hofstede 1994: 51-52.)

Scandinavian and Anglo-American countries, and again some European counties, are societies with relatively high individualism. South American and Chinese-based countries are relatively low in individualism, making them therefore high collectivism countries. A negative correlation between power distance and individualism has been noted, but it is affected by national wealth. There are some exceptions from the negative correlation, for example France and Belgium, which both are countries with high power distance and high individualism. (Harrison & McKinnon 2007: 96.)

According to Merchant and Van der Stede (2007: 9) motivational problems are common as individuals are self-interested, and therefore their interests do not naturally meet organizational interests. This can appear as manipulation of performance reports, in order to earn higher performance-related awards that would not be deserved with the actual performance figures of the individual. Manipulation of performance reports can happen for instance by falsifying data or artificially boosting performance by taking certain decisions. It can be assumed that in countries with high individualism, motivational problems could possibly more commonly exist. However, motivational problems may also be minimal in organizations with strong cultures. Therefore company culture could mitigate the effect of high individualism in a nation. (Merchant & Van der Stede 2007: 9–10, 91.)
3.1.3 Masculinity

Traditionally, certain behavior and roles have been seen to be more suitable for one gender than the other. Men are often seen as the stronger, more assertive and competitive gender. Roles placed for men have therefore included hunting and fighting in traditional societies. The same gender role separation can still be seen in the modern society. Men are often seen as providing for their family, taking major responsibility in earnings and other economic factors, whereas the role of women is usually softer, including taking care of children, home, and people in general. Masculinity is usually affiliated with gender roles, but masculinity in a society can also refer to assertiveness versus modesty in ones’ behavior. In societies with high masculinity, people are seen as more assertive and more willing to advertise themselves. To societies with low masculinity, this type of behavior is seen as bragging or being arrogant. In these societies, generally people behave more modest and do not reassert themselves that much. In low masculinity countries, people have softer values. Relationships, supportiveness, modesty in achievements and non-material aspects in life are valued high. (Hofstede 1994: 79–81; Harrison & McKinnon 2007: 97.)

At work environment in masculine societies, special attention is paid to possibility of high earnings and material success in general, recognition, opportunities for career advancement, and on the fact, that work offers enough challenge and chance for a personal sense of accomplishment. In addition to assertiveness, also competitiveness is typical for individuals in a high masculinity society. For the opposite, good working relationships with supervisor, cooperation with co-workers, suitable living area for your family, and employment security are things valued high in feminine societies. One key difference between feminine and masculine societies is the welfare society ideal in feminine societies and performance society ideal in masculine societies. (Hofstede 1994: 81-82, 103; Harrison & McKinnon 2007: 97.)

Masculinity index tells whether societies still have distinct social gender roles, or if the social gender roles are overlapping. In societies with high masculinity index, men are still seen as the gender which is confident, strong, and aiming at financial wellbeing. In these societies, women are still seen as tender caretakers of family and home, aiming at high quality of life. Societies with low masculinity are the opposite. Both
genders in these societies are more interested in values that are traditionally seen as more feminine. Masculinity index varies greatly between countries. No clustering is reported except for Scandinavian countries, which are relatively feminine. (Hofstede 1994: 82–83; Harrison & McKinnon 2007: 97.)

Against general belief, Hofstede (1997: 95) states that the employment of men and women does not correlate with masculinity and femininity of a society’s culture. The roles of men and women differ only within home. History shows evidence of men dominating in higher positions, but later on women have managed to receive equal status in working life. No relationship between femininity and women working outside their home is identified, but the femininity score still correlates positively with women participating in higher-level positions (Hofstede 1980: 292, 306).

Based on his personal experience, Hofstede describes himself as being too modest and polite in a situation where he was interviewed by an American engineering company for a junior management job. The expectations he had for the job interview did not meet those of the American plant manager, and as a result he was not seen qualified for the job although he had a suitable degree with good grades and three years of relevant experience for the position. Hofstede sees this to be related with the difference how American applicants oversell themselves from a Dutch perspective, and vice versa, Dutch applicants are seen as underqualified and unconfident by the Americans. (Hofstede 1994: 79.)

3.1.4 Uncertainty avoidance

People and the societies they form react differently to uncertainty, even though the future is uncertain for all human beings. Societies use different ways to reduce the anxiety caused by uncertainty. These ways include domains of technology, law, and religion. As values, also feelings of uncertainty are acquired and learned. These feelings do not only touch an individual, but they can be shared to some extent with other members of the society as well. The difference on uncertainty avoidance between countries was originally discovered as a byproduct of power distance, by a question concerning job stress and nervousness at work, to be exact. (Hofstede 1994: 110–111.)
In short, uncertainty avoidance can be defined as: “the extent to which the members of a culture feel threatened by uncertain or unknown situations”. This feeling is expressed through nervous stress. Employers in high uncertainty avoidance countries have a need for predictability, basically a need for written and unwritten rules. In weak uncertainty avoidance societies, each day is accepted as it comes, and uncertainty is experienced to be a normal part of people’s daily lives. In strong uncertainty avoidance cultures, uncertainty is seen as a threat, which should be fought off. (Hofstede 1994: 113; Hofstede 1997: 125.)

At workplace in uncertainty avoiding societies, formal laws and/or informal rules are used to control the rights and duties of both employees and employers. Work process is controlled by internal rules and regulations. Power distance also has to be taken into consideration with the latter. Societies with high uncertainty avoidance are seen to need rules for emotional reasons rather than based on formal logic. People in these societies feel safe when their environment is structured and controlled, as it makes it easier for them to predict what is going to happen in the situations they face daily. Vice versa, in societies with very weak uncertainty avoidance, formal rules are despised. Formal rules are only applied when absolutely necessary, for example traffic rules. Problems are commonly solved without formal rules, and members of these societies take pride in their ability to function without rules governing them. (Hofstede 1994: 120-121.)

3.2 Comparing Finnish and American cultures through Hofstede’s dimensions

At first glance the cultures in USA and Finland do not appear too different. Both countries represent western cultures, they both offer state of the art education possibilities, are technologically advanced, and aim to offer equal opportunities in society, work and in employment opportunities for their citizens. Based on Hofstede’s cultural taxonomy, and its cultural dimensions as described earlier, notable differences between the cultures of these two nations can be identified.
Table 1. Hofstede’s four original indexes for USA and Finland

As can be identified from table 1, the most significant differences in indexes are found in individualism, where the score is 91 for USA and 63 for Finland, and in masculinity, where USA has a score of 62 compared Finland’s score of 26. The scores represent the relative positions of countries. (Hofstede 1994: 26, 53, 84, 113.)

Figure 7. Hofstede’s four indexes - scores for USA and Finland

With a power distance index score of 33, Finland is ranked 46th overall in the PDI scores for all the countries compared. Only seven countries have smaller power distance than Finland. Score for USA is 40, and the score rank is 38. It can be therefore said that both of these countries have a relatively low power distance. High power distance values can be found in Latin countries, both in Latin American and Latin European, as well as in Asian and African countries. In addition to USA and Finland,
lower values are identified for Great Britain and non-Latin part of Europe. (Hofstede 1994: 26.)

USA has an individualism index score of 91 in Hofstede’s IBM studies, making it the most individualistic country of the 53 countries and regions studied. In general, a strong relationship between the degree of individualism and a country’s national wealth can be identified. Finland has a score of 63, placing it on 17th place of all countries researched. Other Nordic Countries have somewhat higher IDV score than Finland, and they are found between 9 and 13 in the rankings. Individualism can be seen as an exception, and collectivism is still said to be the rule in the world. (Hofstede 1994: 52–54.)

