

Ethical Accounting in a Global Context: The Role of Culture in Entrepreneurial Decision-Making

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ABSTRACT

This study examines how ethical accounting procedures and culture interact in the setting of entrepreneurship. It highlights how important cultural factors—like individuality, collectivism, and avoiding ambiguity—are to moral decision-making in accounting. A qualitative method that makes use of secondary data emphasizes how organizational behavior and ethical frameworks are shaped by cultural values. Key findings show that whereas collectivist cultures encourage collective responsibility in ethical behaviors, high uncertainty avoidance cultures impose more stringent ethical standards. One important element that improves ethical behavior and stakeholder trust is the incorporation of corporate social responsibility or CSR. The study also addresses the moral dilemmas raised by globalization and technology breakthroughs, which call for cultural competency in negotiating a variety of moral terrains. Entrepreneurs are advised to set clear ethical principles, promote an ethical business culture, and provide cultural sensitivity training. Businesses may successfully negotiate the challenges of moral accounting decision-making by cultivating cultural sensitivity and placing a high priority on moral principles, thereby supporting ethical and sustainable entrepreneurship in a globalized world.

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Introduction

The need for ethical accounting methods has drawn more attention from both academics and practitioners in light of the world economy's growing interconnectedness. Ethical accounting is a stimulus for long-term entrepreneurial growth in addition to providing a basis for responsibility and openness (Dumay et al., 2020; Jones, 2021). A particularly complex topic is the relationship between culture and moral decision-making in entrepreneurship, which shows how cultural settings influence the moral frameworks that companies function inside (Hofstede, 2011; Schwartz, 2015). The consequences of entrepreneurs' moral decisions can spread throughout markets and communities as they traverse culturally heterogeneous environments (González et al., 2022). The importance of culture in shaping ethical accounting procedures has been highlighted in recent research (Brennan et al., 2020; Zhang et al., 2023). How ethical quandaries are viewed and handled is significantly influenced by cultural factors such as power distance, uncertainty avoidance, and individualism versus collectivism (Hofstede, 2011; House et al., 2004). For example, ethical judgments may put the good of the group ahead of personal gain in collectivist societies, which would change how accounting transparency is approached (Trompenaars & Hampden-Turner, 2012). On the other hand, individualistic cultures might promote competitive behaviors that could jeopardize moral principles even though they might be profitable (Schwartz, 2015).

Additionally, different geographical contexts highlight the dynamic interaction between culture and ethical accounting, showing how entrepreneurs modify their decision-making procedures to conform to local expectations and norms (Dumay et al., 2020; Santos et al., 2021). Successful entrepreneurship requires the development of trust and reputation, both of which are facilitated by this adaptation (González et al., 2022; Jones, 2021). Entrepreneurs hoping to successfully negotiate ethical dilemmas will need to comprehend the cultural foundations of ethical accounting procedures as global corporate environments get more complicated (Brennan et al., 2020; Zhang et al., 2023). In the context of entrepreneurial decision-making, this article seeks to examine the complex interrelationship between ethical accounting and culture. We will clarify how cultural influences impact ethical considerations and the implications for global business practices by combining recent literature and case studies (House et al., 2004; Trompenaars & Hampden-Turner, 2012). By offering insights that help direct entrepreneurs toward more responsible and culturally sensitive practices, this research ultimately aims to advance our understanding of ethical accounting in a globalized market (Santos et al., 2021; Jones, 2021).

Objective of the Study

To investigate how entrepreneurs working in various international marketplaces make moral accounting decisions, with an emphasis on identifying particular cultural elements that influence moral principles and conduct in business settings.

Literature Review

As the significance of cultural circumstances in influencing ethical behavior in entrepreneurship has come to light, the relationship between culture and ethical accounting practices has attracted a lot of attention recently. According to Hofstede (1980), a group's common values, beliefs, and behaviors are all part of its culture. Using new research and theoretical frameworks, this review focuses on several aspects of culture and how they affect moral accounting practices.

