

Hofstede's Cultural Dimensions (Masculinity Vs. Femininity) And Its Impact On Earnings Management

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Abstract

Hofstede's cultural dimensions (Power Distance, Individualism, Uncertainty Avoidance, Masculinity, Long term orientation and Indulgence) play an important role in social sciences, Gray used four dimensions in the field of accounting and completed his mission by Borker, the study aims to know the extent of the cultural dimensions in the Iraqi environment, as well as to test the extent of the impact of gender as a cultural dimension on the management of accounting Earnings Management in a sample of companies listed in the Iraqi stock exchange.

Dimensiones culturales de Hofstede (masculinidad frente a feminidad) y su impacto en la gestión de ganancias

Las dimensiones culturales de Hofstede (distancia de poder, individualismo, evitación de incertidumbre, masculinidad, orientación a largo plazo e indulgencia) desempeñan un papel importante en las ciencias sociales, Gray utilizó cuatro dimensiones en el campo de la contabilidad y completó su misión de Borker, el estudio apunta a conocer la El alcance de las dimensiones culturales en el entorno iraquí, así como para probar el alcance del impacto del género como dimensión cultural en la gestión de la gestión contable de los ingresos en una muestra de empresas que cotizan en la bolsa de valores iraquí.

THE PROBLEM OF STUDY

The problem of research is the practice of some companies to manage earnings which is a weakness in accounting information that is reported, as a result, the decisions taken by the beneficiaries will be based on information that is not sincere representation, and the problem can be formulated according to the following two questions:

- 1- Are Hofstede's cultural dimensions a reflection of the reality of the Iraqi environment?
- 2- Is there an impact of the cultural dimension (gender) in the management of corporate profits? Or, in other words, is there a role for women in reducing the manipulation of corporate profits?

THE IMPORTANT OF STUDY

The importance of study is to deal with an important aspect of the reality of cultural dimensions in the Iraqi environment, as the research acquires its importance from the sample of the research represented by the banks and what constitutes the main pillar in the Iraqi market for securities.

THE AIM OF STUDY

The study aims to study the extent of Hofstede's cultural dimensions in the Iraqi environment and focus on the masculinity of financial management and its impact on accounting earnings management.

THE HYPOTHESIS OF STUDY

The study seeks to test the following hypotheses:

- 1- The cultural dimensions of Hofstede, Gray's and Borker's are a reflection of the reality of the Iraqi environment.
- 2- The financial management of the bank by gender affects the management of the accounting profits of the Iraqi banks listed in the Iraqi Stock Exchange.

I-LITERATURE REVIEW

This section provides a brief overview of the content and results of previous studies that researchers were able to gather and review, which were relevant to the subject of the research as follows:

- 1) Barua et al:2010 study, titled "CFO Gender and accruals quality": The study aimed to test the effect of the Executive Director on gender in the practice of managing the accounting profits (accruals quality). It's found that the female managers have a high quality of accruals, that is, the estimated benefits will be low.
- 2) Curtis et al:2012 study, titled: " A Cross-Cultural Study of the Influence of Country of Origin, Justice, Power Distance, and Gender on Ethical De-

cision Making”:

The study aimed to test the impact of national culture in ethical decision-making. The sample of the study was accounting students in four countries (China, Japan, Mexico and the United States of America). The study found that gender is closely linked to moral decision-making. The two eastern countries (China and Japan) and the two western countries (the United States and Mexico) show the expected patterns of East and West in power, and do not support this pattern of East vs. West when looking at Differences between countries in justice.

II-THE LEVELS OF CULTURE

Culture is a Latin word derived from Collere, meaning the plant of the earth. The culture is evidenced by the regularity observed in the behavior of individuals, their behavior, their different lifestyles, and how to communicate, culture has a content that is meant by patterns of behavior, which are norms, beliefs, values and needs. Culture is a reflection of the motivations of individuals (Yemen, 2011: 17), Hofstede defined culture as “the collective programming of the mind that distinguishes members of one group or group of people from another” (Hofstede,2001: 9), Choi and others regard it as the values and common trends in society (Choi et al., 2012: 59). From the above, it is clear that culture is intangible, that it is characterized by a community, and that it has a content of values and values. For the purpose of knowledge of culture levels Hofstede presented the following form:

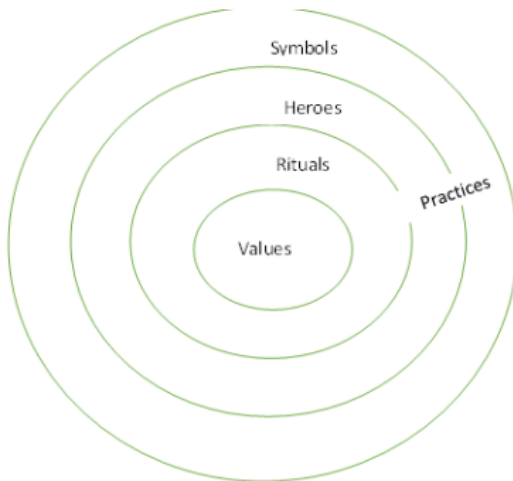


Figure (1)
Cultural manifestations according to different levels of depth
Source: (Hofstede et al,2010: 8)

The previous figure includes four levels, the first is symbols, which means words, gestures and objects that carry special meanings, can be distinguished from the group that share the culture, the words in a language belong to this category. As in clothing, hairstyles and flags. The new symbols develop easily and the old ones begin to disappear. The cultural symbols of one group are systematically copied from the others; for this reason the symbols are placed in the outer layer in the previous figure.

The second level is Heroes which is real or imaginary people who have high-value properties in culture and are therefore models of behavior, such as Batman in the United States of America, Asterix in France, Mr. Bumble in the Netherlands. In the era of television, external appearances became more important in choosing heroes than they were before.

The Third level Rituals are collective activities that are technically unnecessary to reach the desired ends, but are a social necessity within the framework of culture. Examples include ways to greet and respect others, as well as social and religious celebrations and business and political meetings organized for reasons that seem logical and often serve primarily ritual purposes, such as strengthening the cohesion of groups or allowing the leadership to assert itself. Rituals include discourse and the mode of language used in text, conversation, everyday interaction and faith. Symbols, obfuscations and rituals were included under the term “practices” and therefore visible to the external observer, However, their cultural significance is invisible and lies precisely in the way in which the insiders are interpreted.

While the fourth level represents the values and represents the essence of culture as shown in figure (1). It is a broad tendency to prefer some cases to others such as (evil versus good, dirty versus cleanliness, danger vs. safety, Versus immoral, ugly versus beauty, unnatural vs. natural, extraordinary versus normal, paradox versus rational, irrational versus rational) (Hofstede,2001: 10) (Hofstede et al,2010: 8-9)

III-CULTURAL DIMENSIONS OF HOFSTEDE

Hofstede identified four cultural dimensions in his first book, *Culture's Consequences: International Differences in Work-Related Values*, 1980 (Power Distance, Individualism vs. collectivism , Uncertainty Avoidance, Masculinity vs. femininity), and He added fifth dimension later in his book “*Culture's Consequences: Comparative Values, Behaviors, Institutions and Organizations Across Nations*”, published in 2001 (Long term orientation vs. short-term orientation) and finally added a sixth dimension in his latest book *Cultures and Organizations: Software of the Mind* 2010

(Indulgence vs. restraint). The six dimensions will be presented as follows (Borker, 2012: 1005) (Yeman, 2011: 22-27):

1) Individualism: Individuality means the preference of members of society for a social framework characterized by a non-strong association, the individuals care for themselves and their families, while the group means the preference of members of society for a strong social framework, that is, individuals care about their closeness and have unlimited loyalty to the community.

2) Power Distance: Mulder defined power as the ability to direct the behavior of others to the extent of power (distance of power) as the degree of inequity in the balance of power between a weak and strong person. Mulder proved in his study of the strength of more than 20 hypotheses the most important:

(A) That the mere use of force leads to increased satisfaction among individuals.

(B) The stronger the individual, the greater his attempt to maintain that power.

(C) The weak people in the constant struggle to reduce the extent of force. Hofstede defined power as the degree to which individuals within society accepted the unequal distribution of power.

3) Uncertainty avoidance: Hofstede defined of uncertainty avoidance as to the extent to which members of society feel uncomfortable about uncertainty and ambiguity, and societies with strong avoidance of uncertainty about the existence of constitutions and laws do not accept deviant ideas or people deviant from the lines. Societies with weak avoidance of uncertainty are characterized by a freer climate. Practice occupies a place more than principles, allowing for the acceptance of dissenting views of prevailing concepts, leading to permanent opportunities for creativity and creative thinking.