Masculinity index for USA is 62, ranking it 15th overall in total of 50 countries and three regions. In the high end of list, Japan is first, Austria second, Venezuela third, and Italy and Switzerland share ranks 4/5. Finland scores 26, and it is found at 47th place. Only former Yugoslavia, Costa Rica, Denmark, Netherlands, Norway and Sweden are ranked lower than Finland in the Masculinity index. (Hofstede 1994: 84.)

Finland has a score of 59 in Uncertainty avoidance, sharing places 31/32 with Iran. USA is ranked 43rd, with a score of 46 for UAI. For the Uncertainty avoidance index, the first five places were occupied by Greece, Portugal, Guatemala, Uruguay, and Belgium and Salvador sharing places 5/6. The first four countries all had a score of 100 or more. Greece’s score of 112 is still clearly higher than others. The last five places in UAI score go to Hong Kong, Sweden, Denmark, Jamaica, and Singapore. Uncertainty avoidance score for USA is somewhat smaller than in Finland, as presented earlier. Therefore it can be understood, that the formal laws and/or informal rules should be used more frequently in Finland compared to USA. (Hofstede 1994: 113.)

Table 2 presents plausible effects which cultural attributes may have on the efficiency of different forms of control. The assumptions are in general based on comparisons between Hofstede’s taxonomy of culture and Merchant and Van der Stede’s control alternatives. Some additions have been made by referring Chow, Shields and Wu’s paper studying the importance of national culture in designing management controls
for multi-national operations, and Harrison and McKinnon’s (2007) work on national culture and management control was utilized as well. (Hofstede 1994, Chow et al. 1999, Harrison & McKinnon 2007, Merchant & Van der Stede 2007.)

Some forms of control can be more effective when utilized in societies with suitable cultural attributes for them. Results controls are often based on monetary incentives paid to employees for achieving desirable results and reaching the goals set for them. In certain cultures, money is valued more than in others. Citizens in countries with high power distance are used to a wider salary range between classes, and it is a commonly accepted fact that top executives and managers are paid well. In cultures with high individualism, monetary incentives are seen to be a key factor in motivating employees in their work. In cultures with high masculinity, high earnings are desired as well. However, people in high IDV countries are motivated by individual responsibility and autonomy. They require fairness in setting performance targets, and have to be convinced that their personal goals are also achieved by achieving organizational goals. In low IDV societies employees rely on the organization and their superiors to defend their personal interests as a return for loyalty to the organization, and therefore are more willing to accept the goals. Harrison and McKinnon (2007: 104-105) underline that people in low PDI, high IDV cultures are more interested in opportunities to participate in budget and performance target setting, compared to high PDI, low IDV societies. Therefore it is safe to assume, that participation in the earlier mentioned cultures leads to desirable outcomes in both individual and organizational levels. Chow et al. (1999) assumed based on Hofstede’s taxonomy of culture, that uncertainty avoidance would have a negative effect on performance-contingent financial rewards. Correspondingly it can be expected, that individuals in low uncertainty cultures react positively on financial rewards. (Hofstede 1994, Merchant & Van der Stede 2007, Harrison & McKinnon 2007: 104-105.)

From different forms of action controls, behavioral constraints and action accountability are controls that should be more effective in some cultural settings than others. For example, in countries with high power distance, individuals are used take straight orders from their superiors, and obey them without further questioning. On the other hand, countries with low power distance are used to more interactive work with their superiors. Administrative behavioral controls can therefore be assumed to work
better in countries with high power distance. High individualism could weaken the efficiency of action controls too, as people in societies with high individualism value freedom at workplace instead of rules and regulations. The assumption made by Chow et al., of preference for decentralization of activities with high individualism, also supports the assumption made here. With high uncertainty avoidance, an opposite effect might take place, as people in these societies appreciate planning in advance. This could make them eager to follow rules and regulations set for them for their work. (Hofstede 1994, Chow et al. 1999, Merchant & Van der Stede 2007.)

Personnel controls include selection of employees as well as training staff. Self-control and self-motivation, which together form the base for personnel controls, are qualities which could exist more in employees from societies with high individualism. This assumption is based on the fact that employees in nations with high individualism usually strive to move forward in their career and to be successful. Chow et al. assume greater probability for participative performance evaluation with high individualism, which again can be seen to support the earlier assumption. High power distance is assumed to have a negative effect on participative performance evaluation. In feminine societies, training is valued at workplace. Therefore it can be assumed that personnel controls, training in specific, are more effective in feminine countries. (Hofstede, 1994, Chow et al. 1999, Merchant & Van der Stede 2007.)

Cultural controls are group norms and values, which are based on mutual monitoring. Due to the nature of these controls, they are most effective in collectivist societies, where following the values desired by the group is very important. However, strong cultural controls may also exist within a company. In countries with high power distance, straight orders from superiors are expected and even desired. Taking this into consideration it could be so, that cultural controls are more effective also in countries with higher power distance. Rules and regulations are more eagerly followed in countries with high uncertainty avoidance, making it the third possible group where cultural controls could be especially effective. Assumption made by Chow et al. is that individualism could have a negative effect on structuring of activities, whereas power distance and uncertainty avoidance are factors possibly to increase the need for structuring of activities. (Hofstede 1994, Chow et al. 1999, Merchant & Van der Stede 2007.)
<table>
<thead>
<tr>
<th></th>
<th>Power Distance</th>
<th>Individualism</th>
<th>Masculinity</th>
<th>Uncertainty Avoidance</th>
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<tbody>
<tr>
<td><strong>Results Controls</strong></td>
<td><em>With high PDI,</em> wider salary range between societal classes</td>
<td><em>With high IDV,</em> people defend their interest and demand fairness in setting performance targets</td>
<td><em>High masculinity = high earnings desired</em></td>
<td><em>Negative influence on performance-contingent financial rewards expected with strong UAI</em></td>
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<tr>
<td><strong>Action Controls</strong></td>
<td><em>Administrative behavioral constraints work with high PDI?</em></td>
<td><em>Freedom at workplace valued with high IDV</em></td>
<td><em>Strong UAI societies prefer planning in advance</em></td>
<td></td>
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<tr>
<td><strong>Personnel Controls</strong></td>
<td><em>Participative performance evaluation less probable with high PDI</em></td>
<td><em>With high IDV, participative performance evaluation and self-monitoring probable</em></td>
<td><em>Training valued in feminine societies</em></td>
<td></td>
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Table 2. Possible relations between Hofstede’s cultural attributes and control alternatives presented by Merchant and Van der Stede; reflected by assumptions of Chow, Shields and Wu based of Hofstede’s taxonomy of national culture (Hofstede, 1994, Chow et al., 1999, Harrison & McKinnon 2007, Merchant & Van der Stede 2007.)

