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Welcome Note from the Managing Editors:

It is our pleasure to present to the Volume 14, Number 3, 2014 issue of the International Journal of Business Research (IJBR)! This issue contains research papers that have met the criteria of the peer reviewers from universities around the world.

In keeping with its nascent tradition of promoting all forms of intellectual inquiry, including that conducted outside the box, the current issue proposes to its readers, the findings of research in a verity of business and economics areas.

We thank all authors for the quality of the manuscripts they submitted to our review and for trusting IJBR to be the medium to share it with a truly global audience. We praise the scholars who volunteered their expertise to review these intellectual contributions.

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We invite you to give us some feedback. If you have suggestions for future improvement, we'd like to hear from you. As usual, we hope to have the privilege of reviewing your work in the near future. Consult IJBR deadlines and guidelines at our website.

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We look forward to a challenging but bright future for IJBR, with your help.

Best wishes!

Dr. Cheick Wagué,
Dr. Tahi J. Gnepa,

Managing Editors

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INTERNAL AUDIT CREATIVITY STRATEGY AND FIRM PERFORMANCE

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ABSTRACT

This paper aims to suggest of the relationship between internal audit creativity strategy and firm performance. Internal audit creativity strategy comes from two parts, including organization creativity and internal audit process. The components of internal audit creativity strategy are a compound of proactive internal audit planning orientation, new internal audit method implementation, technology-based internal audit practice concentration, integrative internal audit resource focus, and internal audit teamwork awareness. The consequences of internal audit creativity strategy comprise internal audit innovation, corporate practice efficiency, governance outcome, and risk management effectiveness. For the relationships among five dimensions of internal audit creativity strategy, its consequences can be explained by the resource-advantage theory. Future research is needed to collect data to increase the level of reliability for the literature review. Theoretical and managerial contributions are explicitly provided. A conclusion and suggestions and directions of the future research are included.

Keywords: *Internal Audit Creativity Strategy, Internal Audit Innovation, Corporate Practice Efficiency, Governance Outcome, Risk Management Effectiveness, Firm Performance, Change Awareness*

1. INTRODUCTION

In 2002, the big accounting scandals showed the weakness of many companies' control systems and governance in the United States that led to corruption. This collapse caused a loss of about $460 billion in market capitalization and the lack of reliability in financial information (Erkan and Arici, 2011; Rezaee, 2005). In some companies, lack of professional care, insufficient monitoring evidence, financial statements that did not comply with generally accepted accounting principles (GAAP), incorrect audit reports, and lack of timeliness in fraud detection were a major cause of failure under the managements' scandalous behaviors (Messier, Kozloski and Kochetova-Kozloski, 2010). This situation led the US Congress to pass the Sarbanes-Oxley Act in reply to various perceived failures in corporate governance, and focus to improve corporate governance and the reliability of financial reports to protect investors (Ugrin and Odom, 2010).

Moreover, the business in the world now becomes more complex (e.g. environment, regulation, and culture). Work processes are changing rapidly due to changing technology, globalization, uncertainty, and turbulence (Jamali, Khoury and Sahyoun, 2006). Organizations will find new ways to success in a long term that now creativity and innovation are the ways of doing business. This impact has led corporation to increase auditor training, create new techniques for fraud detection, and set standards for accepting customers (Yakhou and Dorweiler, 2005). In the context of internal audit, The Institute of Internal Auditors' (IIA) definition of the internal audit function is, *"an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes."* In 2002, the IIA improved the professional practice of internal auditing, because the audit task varies according to the complexity of the environment, regulation, and organizational culture. Some tasks of internal audit practices may be compatible with the general tasks, but there are some cases that will have to modify the method for a specific industry; so, the audit will be looking for different geographic areas (Zarkasyi, 2006).