4) Masculinity: There is a difference between the biological function and the social function. It uses two words in English: Sex and Gender to denote gender, but there is a difference between them. Sex refers to biological differences, so there is a difference between male and female. The female can give birth, as well as it is characterized by rapid restoration of effort which is called Faster Metabolism. The second gender means the difference in social function, as the man is always looking for self-realization rather than the search for money and power, but women are caring for others. Hofstede distinguished between masculinity versus femininity as an important dimension of cultural dimensions. The masculine society

distinguished itself as the one who prefers achievement, heroism, determination and material success. The feminine society refers to preference for relations, humility, attention to the weak and quality of life.

5) Long term orientation: The current dimension is concerned with the temporal horizon of the society's view. The societies are divided into two types: the first concerns the future while the second takes greater care of the past and the present. Long-term communities give high value to perseverance and savings, while short-term communities give high value to respecting past traditions and commitment to society.

6) Indulgence vs Restraint: The indicator measures the extent to which societies control their wishes and desires, based on the way they are raised. The tendency towards relatively weak control of their whims is called "indulgence," while strong control over their desires is called "restraint". It is a tolerant society that allows relatively free satisfaction of the natural and fundamental human instincts of enjoying life and entertainment. A society that is difficult to suppress suppresses these needs and regulates them through strict social rules (Suweih, 2015: 130). Hofstede's dimensions are linked to accounting through the ethical approach to the formulation of accounting theory, which is one of the theoretical approaches and is part of the traditional approaches. The essence of moral input consists of Fairness, Justice, Equity, and Truth. The above concepts are fundamental criteria for D.R.Scott in the formulation of accounting theory. Justice for Scott means equal treatment for all interested parties. The truth is that there are real and accurate financial statements, and with regard to fairness, fair and impartial presentation is made (Balqawi, 2009: 152).

IV-THE ACCOUNTING DIMENSIONS OF GRAY AND BORKER AND THEIR RELATION TO HOFSTEDE'S CULTURAL DIMENSIONS

Gray has four accounting dimensions and can be illustrated in the following table (Borker, 2013: 675):

Table (1)
The dimensions of the four accounting values for Gray

Details	Dimension
Refers to professional judgment and self-regulation in contrast to compliance with strict legal requirements and legislative control.	Professionalism versus Statutory Control
Refers to the extent to which uniform and harmonized accounting practices are applied.	Uniformity versus Flexibility
The conservatism refers to a cautious approach to accounting measurement, rather than to the most optimistic approach and risk.	Conservatism versus Optimism
Refers to confidentiality and restricts the disclosure of information rather than the general and more transparent accounting approach.	Secrecy versus Transparency

Resource:- Borker, David R. (2013) Accounting and Cultural Values: IFRS in 3G Economies, " International Business & Economics Research Journal " Vol.12, No.6, P675.

The previous values were linked to the first four dimensions of the Hofstede and completed the Borker task and linked the four Gray dimensions with the six dimensions Hofstede. The relationship can be illustrated as in the following table:

Table (2)
The relationship between gray values and Hofstede dimensions

	IDV	PDI	UAI	MAS	LTO	IVR
Professionalism	++	-	--	?	-	+
Uniformity	--	+	++	?	+	-
Conservatism	-	+	++	-	+	-
Secrecy	--	++	++	-	+	-

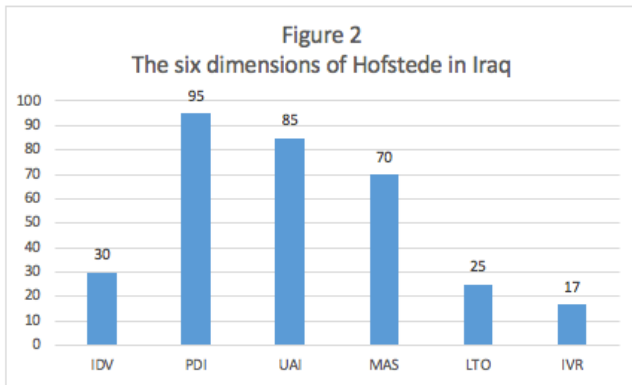
Resource:- Borker, David R. (2013) Accounting and Cultural Values: IFRS in 3G Economies, " International Business & Economics Research Journal " Vol.12, No.6, P676.