<table>
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<tr>
<th>Cultural Controls</th>
<th>With high PDI straight orders from superiors expected and desired</th>
<th>Effective in collectivist cultures Group rewards preferred in collectivist societies</th>
<th>Rules and regulations accepted with ease in strong UAI nations</th>
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3.3 Previous research results

Jansen, Merchant and Van der Stede (2009) researched the similarities and differences in the use of incentive compensation systems in two countries, USA and Netherlands. Compensation systems are emphasized as an unquestionably important means of eliciting and reinforcing desired behaviors of employees. They replicated a study, which had previously been conducted in USA, in Netherlands. Jansen et al aim to provide a more thorough understanding of similarities and differences in the incentive compensation practices used by American and Dutch automobile retailers. Results from the paper suggest, that national setting does matter on incentive compensation systems. The effect of national settings, on the design of incentive compensation practices, is therefore not dominated by situational factors. Results provide evidence of dramatic differences in incentive compensation practices between the US and Dutch organizations. However, Jansen et al. point out that better measures of, or other controls for many possible variables, including beliefs about the role of corporations, masculinity, and long-term orientation, are needed. (Jansen et al. 2009.)
When comparing the masculinity index between Finland, Netherlands, and USA, it is possible to assume that similar differences could possibly occur in incentive compensation systems between Finland and USA, that Jansen et al. (2009) were able to identify in their research comparing incentive compensation in Netherlands and USA. This of course is based on the assumption that masculinity in culture does lead to differences in incentive compensation practices. According to Hofstede (1994: 84), Finland and Netherlands are amongst seven most feminine countries of his research, whereas USA scores significantly higher, ranking at 15th most masculine country. Masculinity index scores for Finland, Netherlands and USA can be seen in figure 11.

![Masculinity index (MAS), a comparison between USA, Finland and Netherlands.](image)

The results from Van der Stede’s (2003) paper studying the effect of national culture on management control and incentive system design, suggest that selected MCIS characteristics are attuned to suit business-unit’s national culture. However, Van der Stede also states, that further analysis of multi-level data shows small business-unit effects that are related to corporate effects. In the results, the national culture of business units is not seen as a statistically significant factor, except for budget intensity and the way bonuses are decided. Therefore, the results suggest that MCISs tend to be implemented uniformly inside firms, rather than designed to suit the national culture and local business-unit conditions. (Van der Stede 2003.)
Moss, Kanter and Corn (1994) studied foreign acquisitions in order to learn more about the managerial issues caused by cultural differences in situations with organizational tensions. Their study concluded that most of the respondents interviewed were able to identify multiple ways in which they differed from their foreign counterparts. Differences were found in interpersonal style, organizational style and values. Similarities with Hofstede’s dimensions were found, especially with power distance and individualism or collectivism. First issue to be mentioned, when dealing with foreign colleagues, was an objective one - language problems. American employees expressed having difficulties as their European counterparts turned out not to understand them fully in meetings and negotiations. Actual cultural differences were identified in decision-making styles, especially considering long-term or short-term orientation. Multiple differences, attributed to national culture, were also found in interpersonal style between the American interviewees and their foreign colleagues. One particularly interesting comment was made about the Swedes, as they were mentioned to have less respect for authority, and greater willingness to confront their superiors publicly than Americans. This would fit into Hofstede’s classification of low power distance. Although Moss, Kanter and Corn further in their research assume that some of the behavior can plausibly be caused by situational factors rather than cultural differences, the example of low power distance could be yet seen as a strictly cultural factor. (Moss, Kanter & Corn 1994.)
4 METHODOLOGY OF STUDY

4.1 Management accounting methodology in general

Management accounting has been traditionally viewed as a practice that provides information for managers of businesses and other organizations, in order to aid them in making decisions and implementing practices. There are, however, multiple ways of looking at management accounting in organizations. No one method is necessarily the right one, but only understanding the assumptions and reasoning behind the numerous frameworks in management accounting provides the possibility to understand management accounting research literature, and management accounting in general. Anthony G Puxty (1998) identifies five research paradigms in management accounting: traditional paradigm, the systems perspective, microsociology, radical/critical paradigms, and postmodern paradigm. The first three are described below with more detail, in order to give the casual reader basic understanding about the nature and background of interpretive studies. (Puxty 1998: 3-6.)

Traditional management accounting takes the perspective of the organization. Because management accounting takes places inside the organization, both definition of problems and evaluation of solutions are viewed from the organizational viewpoint. Individuals and organizations constantly interact with their environments, and the nature of this interaction is highly complex due to changing conditions and the characteristics of individuals. Traditional management accounting tends to ignore the existence of the environment, as well as the interaction among the elements of the organization. The organization is therefore treated as a closed system. Traditional management accounting is seen to possess a technical orientation. This refers to its nature of being designed to evaluating the technical performance of processes, rather than evaluating the totality of the process, which could consider also the desirability of the end result. (Puxty 1998: 6-13.)

Traditional views of management accounting have been considered by academics and practitioners as fundamental principles of management control for decades. The systematic use of rules and regulations was viewed as basic means to obtain control in different levels of the organization. Conventional vision of management control has
been criticized as restrictive and for not taking behavioral aspects of the organizational participants enough into consideration. (Siriyama 2007.)

Other traditional management accounting key characteristics are prescriptive, ahistorical, apolitical, rationalistic, functionalist, reductionist, positivist, and problem-centred. These terms are brought up by Puxty to introduce the nature of traditional management accounting and its possible flaws. Traditional management accounting is seen to be dependent on the view of the author, Puxty sees it so that descriptive is indistinguishable from prescriptive, as the reader can never be sure if the technique being described is actually used in practice, or the one that the author sees right and should be used. Traditional management accounting is described as ahistorical for not trying to explain people’s choices being based on their previous experiences, but more being cross-sectional and thus relying on reference to other features of the entity studied, or of the environment of the entity. Traditional paradigm has the tendency to claim itself avoiding political issues, although it is not able to avoid them. Terms functionalist and reductionist describe how the traditional paradigm assumes certain techniques to be superior against others for surviving through time, and how the phenomena that are ultimately considered are economic phenomena. The reference to positivism refers to traditional management accounting’s concern with only the phenomena that are in practice measurable, and variables that than can be measured precisely and subjected to classical statistical tests. The final term used to describe traditional paradigm, problem-centered, is in relation with how traditional theory defines accounting phenomena merely in terms of problems to be solved in one way or another. (Puxty 1998: 14-20.)

Another research paradigm on management accounting is the systems perspective. The roots of systems perspective lie in an attempt to overcome reductionism, one key characteristics of traditional management accounting. The systems approach attempts to view each problem as a whole. According to systems approach, in order to understand accounting, it needs to be viewed in its total organizational context. This is a major difference that separates systems approach from traditional perspective, which has the tendency to ignore the surrounding environment, as described earlier. Systems theorists can argue that the results from a laboratory type of study can shrink
to insignificance, when so-called real world variables of office or an organization are considered. (Puxty 1998: 31-36.)

Open systems theory considers systems as able to import and export information and energy from their environment. Open systems are described as holistic, characterized by input, transformation and output, and negentropic. Different parts of the organization can also be seen to take the form of hierarchy, as some parts of organizations tend to dominate and control others. A mechanism of information input, negative feedback and coding is used to control open systems. The potential complexity of massive amounts of information is handled by filtering out irrelevant information. By using this kind of feedback mechanisms, organizations are able to achieve a steady state and dynamic homeostasis. (Puxty 1998: 37-43.)

Microsociology paradigm takes an interactionist perspective into management accounting. The idea in interactionist perspective is to understand problems through social understanding, whereas systems theory focuses more on the nature of problems by taking a more technical approach on things. Systems theory faces focuses solely on the technical issues and assumes that a solution to the problem is possible, if the right tools or techniques are available for use. Interactionist or action theory aims to understand the problems in a wider scale, the problems actually lie in understanding, how people are able to understand the issues and interact with each other. The key to understanding is understanding the nature of human behavior. (Puxty 1998: 53-54.)