Trompenaars and Hampden-Turner's (1997) model, which describes several aspects of culture such as universalism vs. particularism and specific vs. diffuse relationships, is one of the foundational ideas for comprehending cultural effects. These factors show how cultural context can affect ethical behavior, which has consequences for business decision-making (Trompenaars & Hampden-Turner, 1997). Additionally, by focussing on leadership behaviors across cultural boundaries, the GLOBE study (House et al., 2004) builds on this and shows how cultural values might influence moral leadership in accounting environments. Both individuality and collectivism have a big impact on how

people make moral decisions. Personal accomplishment and autonomy are frequently prioritized in individualistic societies, like the US, which could result in a more aggressive approach to accounting procedures (Hofstede, 2011). Collectivist cultures, like those in many Asian nations, on the other hand, place a higher value on community harmony and consensus, which may encourage more ethical and conservative accounting practices (Hofstede et al., 2010; Peng, 2020).

Furthermore, it is impossible to ignore how uncertainty avoidance affects moral behavior. High uncertainty avoidance cultures are more likely to value rules and regulations, which may lead to stricter accounting ethics standards (Hofstede, 2011; Kuo & Yang, 2011). Low uncertainty avoidance cultures, on the other hand, might be more adaptable when it comes to moral judgment, which could result in moral ambiguity in accounting procedures (Kirkman et al., 2006).

Using qualitative methods, recent research has investigated the relationship between culture and ethical accounting. In their interviews with Pakistani entrepreneurs, for example, Akhtar et al. (2021) found that cultural norms have a big impact on how people interpret their ethical obligations in accounting. In a similar vein, Smith et al. (2022) discovered that the ethical frameworks that entrepreneurs embrace are influenced by cultural norms in African countries, highlighting the significance of relational and communal ethics.

Organizational culture has a significant impact on ethical accounting procedures in addition to individual and cultural factors. Schein (2010) contends that depending on how well ethical behavior fits with larger cultural ideals, workplace culture can either support or contradict it. Understanding how entrepreneurs might foster ethical accounting practices inside their firms depends on this interaction (Zhu et al., 2020). In ethical accounting, the idea of social responsibility is equally essential. According to research by Spence et al. (2018), ethical decision-making processes in accounting are influenced by cultural views of corporate social responsibility (CSR). Entrepreneurs are more likely to give ethical considerations top priority in their accounting procedures in cultures that place a high emphasis on corporate social responsibility (Mason & Simmons, 2021).

The connection between culture and ethical accounting has also become even more complex as a result of the growth of globalization. Entrepreneurs must negotiate a variety of cultural norms and ethical standards when they enter new markets (Jansson, 2018). This calls for a deeper comprehension of how cultural factors influence moral judgment in diverse settings (Gonzalez et al., 2021). Another important field of research is the ethical ramifications of technology in accounting. According to research by Albrecht et al. (2020), digital technologies have the potential to both strengthen and undermine ethical accounting standards, therefore using technology requires a culturally sensitive approach.

All matters considered, the literature emphasizes how intricate the connection is between ethical accounting methods and culture. Understanding the subtleties of cultural factors becomes crucial for promoting ethical decision-making as enterprises traverse multiple cultural environments. To offer more thorough insights into ethical accounting procedures in a globalized economy, future studies should keep examining this nexus, especially in light of globalization and technological improvements.

Methodology

This study will use a qualitative research approach based on secondary data collection techniques to accomplish the research goal of examining how cultural factors affect entrepreneurs' ethical decision-making in accounting procedures. To learn more about how culture and ethical accounting practices interact, the method will concentrate on combining the body of existing research with pertinent data sources.

Findings

Cultural Dimensions Impact Ethical Decision-Making: Cultural characteristics, such as individualism versus collectivism, significantly influence how entrepreneurs approach ethical issues in accounting. Individualistic cultures may prioritize personal gain, while collectivist cultures emphasize group welfare and communal ethics. **Uncertainty Avoidance Affects Ethical Practices:** High uncertainty avoidance cultures tend to establish more rigid ethical frameworks and regulatory compliance in accounting, fostering greater adherence to ethical norms. In contrast, cultures with low uncertainty avoidance may allow for more flexible interpretations of ethical standards.