The plus sign (+) refers to the direct relationship (positive), while the minus sign (-) indicates the negative relationship, and the repeated plus or minus sign (-) is used to indicate the strong relationship, while the question mark (?) Was used to indicate that the nature of the relationship was not yet determined (Borker, 2012: 1006).

V. EVALUATING THE REALISTIC CULTURAL DIMENSIONS OF HOFSTEDE IN THE IRAQI ENVIRONMENT

Iraq is one of the countries studied by Hofstede and found that the six dimensions represented the values as in the following figure:

Figure (2)
The six dimensions of Hofstede in Iraq



Source: The figure is prepared by researchers based on data published on the official website of the Hofstede Center (<https://geert-hofstede.com/iraq.html>)

Gray has identified four basic hypotheses that apply to communities. If they are available, society will be diagnosed according to the four basic

values. The assumptions are as follows (Borker, 2012: 1006).

The first hypothesis: “The higher a ranking in terms of individualism and the lower the ranking in terms of uncertainty avoidance and power distance, the more likely the country is to rank highly in terms of professionalism”.

The second hypothesis: “The higher a ranking in terms of uncertainty avoidance and power distance and the lower the ranking in terms of individualism, the more likely it is to rank highly in terms of uniformity”.

The third hypothesis: “The higher a ranking in terms of uncertainty avoidance and the lower the ranking in terms of individualism and masculinity, the more likely it is to rank highly in terms of conservatism”.

The fourth Hypothesis: “The higher a ranking in terms of uncertainty avoidance and power distance and the lower the ranking in terms of individualism and masculinity, the more likely it is to rank highly in terms of secrecy”.

Based on the above, the precise description of Iraq can be determined based on Hofstede’s six-dimensions and gray assumptions, as in the following table

Table (3)

Description of Iraq based on the dimensions of Hofstede and the hypothesis of Gray

Dimension	Degree	Details
PDI	95	Iraqi society is unfair in the balance of power between a weak and strong person.
IDV	30	The members of Iraqi society prefer a social framework characterized by a strong association, that is, with social relations
UAI	85	The Iraqi society has warned and follows constitutions and laws that do not accept deviant ideas on the general lines.
MAS	70	Iraqi society is characterized by a preference for achievement, heroism, determination and material success.
LTO	25	Iraqi society cares about the past and the present, a society that respects the traditions derived from the past and the commitment to duties towards society.
IVR	17	Iraqi society is difficult and tends to strict social rules.

Source: The table is prepared by researchers based on Hofstede data and Gray hypothesis

Based on the above data, the Iraqi society applies the second and fourth hypothesis of Gray, that is a society characterized by a high degree of uniformity and secrecy.

Hofstede’s cultural dimensions reflect the Iraqi environment, and this proves the first hypothesis that the cultural dimensions of Hofstede used by Gray’s and Borker’s at accounting reflect the reality of the Iraqi environment.

VI- EARNINGS MANAGEMENT

Jones 1991 argues that earnings management can be achieved through various means such as the use of accruals, changes in accounting methods, and changes in capital structure. Jones focused on total accruals as a source of profit management (Jones, 1991: 206-207).

Kothari et al. Emphasized that the difference between the Jones 1991 model and the modified Jones 1995 model was that the latter model included a complete change in debtors. Kothari et al estimated performance matching similar to the modified Jones model for the discretionary accruals, On the basis of regression, the additional discretionary accrual measure was estimated by including ROA in the model, (Kothari et al, 2005: 173-174)

The accruals can be manipulated through the behavior of opportunistic management, which is attributed to the fact that there are unavoidable errors in the estimation. For example, from the perspective of the accounting system, the registration and non-collection of delinquent debtors is similar to the real registration and non-collection of debtors (Dechow and Dichev, 2002: 46).

earnings management is measured by dividing the standard deviation of profit before extraordinary items on the standard cash flow deviation from operations (Hribar et al., 2014: 520).

$$SMOOTH_i = \sigma(NIBE_{i,t}) / \sigma(CFO_{i,t})$$

When the ratio is less than one, it indicates increased variability, which means the use of accruals in the earnings management (Gaio and Raposo, 2011: 475).

Managers know that while earnings management is a short-term benefit, it can lead to serious long-term problems, including devaluation of company value. There are many operating decisions taken by management to influence short-term profits, In the long term, damage the company's economic efficiency. For example, delaying discretionary expenses can result in long-term damage to the company's performance. Delays in maintenance, research and development, and staff training can result in equipment failure, loss of market share, and productivity reduction (Al-rabbabah, 2012: 21).