Interpretive studies rely on the assumption, that social world can only be understood through understanding the actions of people. In other words, any research study can only proceed by realizing how people are able to understand each other’s behavior. A difference between behavior and action has to be understood. On one hand, gases, polymers, atoms and planets behave in a certain way, when stimulated. People, on the other hand, can respond to stimuli or situations differently. People act intentionally to achieve goals, and this action is the result from understanding. Actions of people are based on their view of the current situation or problem, how they perceive it or believe the situation to be. In short, interpretive studies offer an alternative to positivist empiricism and its method, by combining methods from natural sciences with social sciences, and still being able to achieve significant results. Interactionist studies do not
measure human behavior as a variable, but focus on understanding the situation through the actors in the situation. (Puxty 1998: 57-59.)

4.2 Methodology of research

This study can be classified as interpretive, qualitative field study. From the above mentioned research paradigms in management accounting, this study can be identified to represent microsociology, and it can be further categorized as an interpretive case study.

Management control systems research can often take a systems perspective on research problems, to study the elements and behavior of a management control system used. For the empirical part of this study, the cultural attributes and control alternatives are compared against the perceptions made by the interviewees. Therefore it is only natural to interpret the results of these interviews from an interpretive study perspective. It has to be however taken into consideration, that each individual interviewed for this research experiences the situation of working in a new cultural environment differently. Their opinions and views are strongly affected by personal preferences and feelings.

In their nature Hofstede’s dimensions can be compared to traditional management accounting. Traditional management accounting treats organization as a closed system, by ignoring the existence of the environment and interaction between individuals. The same phenomenon can be seen to exist in Hofstede’s dimension as well. Decades have passed from collection of the data, yet it is assumed that cultural attributes have remained unchanged throughout the years. As a qualitative study, this research attempts to bring new views on reductionist and functionalist characteristics of cultural dimensions. This attempt is made by adding interaction between people, and the understanding of other people’s behavior to the mix, by interpreting the findings from the interviews, concerning personal experiences of Finnish knowledge workers from a different cultural environment in USA.

The sample consists of only four interviews, thus no generalizations were attempted to be made from the qualitative data. Values and opinions vary significantly between
societal classes and groups inside a nation. Although the idea is to present how American working environment, its control systems used and its cultural attributes seem through the eyes of a Finn, this view is significantly affected by personal preferences.
5 PERCEPTIONS OF CULTURAL DIFFERENCES AT WORKPLACE

5.1 Power distance

A higher score in power distance index reflects the willingness of people to accept unevenly distributed power in society. Inequalities can represent wealth, power, status, or physical and intellectual capacities of individuals. (Hofstede 1994: 23–25.)

Both USA and Finland have a relatively low PDI score as shown earlier. One feature typical for low PDI countries, is that employees can easily approach their superiors when needed. Interviewees describe the interaction between employees and bosses in Finland so, that any member of an organization can usually contact any other member of the organization if a need arises. One interviewee describes in detail how different the organizational structure was in USA compared to Finland. According to him, he was not able to directly contact everyone in the organization if needed. The right route had to be known, and usually it went via his closest superior, who then delivered the message further in the organization.

A few remarks possibly related to greater power distance at workplace in USA were made by the interviewees. The following comment could be understood as a sign of subordinates’ dependence from their boss.

“And then people recognize in the daily work that who has the rank, how they talk with people. And they want to be in favor of the people who are in the higher ranks.”

Power distance can be therefore to some extent identifiable at work environment in USA, according to interviewees. Higher rank in the organization is seen as a desirable position, and the position in the organization appears to be more distant from the co-workers compared to a similar position in Finland. Unwritten rules and codes in an organization are brought up, as well as a certain hierarchical order how one can contact other members of an organization.

Wider salary range and higher compensation for knowledge workers, superiors, and management in USA was also identified by the interviewees. This feature is typical to
countries with high power distance. One possible cause for the differences identified between Finland and USA could relate to cultural differences between these countries, which can be seen as the difference in their PDI scores. Nonetheless, it should be taken into consideration that PDI score for both these nations is still relatively low, and no other attributes distinctive for nations with high PDI, such as preference for straight orders from superiors, were identified from the interviews regarding the workplace environment in USA.

5.2 Individualism

USA is the most individualistic country in the world (Hofstede 1994: 53) and signs of this are clear at workplace when compared to Finland, although Finland has a somewhat higher IDV score than many other Western European countries. In USA, the importance of work in daily life is seen higher than in Finland. The commitment to work in USA is described by the interviewees to be significantly greater to that in Finland. Some of the features in American culture, related to high individualism, are easier to identify than many other cultural attributes. Individualism is probably also something from which people tend to have pre-assumptions of prior to visiting an individualist culture such as USA. One of the professionals interviewed sees this as unifying thing for his co-workers in general, based on his experiences:

“People need to be successful in work to be successful in life. And the individualism in US results in huge commitment to work and that sort of, what everybody expects, or everybody expects anything else, so, that’s the way people work in the US.”

In an individualistic culture, people take responsibility of their own well-being. Your nuclear family, consisting of your spouse and your children has to be taken care of as well:

“An individualistic American society assumes that you take responsibility of yourself. Thus, planning for your retirement, for your medical coverage and for your children’s education is your own responsibility. It takes some time to get used to that difference.”
“My husband pays about $300 per month for an insurance that covers two adults and two kids.”

High individualism of the American nation is identifiable in many ways according to interviewees. On one hand, certain strive that US based professionals possess for their careers and achieving success can be seen. On the other hand, individualism is also seen in how people need to take care of themselves and their immediate families. Compared to their experiences from Finland, the interviewees identify that you have to acquire your own medical coverage and retirement funds in the US, as well as to sponsor for your children’s education. In addition to financial responsibility, this also gives to individual the freedom to choose a medical coverage, retirement funding and children’s education based on his or her own preferences.

In cultures with high individualism, freedom at workplace is valued high. The interviewees described a more relaxed atmosphere at workplace in USA, in addition to a more welcoming acceptance in a new company compared to starting in a new position in Finland. The interaction and collaboration between colleagues of similar status was described to take place in good spirits, and it was not seen as competition between individuals by one interviewee. Then again, another interviewee identified a lot more competition between individuals to exist in USA.

“I think people put much more effort in the US. And, it’s not competition, but everybody is fully committed and every day, and it’s different from my experiences than in Finland, where you can sort of show up at the office and spend your time there, not everybody is fully engaged all the time, or even interested in the results of the work, more so of being at the work and earning the money. US is different. To be successful in the US you need to put in full effort all the time, and it’s really for yourself and family, and it’s not competition. One of the main differences is of course that job you have in the US can be terminated at any moment. So for your family protection, you don’t have one month, or two months, time, if you are laid off, you need to leave immediately. People are used to taking care of themselves and taking responsibility of their work and it’s not competition it’s sort of the way the country lives.”
“Yeah, there’s lot more competition between individuals. And it’s about getting your career.”

Table 2 presents an assumption of decentralization of activities preferred in high individualism nations. In these cultures, employees appreciate autonomy at workplace. The employer must be able to convince individuals that they are being treated fair, and in addition the alignment between organizational goals and individual’s personal goals have to be well presented for.

Hofstede (1994: 59) also mentions that it is usual for students in USA to finance their studies with temporary jobs or personal loans as well. Behavior related to this statement was not reported by any participants in this research, but a reference to responsibility to finance for your children’s education was brought up by majority of the interviewees in multiple answers. Statements made of sponsoring for your children’s education are not only related to the monetary issue. It is clear, that being able to educate your offspring is very important, in order for them to succeed in life later on.