Currently, the role of internal audit has developed to the changing of outsiders' attitudes for looking at fraud only, in order to encourage successful and value-added factors for the organization (Morariu et al., 2009). Ernst & Young (2012) noted that the internal audit needs to develop the risk assessment process, the ability to monitor risk, interest in achieving the business objective, reduction of internal audit function cost, and design of opportunities for cost savings in the business. Internal audit must have to complete the understanding of organizational processes and procedures; which must be designed, implemented, and tested to determine whether or not processes and procedures are working as intended (Lin, Wang and Yu, 2010). Thus, the internal audit strategy is to increase the

THE GERMANIC AND ANGLO CULTURAL CLUSTERS COMPARED TO ICELANDIC NATIONAL CULTURE BY USING VSM 94

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ABSTRACT

National and local culture continues to be the topic of many research papers and discussions amongst politicians, researchers and reporters. Despite this there is a lack of research on Icelandic national culture. In this paper the research question is: ***"In relation to Hofstede´s five cultural dimensions where does Iceland differ in relation to the Anglo and the Germanic cluster?"*** *A questionnaire was sent to students at the University of Iceland, School of Social Sciences by e-mail in October 2013. The total number of responses was 498. The five dimensions of national culture were measured using scales developed by Hofstede (2001) called VSM 94 and for relative comparison perceptual mapping was used. The results indicate that Iceland is different from the Anglo cluster in relation to high scores for LTO and UAI and low scores for MAS. When Iceland was compared to the Germanic cluster Iceland was found to be different based on high scores for LTO and low scores for MAS.*

Keywords: *Hofstede´s Cultural Dimensions, Culture clusters, VSM 94, Perceptual mapping.*

1. INTRODUCTION

There are many researchers who have attempted to explain the relative homogeneity of the Nordic countries. Prior studies that have explored language, religion, geography and technological development have indicated that Denmark, Finland, Norway, and Sweden belong to a common Nordic group. However Iceland has been systematically ignored in the cultural research (Hofstede, 2001; House et al. 2004) and is still being treated as a common block with the other Nordic counties. A prior study by Gudmundsdottir, Adalsteinsson and Gudlaugsson (2014) using perceptual mapping shows that within the Nordic cluster, Denmark, Norway and Sweden clustered together while Iceland and Finland had the UAI in common but differed considerably in relation to IDV and MAS. Because of these differences it is of interest to investigate further the similarities or differences between the Icelandic national culture and other European clusters such as the Anglo or the Germanic cluster. In this paper the research question is:

In relation to Hofstede´s five cultural dimensions where does Iceland differ in relation to the Anglo and the Germanic cluster?

Using a quantitative method, a questionnaire was sent by e-mail in the fall of 2013. The five dimensions of national culture were measured using scales developed by Hofstede called VSM 94. The results indicated that in relation to Hofstede's cultural dimensions Iceland seems to be considerably different than the Anglo cluster and the differentiation is based on its high scores for LTO and UAI and low scores for MAS. In relation to the Germanic cluster Iceland seems to have most commonalities with the Netherlands. The remainder of this paper is organized as follows: Section two provides the literature review and section three describes the methodology. Section four discusses the results and finally, section five provides discussion and concludes the paper.

2. LITERATURE REVIEW

Hofstede's research and his representation of management within different cultures have had a major influence on people´s understanding of national culture in different countries. His research allowed us to gain a greater understanding of cultural differences between nations and his work is one of the most comprehensive and cited researches (McSweene, 2002; Shi, & Wang, 2010). Hofstede (1980 and 1991) emphasised national culture and he pointed out that what makes a nation for instance is; a common language, common literature, written language, educational system, media and laws. The objective of Hofstede's research was to conduct a comparative study and he used the employees of IBM as his research's population. Hofstede conducted two independent surveys within multinational

subsidiaries of IBM. The company at that time operated in 40 countries and 66 worldwide locations with 116.000 employees. The survey was administered twice, once in 1968 and again in 1972, generating a total of over 88,000 usable responses. Hofstede later expanded the database with additional 10 countries and three regions (Hofstede,1980, 1991, 2001; og Hofstede, Neuijen, Ohayv and Sanders, 1990). In the original framework, Hofstede introduced four dimensions of culture: Power distance (PDI), Individualism (IDV), Masculinity (MAS), and Uncertainty and Avoidance (UAI) (Hofstede, 2001). Hofstede and Bond (1988) later added the fifth dimension to the framework called Confucian dynamism that was later renamed by Hofstede as Long term orientation (LTO).