Organizational Culture Shapes Ethical Behavior: The internal culture of an organization plays a critical role in determining ethical practices. Entrepreneurs must cultivate an ethical organizational culture that reflects and reinforces broader societal values to promote responsible decision-making. **Role of Corporate Social Responsibility (CSR):** Cultures that prioritize CSR are linked to more robust ethical practices in accounting. Emphasizing CSR not only meets ethical obligations but also enhances trust and reputation among stakeholders.

Technological Integration Presents Ethical Challenges: The adoption of technology in accounting can improve transparency and accountability but also introduces ethical risks, such as data manipulation. A culturally informed approach is essential for mitigating these risks. **Globalization Introduces Ethical Complexities:** As entrepreneurs enter new markets, they must navigate varying cultural norms and ethical standards, underscoring the need for cultural competence to ensure responsible decision-making in diverse contexts.

These findings underscore the complex relationship between culture and ethical accounting practices, highlighting the importance of cultural awareness in fostering ethical entrepreneurship in a globalized environment. **Cultural Sensitivity Training:** Entrepreneurs should invest in cultural sensitivity training to enhance their understanding of how cultural dimensions influence ethical decision-making. This training can help leaders navigate ethical dilemmas more effectively in diverse markets.

Establish Clear Ethical Guidelines: Organizations operating in high uncertainty avoidance cultures should develop and communicate clear ethical guidelines that align with local norms and regulatory requirements. This can foster compliance and reinforce ethical behavior among employees. **Promote a Strong Ethical Organizational Culture:** Entrepreneurs should actively cultivate an ethical organizational culture by modeling ethical behavior, encouraging open discussions about ethics, and recognizing ethical decision-making among employees. This can create a supportive environment for ethical practices.

Integrate CSR into Business Strategy: Companies should prioritize corporate social responsibility as part of their core business strategy. Emphasizing CSR can not only enhance ethical practices in accounting but also strengthen relationships with stakeholders and improve overall reputation. **Leverage Technology Responsibly:** When adopting new technologies, organizations must establish robust ethical frameworks to mitigate risks associated with data manipulation and privacy concerns. Regular audits and assessments of technological impacts on ethical practices should be conducted.

Develop Global Ethical Guidelines: As businesses expand internationally, developing a set of global ethical guidelines that account for local cultural contexts can help ensure consistent ethical standards while respecting regional differences. This approach can aid in maintaining integrity across diverse markets. **Engage in Continuous Learning:** Entrepreneurs should stay informed about evolving

cultural norms and ethical standards in the markets where they operate. Engaging in continuous learning through research, networking, and industry partnerships can help adapt to changing ethical landscapes. Implementing these recommendations can empower entrepreneurs to navigate the complexities of ethical decision-making in accounting, fostering responsible practices that resonate across cultural contexts.

Discussion

A number of important discoveries that improve our comprehension of entrepreneurial decision-making in a global setting are revealed by the investigation of the relationship between culture and ethical accounting practices. The main ideas from the literature review are summarized in this discussion, together with their theoretical and practical ramifications.



Diagram: Ethical Accounting Practices

1. Cultural Dimensions and Ethical Frameworks

The results highlight how important cultural factors are in forming accounting ethics frameworks. One example of how ethical priorities might change depending on cultural ideals is the disparity between individualistic and collectivist civilizations. Aggressive accounting methods may result from ethical decisions that are skewed toward self-interest and competitive advantage in individualistic cultures (Hofstede, 2011). Collectivist cultures, on the other hand, encourage a sense of collective responsibility, which frequently leads to more ethically sound and conservative accounting practices

(Peng, 2020). This contradiction implies that to connect their ethical standards with the cultural milieu in which they operate, entrepreneurs need to be sensitive to it.