5.3 Masculinity

Masculinity and femininity are usually seen as differences between the roles of male and female sexes, but masculinity also influences one’s behavior in certain situations. Assertiveness and modesty are examples of this behavior. An individual from a highly masculine culture is used to bring forth his or her competencies and personal qualifications in a way that can be seen as bragging and selfish behavior in a more feminine culture. In addition to high individualism in USA, features related to high masculinity were something which the interviewees seemed to point out without hesitation, when it comes to differences at Finnish and American workplace. People coming from a feminine culture can be seen as too modest and not able to market themselves for a position in an organization located in a country with high masculinity.

A classic example of a masculine society is the differing roles of men and women at home, as one female interviewee describes here:
“I would say most of our male managers’ salaries are so high that they can afford to have their wives stay at home and there is no need for another income. Men are still paid better over here than women.”

On a daily basis easily identifiable difference between feminine and masculine society is the way individuals assert themselves and their professional or personal qualifications (Hofstede 1994: 79-80). All four interviewees had their own, mild to strong experiences of these differences:

“I don’t think anyone would give false information on their resumes, however I do believe Americans are more “comfortable” presenting themselves in positive light than Finns.”

“And I think Europeans often think that Americans are superficial and they work hard, and they compete hard, and that is the result of the individualistic nature of American culture. I think what you get out of the individualistic culture in America at workplace, it’s mainly all positive because people have sense of responsibility, they take care of their job, and because they need to be strong in their own performance they also give respect to each other.”

“They are amazingly good when you are interviewing them. They know everything about everything and they are very good in telling where they are good. And they are listing many things they have never done, even if they have just been a part of some meeting of some issue, they list that as a competence.”

“Finns are too humble and Americans are over-confident. I tried to hire an American to a Finnish company. She was considered as arrogant and over-confident by the other interviewers. Why? They asked her in the interview whether she would be a good choice for the job and in five bullet points she explained how great she was and why the company would be crazy not to hire her. I hired her anyway and she turned out to be a great, humble expert.”

These unified visions from the interviewees serve as fine examples how differently employers behave in Finland and USA. The example of hiring an American employee
to a Finnish workplace is an excellent example of assertiveness developed in a masculine society. How it is then interpreted in Finland, a much more feminine culture, is interesting. Regardless of the doubts caused by unusual behavior in the interview situation, she turned out to be an excellent choice for the position. Quite possibly she would have never been hired for the job, but this time one of the employer’s representatives happened to have experience from working in USA. Differences between welfare society ideal of feminine, and performance society ideal of masculine societies are easily identifiable from answers concerning medical coverage, children’s education and retirement benefits. In USA individuals are responsible to take of these by themselves, whereas in Finland these matters are seen as basic needs, and society takes care of them, at least to some extent.

In some situations features from both individual and masculine society can be identified, as it is common in masculine societies to bring forth the best qualities in you (Hofstede 1994: 79-80). The importance of building a meaningful career is seen to be very important, and all the means necessary are used to advance your career further:

“Maybe it’s the thinking about your own career and playing the games, kind of like games in organization, talk with right people, tell them right things at the right time, be in right meetings, tell stories about your success to right people, paint a picture that you are what you are and what you can do. That’s why you get the good positions. Not like in Finland it’s more like we might be very happy that we have a great program, a great project team, that we had a great achievement in the project.”

The quotation above by one interviewee is another excellent example of assertive versus modest behavior at workplace. Achieving success at work and in projects is brought out in a whole different way when it comes to masculine society. In Finland the employees are simply described as being happy that they have had the opportunity to participate in a successful project.
5.4 Uncertainty avoidance

In work environment in USA, uncertainty is something that employees must live with every day. The possible termination of ones’ employment is described to happen instantly, when it happens. No notice period is used, and there are no such unions to help you like in Finland. This uncertainty is not described as causing anxiety, but more as something the employees are aware of in their daily lives, as the following references from the interviews indicate.

“One of the main differences is of course that job you have in the US can be terminated at any moment. So for your family protection, you don’t have one month, or two months, time, if you are laid off, you need to leave immediately. People are used to taking care of themselves and taking responsibility of their work and it’s not competition it’s sort of the way the country lives.”

“In Texas we do not have any laws that protect the employees. We do not have unions to fight for you. If I was going to get fired today, I would be simply escorted out by our General Manager. Companies do not offer two weeks notices.”

In uncertainty avoiding societies rights and duties of both employers and employees are looked after with aid from many formal laws and/or informal rules. Internal rules and regulations can be also identified controlling the work process, but these are also affected by the power distance. (Hofstede 1994: 113-121.)

To some extent working environment in USA is seen as less controlled than in Finland. Supervisors are described to place more trust in their employees, and employees are pictured to require less guidance or micromanagement, partly because of individuals are pursuing advancement in their careers and success. In general the atmosphere at workplace is referred to as being more relaxed in USA compared to Finland.

However, strict rules, laws and policies are identified in some cases. Minority protection, sexual harassment and racial discrimination are examples of matters that require more rules and regulations in USA than in Finland. Possibility of facing a law suit as a result of undesirable behavior is mentioned. Penalties are described more
severe compared to Finland. This applies also to employer, as can be understood from the following statement:

“Somewhere I need to be more careful in the US. There’s a cultural thing that they used to take things into court, or someplace if you do some against the law or rules. You need to be very careful in how you treat your employees in a sense, that you don’t do anything which is illegal.”

A more strictly defined role is brought up, in addition to significant amounts of induction training. Unwritten rules at US workplace seem to exist more often than in Finland. These unwritten rules control a number of policies at work place; daily working hours, duration of holidays, dress code and other daily activities. Differing from these rules is seen harmful for career development. Uncertainty index does not differ significantly in these countries, and the value for Finland is still higher compared to USA, yet these strict rules and policies are reported to exist. The topics mentioned include such as minority protection, racial discrimination and sexual harassment. Another possible explanation for more rules and policies existing at US workplace, could be the high individualism in USA. Every individual has similar rights, regardless of their sexual orientation, race or gender.
6 DIFFERENCES IN MANAGEMENT CONTROL PRACTICES BETWEEN FINLAND AND USA

6.1 Results Controls

Results controls focus on achieving end result that is desirable for the organization, by using different financial and non-financial incentives to guide the employees into the same direction (Merchant & Van der Stede 2007: 25–29). In an individualist culture, employees have the tendency to act in a way which is in their own best interest. In these societies work should be organized so, that this self-interest of employee meets employer’s best interest (Hofstede 1994: 63). As presented in table 2, people in nations with high individualism also have the tendency to defend their personal interests when it comes to setting of performance targets, and they demand fairness in the process. As a result, participation in these situations has been seen as effective means to reach both individual and organizational goals. (Harrison & McKinnon 2007: 104-105.)

“In Finland normally you get some bonus just little extra, doesn’t change your financial situation and so on. But in US both the employee and employers think that it’s good that you get such incentives that you can buy a new house for example, or a new car. And the targets are lot higher than in Finland, and the employers are using those to guide the organization.”

Each interviewee agreed on the fact, that in USA more incentives are used throughout the organization, in an attempt to guide employees to a direction desirable by the organization. The statement above describes the size difference in bonuses seen through the eyes of a Finn around the turn of the millennium. Also the basic compensation level for knowledge workers, superiors and management is described as substantially higher compared to Finnish levels. The results from the interviews support previous findings that in USA results controls are used much more effectively than in Finland. High compensation levels to those who meet the targets set for them are accepted by both employees and the employers as well. Smaller incentives used in Finland are seen as not so meaningful or effective means to guide the professionals or the organization in general.
However, an interesting observation was made by the only female interviewee of the study, who actually saw total compensation level to be lower in USA than it is in Finland. If, hypothetically, the total compensation level for women in USA should actually be lower than in Finland, it could be a result of high masculinity in American society, which plausible could be widening the gap between male and female managers’ salaries.