The PDI dimension has been categorized as levels of inequality in organizations which Hofstede claims will depend upon management style, willingness of subordinates to disagree with superiors, and the educational level and statues accruing in particular roles. PDI serves as an indicator for relational inequality and can be used to examine distributive justice at the national level (Hofstede, 1991, 2001). The IDV dimension in Hofstede's model serves as bipolar variables. It describes the relatively individualistic or collectivist ethic evident in a particular society. Hofstede (1994) argues that in collectivist societies, children grow up learning to identify themselves as members of a group (initially a family) and that they learn quickly to distinguish between in-group members and out-group members. As they grow, they remain loyal to their group. In individualistic societies, however, children learn to think of themselves as "I" instead of 'we" and learn that they will someday have to make it in a society on their own merits (Hofstede 1991, 2001). The MAS dimension is considered bipolar ranging from masculinity to femininity, so is the IDV dimension, ranging from individualism to collectivism. Values such as assertiveness, performance, success and competition are measured to see to what degree they dominate over the more feminine or masculine values. Countries that score high on masculinity could be expected to have leaders who are performance, success and competitive driven. On the other hand, countries that score lower on MAS (and are considered more feminine), could be expected to have leaders that emphasize the need for personal relationships, quality of life, and caring for the elderly and show concern with the environment (Hofstede 1991, 2001). The UIA dimension has been defined as the degree to which people prefer to experience structured over unstructured situations. It declares how clear the rules for behaviour are for any given situation. The rules may be expressed or they may be unwritten and simply a matter of custom or tradition (Hofstede, 1991, 2001). Hofstede (2001) argues that societies with strong UIA have a scheme for situations and feel that what is different is dangerous, while countries with low UIA don't experience differences as a threat. The LTO is a dimension that is concerned with the Confucian ideal and refers to values such as persistence and thrift, past and present orientation, respect for tradition and fulfilling social obligations (Bond & Chi, 1997).

The impact of national culture continues to be a topic of management research and practice and related fields (Gelfand, Erez, and Aycan, 2007; Leung, Bhagat, Buchnan, Erez, and Gibson, 2005; Tsui, Nifadkar, Ou, 2007; Sirkin, Hemerling, and Bhattacharya, 2008). Much of the efforts exerted by cross cultural researchers have been directed towards uncovering and explaining, or finding better ways to uncover and explain cross-cultural differences (Chen, Mannix, and Okumura, 2003; Earley and Singh, 1995, Brockner, 2003; Kitayama, 2002; Tsui et al., 2007; Von Glinow, Shapiro, and Brett, 2004). Kluchohn (1985) argued that culture consists in patterned ways of thinking, feeling and reacting. Kluchohn (1985) argued further that the essential core of culture consisted of traditional ideas and attached values. Cultural values have been defined as consciously and subconsciously held set of beliefs and norms – often anchored in the morals, law, customs, and practices of a society, that define what is right and wrong and specify general preferences (Adler, 1993; Kirkman, Chen, Jing-Lih, Chen and Lowe, 2009). In this paper we use House et.al (2004), Globe research, classification, were European countries are grouped into five different clusters. These five clusters are, Nordic Europe, Anglo Europe, Germanic Europe, Latin Europe and Eastern Europe. In this paper we compare Icelandic national culture to the Anglo (Australia, Ireland, United Kingdom and United States) and Germanic (Austria, Germany, Netherlands, and Switzerland) clusters as those countries within these clusters are related in relation to language, religion, geography or technological development.

3. METHODOLOGY AND DATA ANALYSIS

A questionnaire was sent to students at the University of Iceland, School of Social Sciences by e-mail in October 2013. The total number of responses was 344. A total of 73.5% of participants were women and therefore the answers from men were weighted equal as the total number of answers from women. Following that procedure the total number of answers was 498. The five dimensions of

national culture were measured using scales developed by Hofstede (2001) called VSM 94. The questionnaire contained 20 questions on the five point Likert scale. The questionnaire can be found on www.geerthofstede.nl/research-vsm94.aspx. The questionnaire was administered both in Icelandic and English.

3.1 Data analysis and execution

When the data gathering was completed the data was transferred to SPSS and Excel for further analysis. In SPSS the average score for each question was calculated and examined to determine if there was a difference in attitudes by gender. In Excel dimension values were calculated according to:

PDI = –35m(03) +35m(06) +25m(14) –20m(17) –20
IDV = –50m(01) +30m(02) +20m(04) –25m(08) +130
MAS = +60m(05) –20m(07) +20m(15) –70m(20) +100
UAI = +25m(13) +20m(16) –50m(18) –15m(19) +120
LTO = -20m(10) +20m(12) +40

The m(03) is the average score for question 3, m(06) is the average score for question 6, m(14) is the average score for question 14, etc. The Index is usually between 0-100 where a low index represents an inconspicuous cultural feature while a high index indicates a decisive cultural feature. Technically the index can be less than 0 and more than 100 but that has no effect on the results.