2. Impact of Uncertainty Avoidance

According to the literature, avoiding ambiguity has a big impact on moral judgment. Ethical behavior in accounting can be facilitated by explicit legislation and defined ethical principles, which are typically embraced by cultures with high uncertainty avoidance (Kuo & Yang, 2011). Conversely, cultures with poor uncertainty avoidance may take a more flexible stance, which could result in moral difficulties (Kirkman et al., 2006). Because they have to deal with differing degrees of ethical standards and regulatory obligations, entrepreneurs working in varied marketplaces will find this insight very pertinent. How business owners create and apply ethical accounting procedures can be influenced by their understanding of various cultural perspectives on uncertainty.

3. Organizational Culture's Role

Another important discovery is the interaction between organizational culture and national culture. Schein (2010) emphasizes that the culture of an organization has the power to either support or contradict moral action. This implies that business owners have two duties: they must ensure that their accounting procedures reflect the ethical organizational culture they are fostering and that this culture is in line with larger societal norms. Organizations with ethically strong leadership can foster a culture that supports staff members in giving ethical issues top priority when making decisions (Zhu et al., 2020).

4. Social Responsibility and Ethical Behavior

One important theme in the literature is the incorporation of social responsibility into moral accounting procedures. According to the research, corporate social responsibility (CSR)-focused cultures frequently encourage moral accounting decision-making (Mason & Simmons, 2021). According to this correlation, business owners that practice corporate social responsibility (CSR) not only uphold their moral commitments but also improve their organization's standing and win over stakeholders. Understanding how CSR is seen locally can help entrepreneurs create more morally acceptable accounting procedures that appeal to their target consumers as globalization continues to erode cultural barriers.

5. Technological Influences on Ethical Accounting

Technology's rise as a factor that is revolutionizing accounting methods presents both new ethical opportunities and difficulties. Digital technology can improve accounting's accountability and transparency, according to Albrecht et al. (2020). They do, however, also caution against possible moral problems including data exploitation and privacy issues. According to this dichotomy, business owners should approach technology integration with a strong ethical perspective, making sure that their accounting procedures use technology to uphold ethical standards rather than undermine them.

6. Globalization and Ethical Challenges

Lastly, it is impossible to overstate the impact of globalization on moral accounting standards. Entrepreneurs encounter the difficulty of balancing conflicting ethical standards and norms as they venture into new cultural environments (Jansson, 2018). Because of this intricacy, making ethical

decisions requires a culturally sensitive approach because mistakes or omissions can have serious negative effects on one's reputation and finances. To successfully negotiate the moral terrain of varied markets, entrepreneurs need to make investments in cultural competency training and create plans.

The literature's insights highlight the complex interrelationship between ethical accounting procedures and culture. Entrepreneurs can more effectively negotiate the challenges of international commerce by understanding the cultural factors that affect moral judgment. In the end, encouraging an ethical culture within businesses and being aware of the cultural settings in which they operate will enable entrepreneurs to make morally sound choices that support long-term prosperity in a worldwide market.

Conclusion

In an increasingly globalized business landscape, the intersection of culture and ethical accounting practices presents both challenges and opportunities for entrepreneurs. This research underscores the profound impact that cultural dimensions—such as individualism, collectivism, and uncertainty avoidance—have on ethical decision-making within the realm of accounting. The findings highlight the necessity for entrepreneurs to cultivate cultural sensitivity, fostering an ethical organizational culture that aligns with both local and global values. Moreover, the integration of corporate social responsibility (CSR) into business strategies emerges as a crucial factor for enhancing ethical practices and building trust with stakeholders. As technology continues to transform accounting practices, the potential ethical risks associated with digital tools must be addressed through well-defined ethical frameworks. Ultimately, the recommendations provided aim to guide entrepreneurs in navigating the complexities of ethical accounting in diverse cultural contexts. By embracing cultural awareness and prioritizing ethical standards, businesses can achieve sustainable success while contributing positively to their communities. This research contributes to the growing discourse on ethical entrepreneurship, encouraging further exploration into the cultural nuances that shape ethical accounting practices worldwide.

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