These views from the interviewees support the earlier assumption that based on comparing the masculinity index between Finland, Netherlands, and USA, similar kind of differences in incentive compensation systems could possibly be found when comparing Finland and USA that Jansen et al. (2009) were able to identify in their research between Netherlands and USA.

Multiple different financial and non-financial incentives are identified by the interviewees to exist in the US work environment, at least year-end bonuses, smaller cash prizes, employee of the quarter reward program and employee of the year recognitions were mentioned, two of the latest mentioned also including monetary incentives. Overall bonuses and options are noted as a higher part of the total salary compared to Finland. Recognition is given to employees also by using employee appreciation days, open recognition, positive feedback and annual performance review, which usually leads to promotions at some point given that employee performance is at a satisfactory level.

As mentioned earlier, Merchant and Van der Stede (2007: 9) note that motivational problems are common as individuals are self-interested, and therefore their interests do not naturally meet organizational interests. Self-interested behavior is linked to manipulation of performance reports, in order to earn higher performance-related awards that would not be deserved with the actual performance figures of the individual. No indications of manipulating performance figures by American employees can be identified from the interviews. However, a certain behavior of allocating tasks at work so that one’s bonuses are made sure to be earned is mentioned. One interviewee mentions that this should be taken into consideration when setting performance targets, as employees can sacrifice other, still meaningful tasks, in order to maximize their financial benefits.
6.2 Action Controls

From different forms of action controls, the use of action accountability seems to stand out at American workplace, at least based on the experiences of the interviewees. Answers from the interviewees are in correlation with implementation of action accountability controls (see Figure 4). Action accountability, according to Merchant and Van der Stede (2007: 79-80), can address all of the three basic control problems: lack of direction, motivational problems and personal limitations.

Roles are described to be more strictly defined in US-based companies, compared to their Finnish counterparts. Strict definitions are given of multiple things, including company policies and rules, commitments related to work assignment and discrimination as mentioned all came up during the interviews. These are communicated to employees both in written and verbally, and it is made clear that deviation from these rules is unacceptable. The amount of action accountability controls used in USA is seen evidently larger by the interviewees when compared to Finland, as can be noted from the following examples:

“In the beginning I guess the biggest difference is very strict way to do all kinds of paperwork. Signing different papers on what I cannot do, what I promise to do, or things like that. A lot of induction training, different kinds of inductions. As in Finland many times you can just go and start working, and then you get some information from your colleagues and somebody. It was very strict that you need to have this and this induction first, then you need sign all these papers and then you can go to work.”

“Everywhere where you join a new company, and you go through the basic training and discussion about the company policies and rules, the minority protection is always there. Discrimination is from the get-go, it’s really not possible or acceptable in any ways.”

The opinions stated above refer to administrative communication of the actions for which employees are held accountable for. No rewarding for good actions is mentioned, rather it can be understood that exceptions from the rules and regulations may and will result in punishment. Two interviewees mention a general fear of
termination of one’s employment in US working environment, which possibly works as a powerful motivator for the employees to follow the rules set by their organization.

An interesting fact is that although the interviewees see the superiors to rely more on their subordinates in USA compared to Finland, strict rules are still applied to workforce. One could assume that if employees are trusted, no strict rules would be necessary. This refers to controlling by prevention. Although the employees would be trusted in general, US based companies may identify the need for preventive maneuvers in order to avoid possible lawsuits or other costs of undesirable behaviors to organization which could occur otherwise. Action-accountability controls are still mentioned to be based on detection. It can only be verified after evidence of the actions is gathered, if the appropriate actions have been taken. However, action accountability control can approach the state of prevention of undesired actions, if gathering of evidence is simultaneous with the activity, as is the case with direct supervision. (Merchant & Van der Stede 2007: 80.)

In individualist cultures, autonomy and freedom at workplace is valued high, as can be understood from the following comments. The first opinion by one interviewee reflects, that he also identifies similarities between Americans and Finns regarding this subject. The second opinion provides a slightly different angle, as this interviewee views American employees as being more self-motivated than their Finnish peers.

"Employees generally like independence – especially knowledge workers. I think that this is something that both Americans and Finns share - Finns were also at their best in the Winter War and similar situations where individual contribution is decisive. Just look at the sports where Finns are generally good: driving and ski-jumping. Individualistic sports."

"It’s really the individual commitment to work and results at work in the US. It’s very different than Finland. You are responsible for yourself and your work, and it’s really, you don’t have to be watched as closely as in Finland."

The legislation in Finland is seen less punishing, and therefore the organizations, possibly, do not see the same need for strict rules and regulations as their US based
equals. A more straight forward approach to starting in a new job in Finland is identified.

6.3 Personnel Controls

Personnel controls in general include selecting the right employees and placing them into suitable positions, training the workforce, designing their job properly and providing them with adequate resources to be able to succeed in the job (Merchant & Van der Stede 2007: 83-85).

The actual selection process of employees was not described in detail by any of the interviewees, either in American or Finnish working environment. However, the individuals in USA are seen to present themselves in a more favorable light when it comes to Curriculum Vitae’s, references and interviews. Finns are described as being more humble and just presenting the hard facts of themselves and their skills. It could be so that US employees identify the need to highlight themselves in order to stand out in the possibly more thorough selection process of employees.

Significant amount of training is recognized to take place in USA prior to starting the actual work. It may be possible that the Finnish professionals interviewed identify this due to appreciation, as in more feminine societies training is valued high. On the other hand, in a more masculine society, such as USA, training should not be valued that highly according to Hofstede. Significant amounts of training identified at the US workplace still indicates, that at least the employer side in the organizations in which the interviewees have been working in values training very high, regardless of the masculinity of American society.

Self-monitoring is an important part of personnel controls. As presumed in table 2, it is plausible that individuals in high individualism societies tend to practice self-monitoring. Career advancement opportunities are seen as a cause to this, and as an important motivator for individuals to perform well in their work. The interviewees identify a certain drive in employees of US organizations, which is not viewed as competition against others, but more so it is described as an effort to be successful in your life through being successful at work. This kind of behavior, identifiable as self-
monitoring, is seen to be common in different organizations and different industries in USA according to interviewees. (Merchant & Van der Stede 2007: 83-85.)

From the interviews a conclusion can be drawn that in USA superiors are seen to trust their workforce more than in Finland, at least to some extent. Especially considering knowledge workers, superiors and management, which are the groups discussed in this case. Trust is a less formal substitute for other forms of control (Merchant & Van der Stede 2007: 83). Higher level of trust by the superiors could be assumed to be in relation with higher level of self-monitoring by the employees. In countries with high individualism, freedom at workplace and autonomy is valued high, as presented in table 2. Higher level of trust from the superiors could be experienced by the employees as a factor bringing more freedom to their daily tasks and to the general atmosphere at workplace.

6.4 Cultural Controls

Hofstede (1994: 4-6) describes culture as a collective programming of the mind for the members of a culture. Merchant and Van der Stede agree, that cultures are based on shared traditions, norms, beliefs, values, ideologies, attitudes and ways of behaving. These definitions of culture are as valid in organizational culture, as they are in national culture. Codes of conduct and group rewards are some of the most important tools used by managers in an attempt to create and develop organizational cultures. The values of the culture are communicated both verbally and by example. (Merchant & Van der Stede 2007: 85.)