3.2 Use of perceptual maps for comparison of culture

One of the more sophisticated research methods used in marketing and business science is perceptual mapping. Normally it shows how goods in a market are perceived on certain attributes and how it is seen from the customers' point of view. In this research the countries equal goods and the attributes are the dimensions of national culture.

The maps, therefore, can be of great help when management related decisions have to be made (Festervand, 2000; Kara, Kaynak and Kucukemiroglu, 1996; Stanton and Lowenhar, 1977). In this research the focus is on cultural dimensions and how countries distinguish themselves from each other based on those dimensions. Figure 1 shows a hypothetical perceptual map used to explain how it works and how to interpret the results.

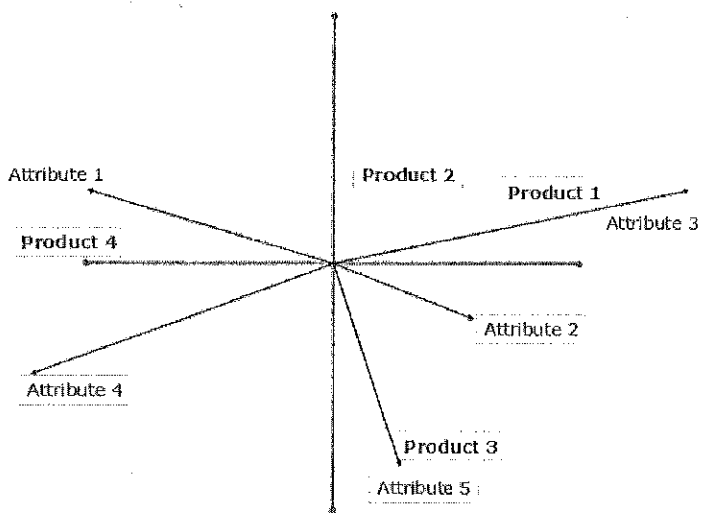

FIGURE 1: HYPOTHETICAL PERCEPTUAL MAP

The map shows four products (in this research, countries) that are evaluated based on five attributes which can be both positive and negative. When choosing attributes it is important to select those that describe both the industry and individual goods (in this case cultural dimensions). Various methods can be used to identify the attributes. It is common to start with many attributes and then use the methodology to combine them and/or narrow them down. The research reported here uses positioning analysis software developed by Lilien and Rangaswamy (2003). The results are shown in a vector format. The software positions the vectors and determines their length based on the average scores for each good's attributes. Many similar methods exist (Gwin, 2003; Sharp and Romaniuk,

2000; Bijmolt and Wedel, 1999; Sinclair and Stalling, 1990; Kohli and Leuthesser, 1993; Shugan, 2004).

The length of the vectors indicates how well or decisively the attributes can distinguish between the products. A long vector indicates that the attribute is decisive in participants mind. The further the product is from the center of the map the more decisive is its differentiation based on that attribute. It is important to keep in mind that the vectors are read in both directions from the center of the map even though only one of the vectors is shown (Lilien and Rangaswamy, 2003). For example it can be seen that product 1 is less connected to attribute 4 than the other products. The size of the angle between the vectors also gives important information. A narrow angle indicates that the attributes are closely related since the correlation between them is high.

4. RESULTS

In this section the findings of the research will be detailed. First there is a comparison with the Anglo cluster (Australia, United States, United Kingdom and Ireland) and then there is a comparison with the Germanic cluster (Austria, Germany, Switzerland and Netherlands). In both cases the findings are reported by the interpretation of the perceptual maps.

Figure 2 shows comparison between Iceland, on one hand, and the Anglo cluster on the other. The scores for the Anglo cluster are from Hofstede's database (Hofstede, 2001). As can be seen the score for Iceland is highest in the UAI and LTO dimensions but lowest in the MAS dimension. For PDI and IDV the score is similar as for the other countries.

