CROSS-CULTURAL IMPACT ON THE BUDGETING CYCLE: AN EMPIRICAL COMPARISON BETWEEN ANGLO-AMERICAN AND LIBYAN COMPANIES OPERATING IN THE LIBYAN OIL SECTOR

Submitted in fulfilment of the degree of
Doctor of Philosophy

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CERTIFICATION OF DISSERTATION

I certify that the ideas, results, analyses and conclusions reported in this dissertation are entirely my own effort, except where otherwise acknowledged. I also certify that the work is original and has not been previously submitted for any other award, except where otherwise acknowledged.

_________________________    ________________________
Signature of Candidate         Date

ENDORSEMENT

_________________________    ________________________
Signature of Supervisor/s      Date

_________________________    ________________________
Signature of Supervisor/s      Date
DEDICATION

In remembrance of my father and my brothers, Mansur and Ali, God bless and keep them.

For the one without whose prayers and support this would not have been possible, my mother.

And to all my family.
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In the name of Allah, the Beneficent, the Merciful

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ABSTRACT

The Libyan oil industry is a perfect showcase of the impact of globalization and changes in economic, political and cultural integration on the modern business environment. A member of OPEC and owner of the largest oil reserves in Africa, Libya attract foreign investment from a diverse range of countries for exploration, production, transportation, and refining of oil. The Libyan oil industry has exploration and production sharing agreements with companies from, or including as one of its exports customers, countries such as Italy, the United States of America, the United Kingdom, Canada, Australia, Japan, China, Brazil, France, Germany, and Spain. To extend the findings of previous research on the impact of human behaviour on budget processes in accounting, this dissertation examines the impact of culture on organizational budget setting processes, using the diverse multicultural backdrop of the Libyan oil industry to contextualize the contemporary global business environment.

The impact of human behaviour on budget processes in an organization is a well established research stream in the accounting discipline. This topic is enjoying renewed interest in the contemporary business environment as globalization is causing the rapid integration of economic, political and cultural systems across the globe. The management of external and internal environment differences is imperative for multinational companies operating in the global arena. In particular, the management of individual employees’ cultural differences represents a substantial challenge for management at every level of the organization, including the preparation, control and revision of budgets by groups of people from differing cultures.

While there has been much investigation into cultural differences between countries and the impact this has on business relationships, less attention has been paid to the challenges that arise from having a multi-cultural workforce within an organization. In the accounting discipline researchers have investigated the influence of culture on budgeting and budgeting processes in manufacturing and service industries and have identified the need for managers to adapt practices according to localized conditions. This is critical in terms of maintaining their legitimacy and acceptance as perceived by local stakeholders. The most influential obstacle that prevents harmonization in organizational budgeting is
often related to culture or, more specifically to the impact of cultural differences on employees involved in the process.

It is generally assumed that companies within the same industry prepare their budgets with similar goals in mind i.e. to achieve business goals. However, it is not clear to what extent cultural differences like those that surround employees in Libyan and Anglo-American companies operating in the Libyan oil industry, impact on the preparation, control and revision of budgets. The question posed by this study is “How and to what extent do societal cultural dimensions affect the budgeting process undertaken by Libyan and Anglo-American companies operating in the Libyan oil sector”? The study examines individual cultural differences using Hofstede’s (2005) four dimensional model, to understand how and to what extent specific budgeting behaviour can be attributed to cultural differences.

This study applied a mixed-method research design using quantitative and qualitative approaches to determine the differences between local and Anglo-American companies in terms of their budgets and budgeting processes. Aspects of budgeting include participation, voice, explanation, creating slack in budgets, use of rolling budgets, use of flexible budgets, use of budgets for rewards, evaluating performance using variances, actions towards unfavourable variances, and attitude towards budgets. The contribution of the study is in providing new evidence to support the impact of societal culture on voice and explanation in budgeting setting generally and specifically demonstrating the impact of societal culture on other aspects of budgets and budgeting processes in the Arab context which is important in the global oil and gas industry. The results also reveal that Libyans who are working in Anglo-American companies continue behaviours associated with their own culture which manifests itself through their participation, voice and explanation in the budgeting processes. The finding of the study in the Libyan oil sector supports Hofstede’s (2005) cultural dimensions.
Publications arising from this Dissertation

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