The existence of codes of conduct in USA can be identified from the responses of interviewees. Company policies and rules are something that seem to be quite familiar to majority of interviewees. Company culture is familiarized to employees through official rules as well as unspoken communication. Some courses of action, such as daily working hours, seem to be communicated by example. No strict enforcement for these exists, yet everybody works at least the same minimum hours every day. Annual vacations are described to be organized in such manner, that organizational performance would not be reduced. In addition to administrative communication of desirable actions, unwritten policies are mentioned as well by one interviewee. These
less formal codes of conduct are seen important to comply with as well. According to interviewee, failure to comply with these unwritten rules will also result in unfavorable career development.

As table 2 shows, based on Hofstede’s assumptions, cultural controls should be more effective in collectivist nations. The results point out, that Finns interviewed in this study recognize elements of cultural controls to exist more at U.S. workplace than in Finland. This is an interesting finding, as according to Hofstede’s results USA has the highest individualism score in the World. Therefore it can be assumed that cultural controls would not be actively used, as they should not be efficient based on Hofstede’s views. The existence of strong company culture and cultural controls is of course plausible, but still all the interviewees are working, or have worked, in different organizations, which makes it a less likely cause.

Table 2 presents the assumption that in nations with high collectivism, group rewards are preferred as a part of cultural controls. No remark of more frequent use of group rewards in Finland was made by any of the interviewees. In general the compensation levels of professionals are identified to be lower in Finland compared to USA, and therefore it could be assumed, that the salary range of all Finnish employees is possibly narrower compared to their counterparts in USA.

6.5 Findings from the interviews compared against assumptions made of the efficiency of control alternatives

Comparing the assumptions made in table 2 against the interviews resulted in some interesting findings, both supportive or against the assumptions.

From the assumptions concerning results controls, two assumptions were supported by the interviewees. First is high masculinity = high earnings desired. Significantly larger bonuses and other monetary incentives use was identified by the interviewees when comparing the use of financial incentives between USA and Finland. The general tone of the answers related to this matter is positive, and financial incentives can be seen to work as an efficient motivator for American employees, as well as for our Finnish interviewees. Second assumption supported is the negative influence on performance-
contingent financial rewards expected with strong UAI. USA is a weak uncertainty avoidance society according to Hofstede’s dimensions. Therefore the following assumption could be understood as positive influence on performance-contingent financial rewards with weak UAI. The positive tone of answers considering the use of financial rewards in USA would support this assumption.

Second group of assumptions was made in regard to action controls used. Two assumptions were made on possible relations with individualism and action controls; freedom at workplace valued with high IDV, and decentralization of activities preferred with high IDV. The first mentioned is supported from the interview findings. Two interviewees clearly mention a general liking of independence for knowledge workers, and the need for less micromanagement and monitoring the actions of employees is mentioned. The superiors are described to trust their employees more in USA than in Finland, which can be interpreted as a sign of valuing autonomy and freedom at work. The preference for decentralization of activities was not brought up, at least so that it could be directly identified from the answers.

On the relationship concerning personnel controls and individualism, an assumption was made, that with high IDV, participative performance evaluation and self-monitoring could be probable. The motivation to work and achieving good results in your work is mentioned, in addition to endeavor to be successful in your life through being successful at work. These are obvious signs of self-monitoring practiced by American employees. Regarding participative performance evaluation, an interesting answers was given by one interviewee. He referred to a tendency of American employees to arrange their work so, that their performance targets would be met, in order to secure their financial incentives. As a result he contended that this behavior should be taken into consideration by allowing the employees to participate in setting the performance targets. One particularly interesting finding concerns training, which was assumed to be valued in feminine societies. As the opposite of this assumption, three out of four interviewees described different forms of training taking place in USA, prior to starting in a new organization.

The use of codes of conduct was reported to take place in US organizations. Cultural controls are assumed to be especially effective in collectivist cultures. Therefore it
could be assumed, that the use of cultural controls would not be extensive in USA, considering very high individualism of the society. However, findings from the interviewees include numerous indications for existing codes of conduct at US organizations. Examples of unwritten rules were given for instance concerning daily working hours, or organizing annual vacations of key employees so that the organizational performance would not be negatively affected.
7 CONCLUSION

7.1 Conclusions of the study

The findings of this study support previous research results, which indicate high individualism and masculinity in USA. The most visible cultural differences between Finland and USA can be identified concerning individualism and masculinity, based on findings from the interviews. These are both cultural attributes, which are easy to identify when interacting with individuals from a foreign culture. Their effect on control alternatives used is discussed next.

As the most individualistic culture in the world, USA serves as the best example available of an individualistic nation. Members of an individualistic society are highly interested in their own well-being, but are also recognized to take responsibility of their immediate family in terms of medical coverage and sponsoring for their children’s education. Finland is not by any means a collectivist culture either, and it ranks as the 17th most individualistic nation in Hofstede’s research. However, the individualism index value still varies significantly from USA. The findings made based on the interviews correlate with the difference.

Although the Finnish interviewees were all raised in a culture which is considered more individualistic than collectivist, numerous remarks were made of the very high individualism identifiable at daily work environment in the United States. On one hand, in nations with high individualism favorable results are seen to be achieved by using monetary incentives and bonuses in organizations. On the other hand, in highly individualistic cultures, people are eager to defend their personal interests and value freedom and autonomy at workplace. Unsurprisingly, the use of financial incentives as a part of results controls was identified by the interviewees to be significantly greater in USA compared to Finland. The demand for fairness in setting performance targets, and employees need of being convinced that reaching organizational goals also helps them to reach own personal goals was not referred to in direct. Nonetheless, the advancement in career and success at work is seen to relate with personal success and being successful in life in general. These qualities possessed by US employees can be understood as relating positively to self-monitoring, which seems possible in
individualistic cultures, based on the findings from the interviewees. Therefore the relation between individualism and personnel controls is supported as well. These findings are aligned with Hofstede’s individualism score for USA.

In addition to high individualism, previous research on the subject identifies possible correlation with high masculinity index of a nation, and the use of incentives and bonuses. In societies with high masculinity, success in career is valued high, and high earnings are desired. Assertive behavior at workplace in high masculinity countries can be viewed as bragging through the eyes of colleagues coming from a more feminine society. Masculinity is a very visible cultural feature, and its characteristics affecting human behavior have been identified in numerous studies. Along with financial incentives, non-financial incentives in forms of promotions and other recognitions from the employer are valued in masculine countries, which relates to assertive behavior identified in these cultures. When it comes to masculinity index, Finland is among the seven most feminine nations. The difference in behavior of individuals related to masculinity and femininity became very clear when interpreting the results. All interviewees, who were born and raised in a feminine society in Finland, had their own views on the assertive behavior of their American colleagues. In addition, some light was shed on how Americans tend to see Finns to be somewhat too modest in situations related to hiring new employees. This cross-cultural difference relates to personnel controls as well. The effect of masculinity, or femininity, on individual’s behavior should be taken into consideration, when hiring employees from another culture with different masculinity score. The assertiveness or modesty in behavior can lead to misunderstandings in personal qualities. The findings are constant with Hofstede’s views of masculinity in a culture.