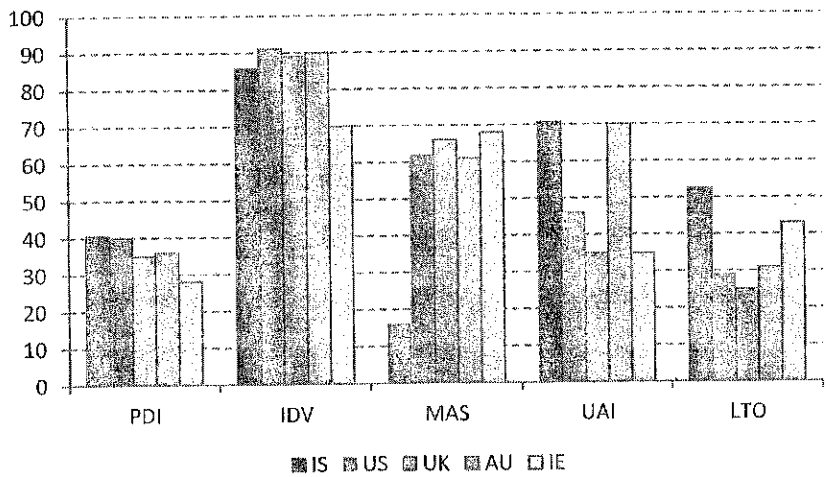

FIGURE 2: CULTURAL DIMENSION FOR ICELAND AND THE ANGLO CLUSTER

It can be seen from figure 2 that it is very hard to evaluate which countries are similar and which are different based on all Hofstede cultural dimensions. In some cases, Iceland (IS) is similar to the Anglo cluster (in PDI and the IDV) but in other cases Iceland seems to be very different as can be seen in the MAS dimension. It is also interesting to see that in the UAI dimension Iceland and Australia (AU) are very similar, in LTO Iceland and Ireland (IE) is similar but in IDV Iceland seems to have more in common with United States (US), United Kingdom (UK) and Australia (AU) than Ireland does. To evaluate similarity and differences between the countries it is useful to use perceptual mapping technique. The results can be seen in figure 3.

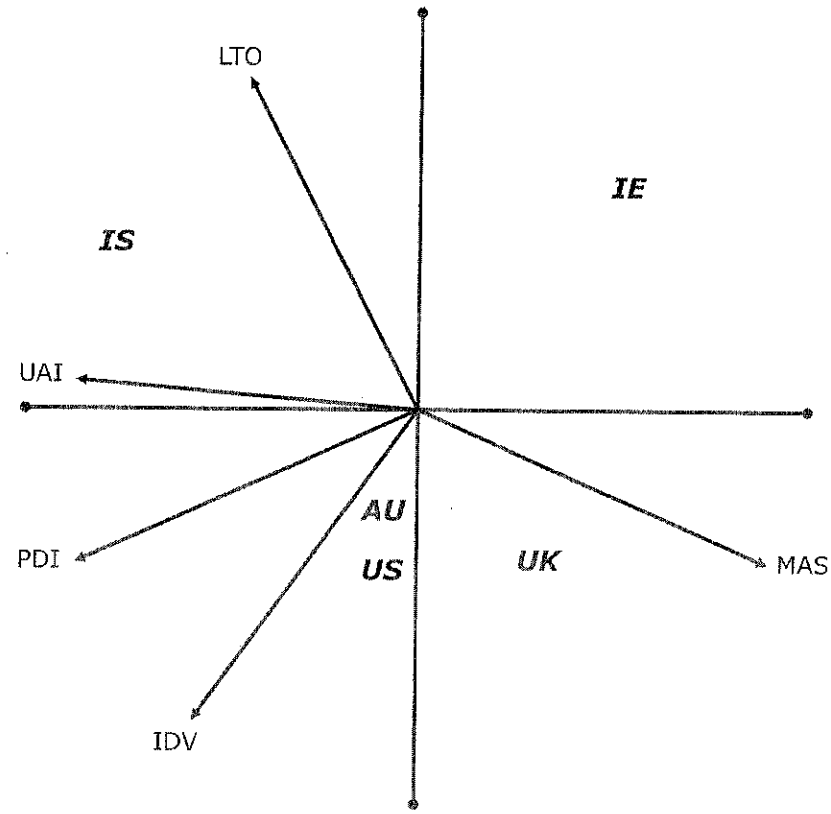

FIGURE 3: PERCEPTUAL MAP FOR ICELAND AND THE ANGLO CLUSTER

As can be seen in figure 3 Australia, United States and United Kingdom are all grouped together in the South part of the map. Australia and United States are closely connected to the IDV dimension and least connected to the LTO dimension. United Kingdom is situated in the South-East part of the map and closely connected to the MAS dimension and least connected to the LTO dimension like Australia and the United States. One should have in mind that perceptual map shows attributes (cultural dimension) as vectors which should be read in both directions. Therefore, the differentiation of those three countries compared to Iceland and Ireland is first and foremost based on low score for the LTO dimension and high scores for the MAS and IDV dimensions. This indicates that United States, United Kingdom and Australia have a clear cultural distinct based on low score for LTO and high scores for MAS and IDV.