Hoffstead points out that the spread of the masculine dimension makes managers more self-fulfilling, achievable and successful, making the notion of profit reduction incompatible with the idea of achievement and success, so there may be an inverse relationship between the earnings management and the male society. However, there is an opposing view

that the stability of profits and the achievement of goals may be a stronger measure of success in achieving high profits in an accounting period, the relationship between the earnings management and the male society is a positive relationship, Hoffstead pointed out that the more patriarchal societies have more accounting systems geared to achieving financial goals, leading to increased earnings management (Yemen, 2011: 70).

VII-TEST HYPOTHESES

The Kothari et al 2005, which revised the Jones 1991 and the revised standard from Dechow et al 1995, is the latest measurement used worldwide. And is based on the separation of the total accruals to the discretionary Nondiscretionary. discretionary accruals are the result of the earnings management, Nondiscretionary accruals are the result of accounting conservatism. It can be represented according to the following equation (Kothari et al, 2005: 174):

$$TA_{it} = \alpha_0 + \alpha_1(1/ASSETS_{it-1}) + \alpha_2\Delta SALES_{it} + \alpha_3PPE_{it} + \alpha_4ROA_{it} + \epsilon_{it}$$

Then:

TA = Total Accruals

ASSETS = Total assets at beginning of year t

SALES = Change in sales is weighted by total assets

PPE=Fixed assets

ROA = Rate of return on assets

Table (4)

Discretionary accruals (1) for companies Research sample according to the Kothari et al. 2005 (in millions of ID), for hypothesis testing purposes, discretionary accruals were divided into total assets to eliminate the effect of the variation of the research sample. This method is followed by Rudra & Bhattacharjee (2012: 7).

Years	Banks (2)					
	Financial Director – Female			Financial Director – Male		
	BASH	BIBI	BBOB	BMFI	BCOI	BNOR
2010						
2011	9973	12232	27818	12838	6575	30620
2012	-15998	13684	-348713	20462	9217	-453610
2013	-24448	-1572	-367648	-68788	15589	130557
2014	-3503	-17878	-32874	235643	-20623	87454
Average	-45586	-36899	342930	1926	40358	582872

The symbols used to refer to sample banks were used as follows:

BASH = Ashur International Bank For Investment

BIBI = Investment Bank of Iraq

BBOB = Bank Of Baghdad

BMFI = Mousil Bank For Development& Investment

BCOI = Commercial Bank of Iraqi

BNOR = North Bank

BASH, BIBI and BBOB are not used to manage earnings because the average accruals are negative and the accounts of the former banks are female, while the banks (BMFI, BCOI and BNOR) A practice to manage earnings because the average of the accruals appeared in positive value and manages the accounts of the previous banks male. this is fully consistent with Hofstede's cultural dimension of masculinity versus femininity.

That is, masculinity is linked to a positive relationship with earnings management, and this proves the second hypothesis of research that (the financial management of the bank by gender affects the earnings management of Iraqi banks listed in the Iraqi stock exchange).

VIII. CONCLUSIONS AND RECOMMENDATIONS

The researchers came up with a set of conclusions and recommendations:

CONCLUSIONS

1. Hofstede's cultural dimensions are associated with different relationships with the accounting dimensions of Gray and Borker.
2. Hofstede's cultural dimensions, which have been linked to the accounting dimensions of Gray and Borker, reflect the Iraqi environment. It has been concluded that accounting is uniform and secret in Iraq and is in line with Gray's second and fourth hypotheses.
3. Women play an important role in the face of earnings management and this is consistent with the findings of Barua and others, because it cares to take care of others.
4. The masculinity is associated with a direct relationship with the earnings management, that is, the more qualities of masculinity in Iraqi society increased preference for achievement and heroism and determination and material success and as a result increase the earnings management.

RECOMMENDATIONS

1. The need to study the remaining cultural dimensions of Hofstede and its relevance to other accounting dimensions.
2. Enhancing the role of women in the financial management of Iraqi companies, which gives positive results in enhancing the faithful representation of accounting information.

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، ةي ر ا د ا ل ا م و ل ع ل ا و د ا ص ت ق ا ل ا ةي ل ك ، ت ب س ا ح م ل ا م س ق ي ل ا ة م د ق م ر ي ت س ج ا م ة ل ا س ر ،
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