Individualism and masculinity are both cultural features which seem to correlate strongly with the use of results controls, and especially in the use of financial incentives and other rewards. Not all features in these societies relate to material success. In individualistic cultures, high importance is placed on personal time. The preferences for freedom to adapt your own approach to the job, autonomy, and experiencing enough challenge in your work were also supported by the findings from the qualitative data. For individuals in high masculinity cultures, sense of personal accomplishment from succeeding in your work is important. Simplifying the use of
financial and non-financial incentives to result either from individualism or masculinity is difficult. Combination of high individualism and high masculinity in USA seems to influence positively on the use of results controls, based on the findings of this study. Low uncertainty avoidance of American society could also have an effect on the matter.

Features typical to codes of conduct were mentioned by the interviewees to exist in organizations in USA. Codes of conduct were also identified to exist at 84% of US workplaces in a survey referred by Merchant and Van der Stede (2007), which supports the findings here. Comparing the figure of American organizations to 58% in other countries, it seems plausible that cultural controls could provide efficient controls in individualistic cultures as well. At least it would seem highly unlikely, that organizations in a highly individualistic culture would at large use a certain control method assuming it would be totally ineffective in their cultural setting. Findings from the interviewees are consistent with this assumption, as the interviewees described employees in USA following these written and unwritten rules. Considering the degree of individualism in USA, cultural controls would offer an interesting subject for future research in relations between national culture and management control systems.

The experiences of the interviewees of this study suggest, that national culture of the business units discussed here has an effect on the way bonuses are decided, and used as means to control and steer the organization. In USA, the level of total compensation for knowledge workers is described to be significantly higher than in Finland. No actual figures are presented, but one interviewee describes the bonuses in USA vividly as being at a scale high enough to enable the employee to purchase a new car or a new house. With bigger monetary incentives, higher performance targets are used. Van der Stede’s (2003) results also suggested, that the national culture of business units is not seen as a statistically significant factor, except for budget intensity and the way bonuses are decided. The targets for reaching the bonuses in Finland are described to be less challenging. No remark is made on the fact, that employees in high individualism cultures are eager to defend their own best interest at work, and prefer participation in setting performance targets. However, one interviewee discussed possible positive effects of participation in setting performance targets in American
culture, as people tend to organize their work so that their performance targets are met in order to acquire their financial incentives.

Results from Jansen, Merchant and Van der Stede’s (2009) paper suggest, that national setting does influence incentive compensation practices. As one difference between USA and Netherlands, Merchant and Van der Stede bring forth the masculinity index values. When considering the similarity in femininity between Finland and Netherlands, it would make an interesting subject for future research to replicate their study in Finland as well, in order to examine the possible impact of masculinity on incentive compensation practices.

In brief, it can be summarized that differences in national culture seem to have effects on every group of controls studied, results controls, action controls, personnel controls, and cultural controls. Distinctive features of cultural dimensions depend strongly on the cultures researched. From the discussions with the interviewees it became evident, that Finland is characterized strongly by its feminine culture, and the welfare society ideal is easy to identify. USA’s culture appears as masculine and individualistic through the eyes of a Finn. For further examination of the differences in management controls between Finland and USA, it could also be of importance to include other theories, in addition to Hofstede, in order to gain new, fresh views on the matters discussed, and overcome some restrictions of reductionist functionalist features of cultural attributes.

7.2 Evaluation of study

The empirical part of this study consists of interviews of four Finnish professionals, who all have been working in various organizations, in various locations around USA. Considering the size of the sample, no generalizations can be made from the interview results. However, the empirical part gives this study an interesting view on how American organizations are seen through Finnish eyes, based on the experiences of professionals coming from a different cultural background.

The predominant focus in previous research studying the relationship between national culture and management control has been on comparisons between different Asian
nations and the Anglo-American nations of USA and Australia. Although the cultural differences between Asian and Anglo-American nations offer interesting research subjects due to the visible cultural differences, this has caused geographic scope restriction to some extent (Harrison & McKinnon 1999). In an attempt to study the relationship between national culture and management control from a different perspective, Finland and USA were chosen for the comparison in this thesis. It has to be taken into consideration that selection of the countries to compare plays an important role in how the results are going to present. As for Finland and USA, the most visible differences were to be identified in masculinity and individualism, and therefore these two cultural attributes created a basis for most of the findings concerning management control practices. Should a culture with different cultural attributes been compared against either one of these countries, the findings would have been different.

An important restriction for cross-cultural management control research in general is the overwhelming use of Geert Hofstede’s work as a basis for these studies. Harrison and McKinnon (1999) see that as a result from extensive use of Hofstede’s work, cross-cultural research in management control has ignored other suitable literatures and perspectives on culture, especially in sociology, anthropology and history. This restriction concerns this research as well as all cross-cultural management control research. Taking the time frame available for this research, it had to be conducted using Hofstede’s dimensions as a basis for cultural differences. Adding the element of interaction between individuals and changing environmental conditions at a larger scale would have surely given the research a fresher perspective. Harrison and McKinnon have already been able to identify movements in individualism and power distance in their work focusing on Australia, Hong Kong, Singapore, Taiwan and the USA, so further research on the matter would be of importance.

Simplifying culture into four, and later on five, dimensions has raised significant amounts of criticism over the years. Management control and management control systems both represent an issue which has been noted to be extremely difficult to simplify or measure, and in general being complicated in nature. Combining these two subjects is a challenge which will always raise discussion and ambiguity over results. Both national culture and management control are subjects which allow almost as
many interpretations to exist as there are studies made from these subjects, and due to their nature the simplification to some extent is perhaps necessary, despite of criticism. This particular research merely scratches the surface of this interesting combination, yet links between cultural attributes and control alternatives can be identified by relying on previous research results.
REFERENCES


Appendix 1  Background information of interviewees

<table>
<thead>
<tr>
<th>Interviewee</th>
<th>Gender</th>
<th>Education</th>
<th>Work experience in USA</th>
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<td>male</td>
<td>B. Sc., M. Sc.</td>
<td>two years</td>
</tr>
</tbody>
</table>
Appendix 2  Interview questions

Interview questions / Master’s Thesis

Jussi Isojärvi

Thesis instructor Sinikka Moilanen, Oulu Business School

The influence of national culture on management control systems: Finland and USA

This interview is confidential and the names of the interviewed will not be mentioned in the thesis.

It would be highly appreciated if you could return your answers by April 20, 2014.

Background and education (5)

- What is your highest degree earned?
- Overview of your work experience.
- How long you have worked / did work in the United States?
- What position(s) you have worked in, in the US?
- Is/was your employer a US owned company, or a subsidiary of a foreign company?

Working in USA (5)

- When starting to work in the US, what kind of workplace related differences you were able to identify? Compared to situation if you had started in a new job in Finland.
- Have you encountered any surprising, culture related situations, when working in the US? Give examples.
- What kind of challenges you have faced when working in the US, compared to working in Finland?
- How would you describe differences in attitudes at workplace between Finland and USA?
- Is the workplace environment more competitive in either one of the countries? If yes, how does it reflect daily work?

**Management control and culture (7)**

- How would you compare work compensation and benefits between Finland and USA?
- What differences can be found in non-financial incentives (such as promotions, recognition, challenges and so on) between Finland and USA? How do control and supervision methods of employees, used to achieve good results, differ in Finland and USA in your opinion? If they do not, explain why.
- Is there any difference how Finns and Americans reassert themselves; relating to work history, professional qualifications or personal skills? Give an example. Can the individualistic nature of American culture and society be somehow identified at workplace, and if so, how?
- Can you identify differences between Finland and the US in planning investments, financing alternatives, or other financial activities in an organization?
- In your opinion, can budgetary controls in general be described as flexible or tight in either of these countries? Explain why.

*Thank you for your time and answers!*