Ireland is situated in the North-East part of the map. It is not closely connected to any of the cultural dimensions but since the vectors should be read in both directions its differentiation is based on low scores in IDV and PDI (relatively speaking). Because of high score in MAS, like the United Kingdom, Ireland is different than Iceland but what those two countries have in common is high score in the LTO dimension.

Iceland is situated in the North West part of the map. The country is closely connected to the LTO and UAI dimensions but is far away from the MAS dimension. This indicates that from cultural perspective Iceland is different than the Anglo cluster and the differentiation is based on its high scores for LTO and UAI and low score for MAS.

Figure 4 shows comparison between Iceland on one hand, and the Germanic cluster on the other. As is with the Anglo cluster the scores for the Germanic cluster are from Hofstede's database (Hofstede, 2001). As can be seen the score for Iceland is highest in the IDV and UAI dimensions but lowest in the MAS dimension.

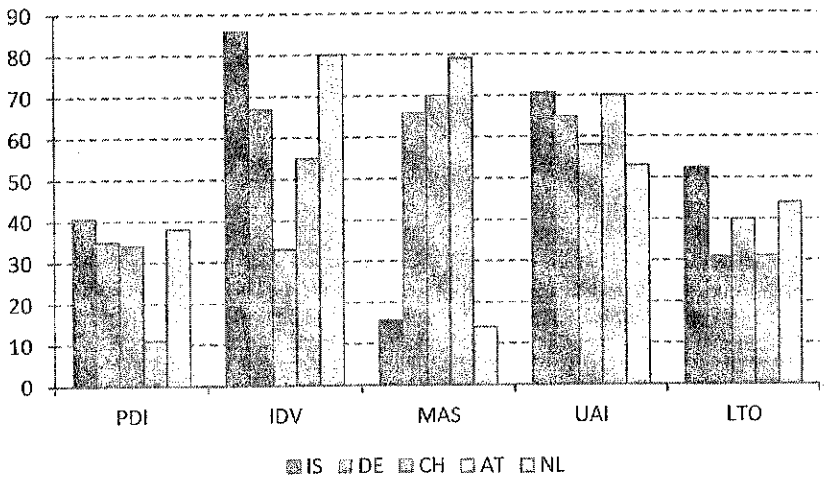

FIGURE 4: CULTURAL DIMENSION FOR ICELAND AND THE GERMANIC CLUSTER

As in the previous example it is very hard to evaluate which countries are similar and which are different based on the scores from Hofstede's database. In some cases, Iceland (IS) is similar to the Netherland (NL) (in PDI, IDV, MAS and LTO) but in other cases Iceland is different than Netherland like in UAI dimension. It is interesting though to see that in four dimensions of five Iceland and The Netherland are very similar. Therefore one might expect that when using perceptual mapping those two countries are in similar place on the map. The results can be seen in figure 5. It is interesting to see that the countries are not grouped together like in the previous example but are scattered around the map. This may indicate that cultural difference is greater in the Germanic cluster than in the Anglo cluster.

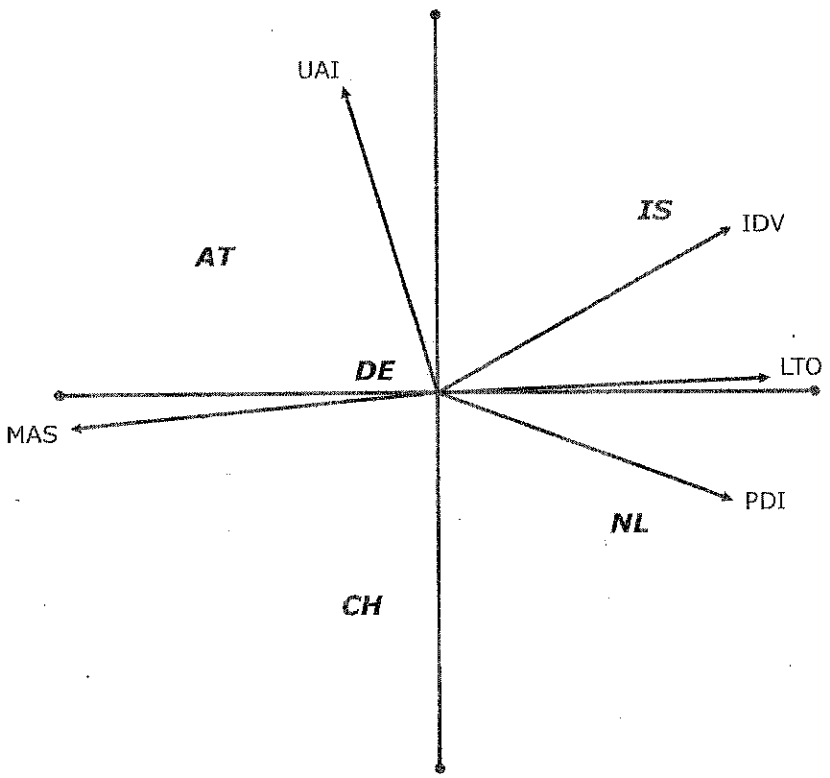

FIGURE 5: PERCEPTUAL MAP FOR ICELAND AND THE GERMANIC CLUSTER

Germany (DE) is situated near the center of the map. This indicates that Germany, compared to the other countries, has clear connection to any of the cultural dimensions. It is situated in the North-West part of the map and is therefore closer connected to UAI and MAS than IDV, LTO and PDI.

Austria (AT) is also situated in the North-West part of the map like Germany but much further from the center. The country is closely connected to the UAI and MAS dimensions but is far away from PDI, LTO and IDV. Compared to Iceland, Austria and Iceland have the UAI dimension in common but are different on the MAS dimension on one hand and IDV, LTO and PDI on the other.

Switzerland (CH) is situated in the South part of the map and is not closely connected to any of the cultural dimensions. Since the vectors should be read in both directions its differentiation is based on low score in IDV (like Ireland). Therefor it can be stated that the culture in Switzerland is characterized by low score in IDV and relatively high scores in MAS and PDI. Based on those five countries Switzerland is the country that is most different from Iceland.

Netherland is situated in the South-East part of the map. The country is closely connected to the PDI dimension but is far away from the MAS dimension and the UAI dimension. This is the country that, based on the cultural dimensions, has much in common with Iceland.

Iceland is situated in the North-East part of the map. The country is closely connected to the IDV dimension but it is far away from the MAS dimension. This indicates that from a cultural perspective Iceland is different from the Germanic cluster and the differentiation is based on its high scores for LTO and low score for MAS.

5. DISCUSSION AND CONCLUSION

The term Nordic refers exclusively to the five Scandinavian countries (Denmark, Finland, Iceland, Norway, and Sweden) with their model of welfare state, common history, culture, religion and similar languages (Eyjolfsdottir and Smith, 1997; Hofstede, 2001; House et al., 2004; Ronen and Shenkar, 1985). However perceptual mapping has indicated that the Nordic countries are different from cultural perspective in relation to Hofstede's five cultural dimensions.

Denmark, Norway and Sweden seem to have more in common than Iceland and Finland and there is a difference between Iceland and Finland based on IDV and MAS dimensions. What Finland and Iceland have in common is the UAI dimension (Gudmundsdottir, Adalsteinsson and Gudlaugsson, 2013).

The results of this study indicate that Iceland differs considerably from other nations within the Anglo and Germanic cluster. When Iceland was compared to the Anglo cluster it was found to be similar in relation to PDI as well as IDV. The UAI dimension was found to be similar as in Australia while Iceland and Ireland seemed to have the LTO in common.

This indicates that from cultural perspective, Iceland is different than the Anglo cluster and the differentiation is based on its high scores for LTO and UAI and low scores for MAS. In relation to the Germanic cluster, Holland seemed to have the most commonalities with Iceland in relation to the PDI, MAS and the UAI dimension. Austria and Iceland had the UAI dimension in common.

However Iceland and Switzerland seemed to have the least in common when comparing Iceland to the Germanic cultural cluster. Further research is encouraged in the field, particularly by comparing Iceland's national culture either to Eastern or Latin European clusters.

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